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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

Commission File Number 001-40430

FLYWIRE CORPORATION
(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**27-0690799** **(I.R.S. Employer Identification No.)**
141 Tremont St #10 **Boston, MA** **(Address of principal executive offices)**	**02111** **(Zip Code)**

Registrant's telephone number, including area code: (617) 329-4524

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Voting common stock, $0.0001 par value per share	**FLYW**	**The Nasdaq Stock Market LLC (Nasdaq Global Select Market)**

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

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

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

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

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

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

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

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

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

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

As of June 30, 2021, the last business day of the registrant's mostly recently completed second fiscal quarter, the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was $2,418,170,478 based upon the closing sale price of our voting common stock of $36.74 on that date. The voting and non-voting common stock held by each officer and director and by each person known to own in excess of 5% of aggregate outstanding shares of our voting and non-voting common stock has been excluded in that such persons may be deemed to be affiliates. The determination of affiliate status in not necessarily a conclusive determination for other purposes.
As of March 25, 2022, the registrant had 101,017,602 shares of voting common stock, $0.0001 par value per share, outstanding and 5,988,378 shares of non-voting common stock $0.0001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant’s proxy statement for the 2022 annual meeting of stockholders to be filed pursuant to Regulation 14A within 120 days after the registrant’s fiscal year ended December 31, 2021, are incorporated by reference in Part III of this Form 10-K.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K, as well as information included in oral statements or other written statements made or to be made by us, contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, that involve substantial risks and uncertainties. All statements other than statements of historical fact contained in this report, including statements regarding our future results of operations and financial condition, business strategy, and plans and objectives of management for future operations, are forward-looking statements. In some cases, forward-looking statements may be identified by words such as “believe,” “may,” “will,” “potentially,” “estimate,” “continue,” “anticipate,” “intend,” “could,” “would,” “project,” “target,” “plan,” “expect,” or the negative of these terms or other similar expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our future financial performance, including our expectations regarding our revenue, cost and operating expenses, including changes in technology and development, selling and marketing and general and administrative expenses (including any components of the foregoing), gross profit and our ability to achieve, and maintain, future profitability;
- our business plan and our ability to effectively manage our growth;
- our cross-border expansion plans and ability to expand internationally;
- anticipated trends, growth rates, and challenges in our business and in the markets in which we operate;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- political, economic, legal, social and health risks, including the COVID-19 pandemic and subsequent public health measures that may affect our business or the global economy;
- beliefs and objectives for future operations;
- our ability to develop and protect our brand;
- our ability to maintain and grow the payment volume that we process;
- our ability to further attract, retain, and expand our client base;
- our ability to develop new solutions and services and bring them to market in a timely manner;
- our expectations concerning relationships with third parties, including strategic partners;
- the effects of increased competition in our markets and our ability to compete effectively;
- future acquisitions or investments in complementary companies, products, services, or technologies;
- our ability to enter new client verticals, including our relatively new B2B sector;
- our expectations regarding anticipated technology needs and developments and our ability to address those needs and developments with our solutions;
- our expectations regarding litigation and legal and regulatory matters;
- our expectations regarding our ability to meet existing performance obligations and maintain the operability of our solutions;
- our expectations regarding the effects of existing and developing laws and regulations, including with respect to payments and financial services, taxation, privacy and data protection;
- economic and industry trends, projected growth, or trend analysis;
- our ability to attract and retain qualified employees;
- our ability to maintain, protect, and enhance our intellectual property;
- our ability to maintain the security and availability of our solutions;
- the increased expenses associated with being a public company; and
- the future market price of our voting common stock.

Forward-looking statements are based on our management's beliefs and assumptions and on information currently available. These forward-looking statements are subject to a number of known and unknown risks, uncertainties and assumptions, including risks described in the section titled "Risk Factors" and elsewhere in this Form 10-K. Other sections of this Form 10-K may include additional factors that could harm our business and financial performance. Moreover, we operate in a very competitive and rapidly changing environment. New risk factors emerge from time to time, and it is not possible for our management to predict all risk factors nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ from those contained in, or implied by, any forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, achievements, events, or circumstances. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report or to conform these statements to actual results or to changes in our expectations. You should read this Annual Report on Form 10-K and the documents that we have filed as exhibits to this report with the understanding that our actual future results, levels of activity, performance, and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this report, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and you are cautioned not to unduly rely upon these statements.

Unless otherwise noted or unless the context provides otherwise, all references in this Annual Report on Form 10-K to our "common stock" refers to our voting common stock.

PART I

Item 1. Business

Our Mission

Our mission is to deliver the most important and complex payments. In an increasingly digital world, getting paid means Flywire.

Our Company

Flywire is a leading global payments enablement and software company. Our next-gen payments platform, proprietary global payment network and vertical-specific software help our clients get paid and help their customers pay with ease—no matter where they are in the world. Our clients rely on us for our integrated solutions that are both global and local, combine tailored invoicing with flexible payment options, and deliver highly personalized omni-channel experiences. We believe we make generational advances for our clients by transforming payments into a source of value and growth for their organizations while delighting their customers with payment experiences that are engaging, secure, fast, and transparent.

There have been substantial strides made in payments technology in the retail and e-commerce industries; however, massive sectors of our global economy—including education, healthcare, travel, and business to business (B2B) payments—are still in the early stages of digital transformation. We estimate the annual addressable volume for these sectors alone to be approximately $11.7 trillion, as more fully described in “Our Market Opportunity”. We believe Flywire is well-positioned to capture a meaningful share of this global payment volume given our ability to provide deeply-integrated digital solutions that address both domestic and cross-border payments.

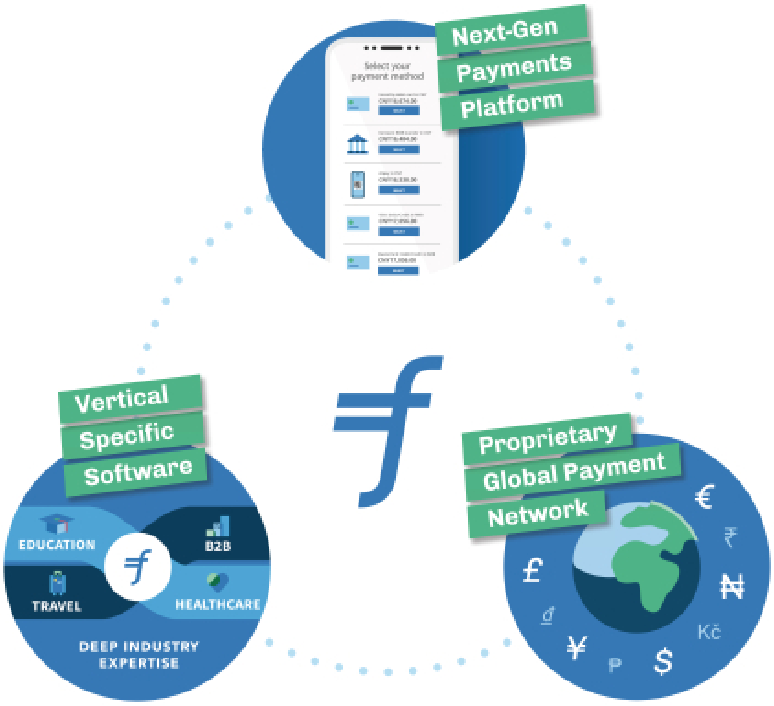
Our clients, and the types of organizations we serve in education, healthcare, travel, and B2B, require payment processes and experiences that can deliver high-stakes, high-value payments and are specifically tailored to their industry, their business, and their customers. Often, payment solutions have a “one size fits all” approach, without regard for the particular nuances and detailed operations of specific verticals. Without Flywire, organizations often invest substantial resources in building their own payment offerings or rely on disparate legacy systems, which not only fail to meet their or their customers’ needs but also divert meaningful resources away from revenue-generating work. When core payment capabilities like invoicing, diverse payment offerings and reconciliation are inefficient, organizations miss the opportunity to use payments to scale and grow their business.

Flywire was founded to solve these challenges. We aim to power the transformation of our clients’ accounts receivable functions by automating paper and check-based business processes in addition to creating interactive, digital payment experiences for their customers. As a result, clients who implement our cross-border and in-country domestic payments and software solutions can experience improved accounts receivable, higher enrollment in payment plans, and a reduction in customer support inquiries. We help our clients turn their accounts receivable functions into strategic, value-enhancing areas of their organizations.

Over the last decade, we have invested significant resources to build a global network of bank, payment and technology partners that enable us to provide end-to-end connectivity between our clients and their customers in many countries around the world. We have engineered our software-driven payments technology stack to meet enterprise-level standards and functionality while delivering simplicity, convenience and ease of use for our clients and their customers. In addition, we have developed personalized communication channels (e.g., short message service (sms), chat, email, text, or phone) to enhance our clients’ ability to engage with their customers through a digital-first user experience. The result of these investments is our *Flywire Advantage*.

Our *Flywire Advantage* is derived from three core elements: (i) our next-gen payments platform; (ii) our proprietary global payment network; and (iii) our vertical-specific software backed by our deep industry expertise.

The Flywire Advantage



- **Next-Gen Payments Platform.** Our platform improves the legacy accounts receivable value chain by facilitating global payment flows across multiple currencies, payment types, and payment options. We do not simply collect payments and track money flows. Rather, our clients integrate our platform into their existing apps and workflows once and have access to a full suite of solutions, including tailored invoicing, settlement and reconciliation tools, single sign-on and checkout, recurring payments, and split payouts. Our platform automates and manages the process from initial invoice delivery through payment settlement and core system reconciliation. In addition, we leverage deep data and analytics to help our clients understand their customers' historic payment behavior, facilitate transaction matching to optimize costs and offer flexible domestic and international payment plans.

- **Proprietary Global Payment Network.** At the core of our business is our network of global, regional and local banking partners which we have been strategically expanding for over a decade. With a single connection to Flywire, our clients have access to a unique set of payment methods including banks, third-party payment providers, payment networks and digital wallets—making it possible to accept and settle payments in over 240 countries and territories and in over 140 currencies. Our global payment network also provides direct connections to alternative payment methods such as Alipay, Boleto, PayPal / Venmo, and Trustly. Regardless of the currency on the invoice received, our clients' customers can pay in their local currency with their preferred payment method. Additionally, our global payment network is optimized for country-specific regulatory and compliance standards which often require vertical-specific functionality and processes to serve our clients and their customers.

- **Vertical-Specific Software Backed by Deep Industry Expertise**. We go beyond payments by offering seamless integration of our software within our clients' existing operating workflows and IT infrastructure. Our team, with decades of industry and domain expertise, designed our cloud-based software to be highly scalable across the types of clients we serve, aiming to solve unique payments and accounts receivable challenges of education, healthcare, travel, and B2B. For example, we have launched over 7,000 client payment portals, each built on our shared payments platform and global payment network but tailored to our clients' brands and needs. In addition, our software solutions include interactive dashboards to manage payments, reporting tools to streamline reconciliation and customer communication tools to personalize and digitize engagement. This enables us to be a hub of omni-channel connectivity, augmenting the relationship between our clients and their customers.

These three core elements of our business fuel a powerful and accelerating flywheel. When we started Flywire, we built a robust payments platform that solved pain points for cross-border payments and delivered simplicity, transparency, and cost-effective solutions. Continued adoption of our payments platform has enabled us to enhance engagement with our clients, create more personalized connections for our clients' customers and extend our reach. Adding new clients and their customers builds our global scale and deepens our knowledge and expertise, enabling us to streamline and automate complex accounts receivable functions. As shown in the illustration below, as the number of clients using our next-gen payments platform grows, we are able to continue to enhance our end-to-end solutions, tailor our vertical-specific software and expand our global payment network to support more local payment types.

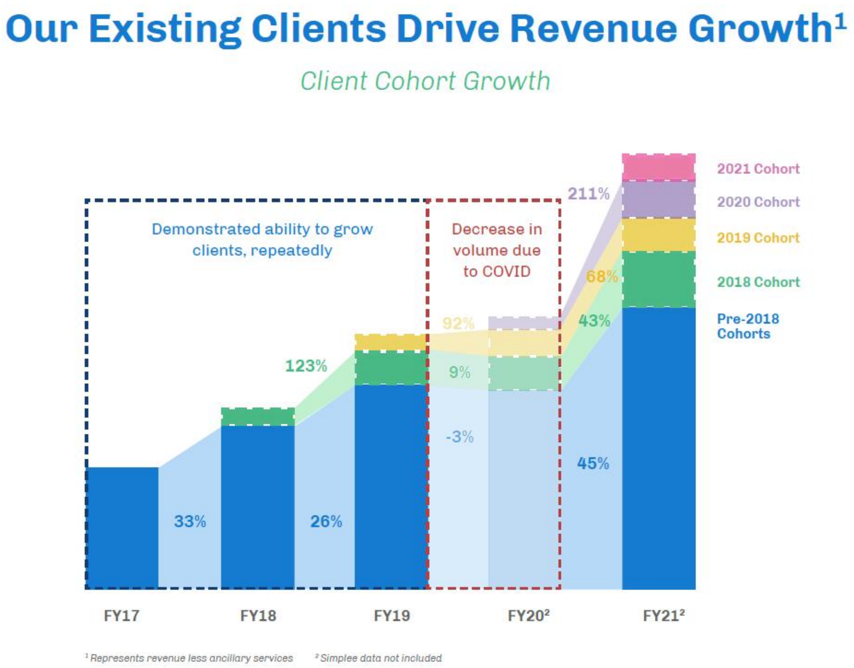
The benefits of our flywheel are visible in the significant scale we have achieved to date. Today, we serve over 2,500 clients around the world. In education alone, we serve more than 2,000 institutions and 2.0 million students globally. In healthcare, we serve more than 80 healthcare systems, including four of the top 10 healthcare systems in the United States ranked by hospital size. In our newer payment verticals of travel and B2B, we have a growing portfolio of more than 300 clients.

Our business model is designed to encourage rapid, widespread utilization of our solutions. We enable our clients to scale the use of Flywire to an unlimited number of customers with favorable unit economics. For the year ended December 31, 2021, we enabled over $13.2 billion of total payment volume across more than 140 currencies. For the year ended December 31, 2020, we enabled over $7.5 billion of total payment volume across more than 130 currencies.

The value of our *Flywire Advantage* has been recognized, with global financial institutions and technology providers choosing to form channel partnerships with us. Our channel partners include financial institutions such as Bank of America Corporation; payment providers such as China UnionPay Co. Ltd. and Adyen N.V.; and software companies that serve as the core systems in our verticals such as Ellucian Company, L.P. in education and Cerner Corporation in healthcare. These partnerships promote organic referral and lead generation opportunities and enhance our indirect sales strategy.

We also reach clients through our direct channel. Our domain-experienced sales and relationship management teams bring vertical expertise and regional and local reach that drives high dollar-based net retention. For the year ended December 31, 2021, our annual net dollar-based retention rate was approximately 140%. For the year ended December 31, 2020, despite the impact of the COVID-19 pandemic on our clients and the industries we serve, our annual net dollar-based retention rate was approximately 100%. For the year ended December 31, 2019, our annual net dollar-based retention rate was approximately 128%. In addition, our client and customer service combines high-tech and high-touch functions backed by 24x7 multilingual customer support, resulting in high client and customer satisfaction. For the year ended December 31, 2020, we had a net promoter score (NPS) of 64, which exceeds the average NPS of traditional financial institutions.

The chart below illustrates the year-over-year increases in aggregate revenue less ancillary services from our clients by cohorts that consist of (1) all clients as of December 31, 2017, which we refer to as the pre-2018 cohort, and (2) new clients that we added during the particular year ended December 31 for each year thereafter, which comprise the cohort for that particular year. We believe that this analysis illustrates that our services can continue to provide value to our clients on an ongoing basis and also demonstrates our ability to grow our business with clients over time. A client is included in a particular cohort based on the year in which a client first receives a payment from their customer using our services. We expect cohort revenue less ancillary services will fluctuate from one period to another depending on, among other factors, our ability to increase revenue less ancillary services from our clients within a given cohort and other changes to products and services we offer to such clients. While we believe these cohorts are a fair representation of our overall client base, there is no assurance that they will be representative of any future group of clients or periods.



We have grown rapidly since our founding. We generated revenue of $201.1 million, $131.8 million and $94.9 million for the years ended December 31, 2021, 2020 and 2019, respectively, and incurred net losses of $28.1 million, $11.1 million and $20.1 million, respectively for those same years. In December 2021, we acquired WPM Group Ltd. (WPM), a leading software provider that enables seamless and secure payment experiences for universities and colleges across the U.K. In February 2020, we acquired Simplificare Inc. (Simplee), a provider of healthcare payment and collections software. Pro forma revenue and pro forma net loss for the year ended December 31, 2020, as if our acquisition of Simplee had occurred on January 1, 2020, was $136.3 million and $13.4 million, respectively.

Benefits of the Flywire Advantage to Our Clients and Their Customers

Flywire sits in between our clients, which include educational institutions, hospitals, travel providers, businesses, and their customers: students, patients, travelers, and businesses. We believe this two-sided relationship makes us strategically important for our clients–who rely on us for their complex accounts receivable needs, and for our clients' customers–who rely on us to deliver their most important payments.

Benefits of the Flywire Advantage to Our Clients

We continuously apply our knowledge and domain expertise in education, healthcare, travel, and B2B payments to expand upon our solutions and meet the specific needs of our clients, while freeing them from cumbersome and legacy financial processes. For our clients, key benefits of our solutions include:

- **Modern customer-focused payment experience.** We enable a convenient and secure online payment experience which can be configured by country, currency, client, and vertical. Our personalization engine leverages our data and applies artificial intelligence (AI) and machine learning (ML) to match the payment preferences of our clients' customers with the right payment options. By streamlining a previously cumbersome and highly-manual process, our clients have the ability to extend transparency to their customers and proactively engage them through their preferred communication methods.

- **Simplify payments complexity.** We address complexity in payments by providing our clients with a "one-stop shop" offering, substantially reducing the need to work with and manage multiple disparate vendors and systems. Our clients can experience a seamless workflow from start to finish with end-to-end visibility, from invoice to payment to receipt and reconciliation. This helps accelerate funds flow while streamlining operational expenses.

- **Processing cost savings and enhanced payments yield.** We leverage our significant global volume and in-house currency hedging algorithms to mitigate our clients' risk from currency fluctuation and reduce incremental payment fees, which we believe results in significant cost savings to our clients' bottom line. Additionally, to optimize affordability for our clients' customers, we design personalized payment plan offers. By providing a better customer experience, our clients can eliminate time-consuming customer calls and make their operations more efficient. We believe this results in our clients getting paid more quickly and consistently.

- **Ease of integration.** Built on open architecture, Flywire integrates with existing systems and technology, allowing clients to consolidate transactions and accounts, automate payment plans and cash management, and optimize processing through aligned billing-related tools. This ease of integration enables our clients to serve their customers better and faster, increasing satisfaction while reducing costs.

- **Trusted expertise and a trusted brand.** Our clients and their customers view Flywire as a trusted technology partner. With deep roots in each industry we serve, our thought leadership, guidance, and innovation in our solutions, have built confidence and advocacy in Flywire throughout our clients and their customers around the world. We believe we bring a new level of transparency, efficiency, and value to industries that are traditionally characterized by complex operations and held back by services of legacy providers. Additionally, we believe the strength of our information security and compliance that underpins our solutions is a core differentiator that drives client trust.

Benefits of the Flywire Advantage to Our Clients' Customers

Our digital-first customer experience is designed to make the process of paying invoices simple. For our clients' customers, key benefits of our solutions include:

- **Superior and simple payment experiences.** Our customer value proposition is simple: we provide a fast and nearly frictionless experience for our clients' customers' most important payments. Providing an integrated experience that leverages single sign-on, our clients' customers can very quickly view real-time account balance updates, receive personalized communication and complete their payments – all as part of a streamlined digital self-service experience. These features can lead to an increase in self-service digital payments and optimized conversion of completed payments.

- **Customer preference.** Using Flywire, our clients' customers can choose their preferred payment method, currency, and communication channel, such as sms, chat, email, text, or phone. We make it possible to accept and settle payments in over 240 countries and territories and in more than 140 currencies, so our clients' customers can choose the way they pay using local payment methods that they are most comfortable using.

- **Flexible on-demand payment options.** We believe we provide favorable and transparent payment plans that can lead to increased engagement and enrollment by our clients' customers. As a result, our clients' customers can spread expenses across smaller, easier-to-manage payments. Our payments platform also enables our clients to offer their customers the choice to either front-load payment plans or provide extension options beyond service delivery.

- **Customer confidence.** Navigating the world of complex cross-border payments can be overwhelming for our clients' customers. With our superior customer experience including around the clock multilingual support, we believe that we give customers the confidence that their payments are delivered securely, accurately, and on time.

How Our Flywire Advantage Works

Our clients' needs extend beyond simple payment processing. Enabling our clients to use enhanced payment functionality to drive business value as well as streamlining and automating their domestic and cross-border payment operations, requires a specialized approach that combines a secure, reliable, and robust suite of payments and software solutions with a seamless customer experience.

To achieve this, we leverage our *Flywire Advantage* and its three core elements: (i) our next-gen payments platform; (ii) our proprietary global payment network; and (iii) our vertical-specific software backed by our deep industry expertise.

Next-Gen Payments Platform

Our next-gen payments platform is designed for payment processes and experiences that can deliver high-stakes, high-value payments. Through a single connection to our platform, we support the entire lifecycle of a domestic or cross-border transaction across online, mobile or in-person channels. This eliminates the need to work with multiple vendors and payment providers.

For the years ended December 31, 2021 and 2020, we enabled over $13.2 billion and $7.5 billion, respectively in payment volume across multiple payment types, including local bank transfer, credit, debit and other alternative payment methods such as Alipay, Boleto, PayPal / Venmo, and Trustly. The majority of our payment volume is not card related and is completed over our global payment network. This reflects the myriad of payment options enabled by our global payment network that are critical for the larger, more complex payments that we handle.

We designed our next-gen payments platform to be:

- **Integrated**. Fully unified and seamlessly connected to a broad range of core operating systems, facilitating easy data capture and compatibility across a broad range of solutions;

- **Flexible**. Supports complex workflows and payment experiences for both in-country domestic and cross-border payments; and

- **Secure**. Leverages Payment Card Industry-validated Point-to-Point Encryption tokenization and other best-in-class and regulatory-compliant security measures.

By utilizing predictive analytics, ML and AI, we handle the complexities of money movement across borders while providing fast, compliant, and transparent receipt of payments. Our AI and ML enabled fraud detection risk engine has trained against millions of automated clearing House (ACH), check, card, and wire transactions. As a result, the enhanced power of our risk engine enables us to mitigate fraud.

Our comprehensive payments offering enables our clients to provide their customers a choice of cost-effective payment methods, currencies, and terms while enjoying a seamless digital experience. Our offering, supported by Flywire's security, risk, and compliance monitoring tools, includes:

- enhanced invoicing, settlement and reconciliation tools that simplify billing and customer payments and better manage cash flow and revenue;

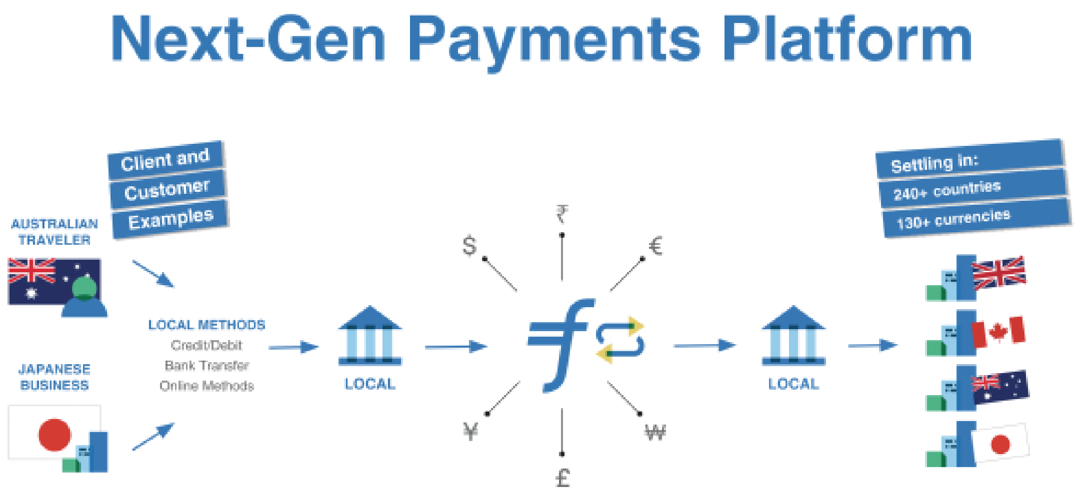
- end-to-end processing, from authorization to clearing to settlement and reconciliation;

- turnkey solution for enhanced and secure single sign-on and checkout;

- recurring, split and flexible payment options, including robust payment plan logic that can be tailored in our vertical-specific implementations; and

- unified reporting and analytics tools through direct integrations to client back-end infrastructure.

Below is a sample funds flow for a traveler from Australia taking a ski vacation in Japan paying in their local currency and with their preferred method of payment, such as a bank transfer of Australian Dollars to Japanese Yen, without incurring hidden fees, and with exchange rate protection. The illustration shows how our next-gen payments platform can be configured and activated at the client level, and deliver a seamless experience from any country of payment or receipt.



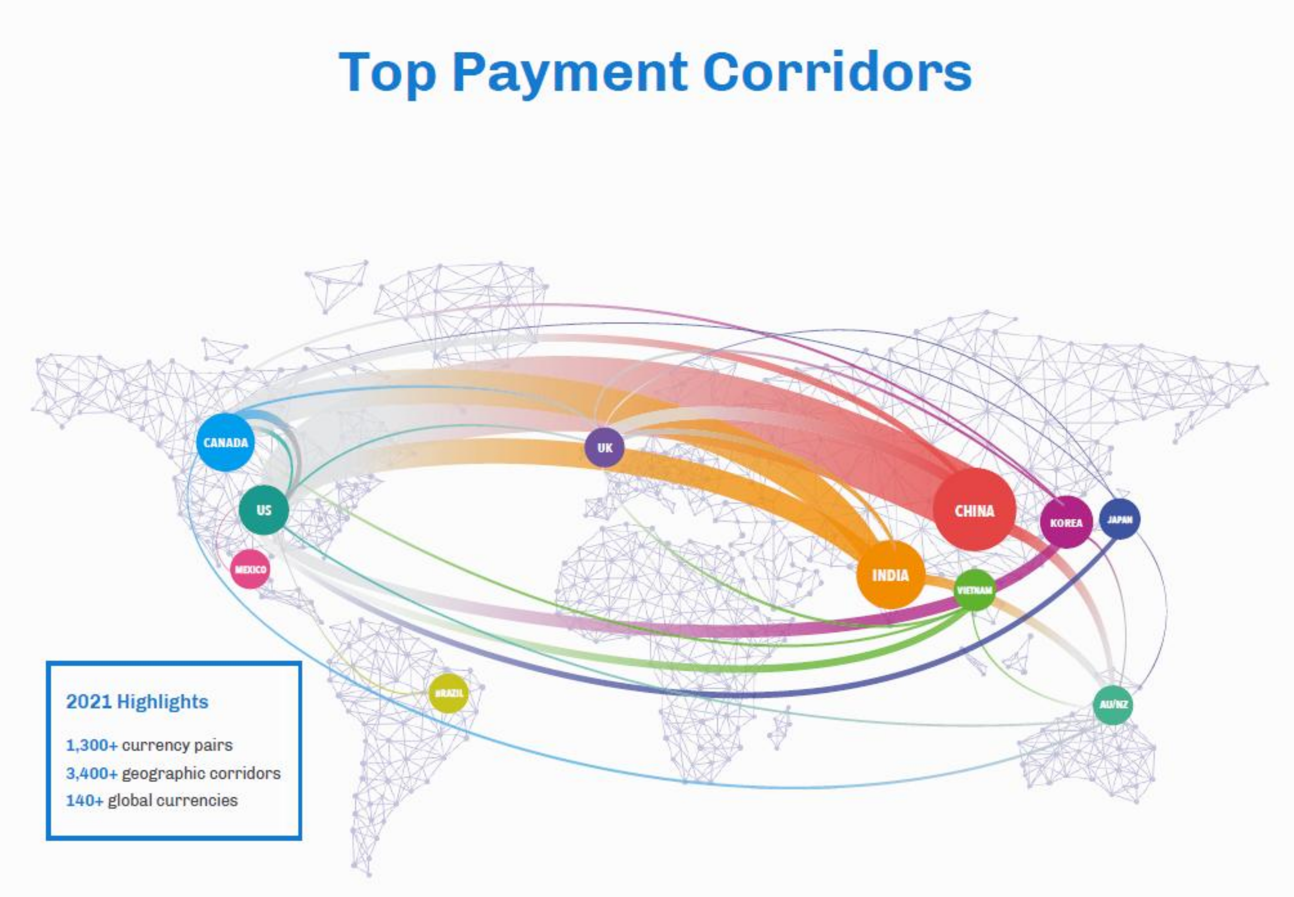
In addition to international expansion, we are accelerating the growth of our in-country domestic accounts receivable business, both by selling new solutions to existing clients and gaining new clients. Many of our clients who successfully use our payments platform to process cross-border payments require a similar solution for in-country domestic payments, which have similar challenges: they are reliant on home-grown or legacy solutions with limited or inflexible capabilities and often require time consuming manual updates. With our payments platform, clients are able to streamline payment processes and offer their customers flexible payment options, without the expense of building their own systems—for both in-country domestic and cross-border transactions.

Proprietary Global Payment Network

Our proprietary global payment network is comprised of global, regional and local banks and technology and payment partners around the world. We believe the extensive global reach and breadth of our network, serving more than 240 countries and territories, provides a strong competitive advantage. Additionally, we have local market knowledge and expertise to enable funds flow in some of the hardest to reach markets. We have also assembled redundant payment rails, wherever possible.

With Flywire's network, our clients can take advantage of our "local-in / local-out strategy"—providing access to pay-in options, such as local bank transfers, card-based payments, and alternative payment methods, while enabling pay-out capabilities in our clients' preferred local payment methods.

We believe our receive-side network sets us apart. Flywire clients, no matter the vertical or market they are in, can receive a single daily payment in their preferred currency that aggregates and reconciles all their customer payments made via Flywire from around the globe—across approximately 3,400 geographic corridors for 2021 representing transaction flows between payers and payees. The illustration below shows our top payment corridors, with a scale of connections denoting the relative payment volume originating from the applicable country.



(1) The chart above represents relative payment volume based on the country from which our client's customer's payment originates. Revenue is recognized by the entity providing the service. As a result, payment volume by originating geography does not correlate with revenue recognition.

Once our clients are connected to our global payment network, they can leverage an extended range of services and capabilities, including:

- **Transaction routing optimized for cost, risk and compliance management**. We leverage the "plug and play" configuration of our global payment network and our proprietary payment-routing engine to analyze costs, currency exchange rates and payment acceptance data. Based on our analytics, we can configure optimal transaction routing that increases authorization rates in a secure and compliant manner, while reducing our processing costs and the costs to our clients' customers.

- **Local clearing capabilities**. Our clients' customers have the ability to authorize and clear transactions in over 240 countries and territories through our connectivity to banks and major payment networks. Payments are made through direct connections to global, regional and local banks or through relationships with our payments partners including Citigroup Inc. These connections and relationships help us create local clearing hubs which enable our clients and their customers to have a local payments experience.

- **Ecosystem of alternative payment methods**. We offer a myriad of alternative payment methods, such as Alipay, Boleto, PayPal / Venmo, and Trustly, to allow customers to choose how they pay. We believe this helps promote greater adoption of our payments platform, higher levels of engagement and satisfaction, and increased value across our ecosystem.

- **Global pay-out**. We enable our clients to automate disbursements and seamlessly settle in over 140 currencies via pay-out options including local currency bank deposits. We believe we are able to settle pay-out more quickly given our end-to-end control and visibility of the transaction process.

- **Tailored and scalable regulatory and compliance infrastructure**. This foundational element underpins our global payment network. We have fraud and transaction monitoring tools designed to accommodate multiple industry verticals. We combine this with the application of know-your customer (KYC) and anti-money laundering (AML) standards that are tailored to meet the applicable requirements of the jurisdictions where our clients operate. In addition, we leverage our in-depth knowledge of the markets in which we operate to execute tactically while complying with local licensing and regulatory requirements.

Vertical-Specific Software Backed by Deep Industry Expertise

We tailor our software to meet the needs of each vertical market we serve. We do so by leveraging our industry expertise and knowledge to develop a comprehensive view of our clients' complex business challenges. We learn to "speak our clients' language" and tailor their invoicing processes and payment options to their specific situations.

We offer deep integration within our clients' existing apps and workflows for seamless payment acceptance and reconciliation. Our integrations, supported by our application programming interfaces (APIs), include some of the largest and most recognized accounting and enterprise resource planning (ERP) systems, such as Ellucian Company, L.P. in education, Epic Systems Corporation in healthcare, Rezdy Pty Ltd in travel, and Oracle Corporation in B2B payments. Through these integrations, our clients are able to reduce the number of banks and technology and payment providers on which they rely, while achieving faster settlements and lower wire and transaction fees.

Specific features of our vertical-specific software include:

- **Vertical-specific digital workflows**. We help our clients automate the accounts receivable process from creation of an invoice, to delivery to the customer, to receipt of funds and synchronization back to their ERP system. In these workflows, we provide enhanced capabilities that improve customer satisfaction and may increase the collectability of amounts owed (e.g., offering patients of a health system the option to create a payment plan if they are unwilling or unable to pay their full amount due in a single payment). We provide timely status updates of financial inflows and outflows by indicating when invoices are delivered, opened, and paid. Our robust reporting tools provide our clients with a real time overview of their business' payments profile.

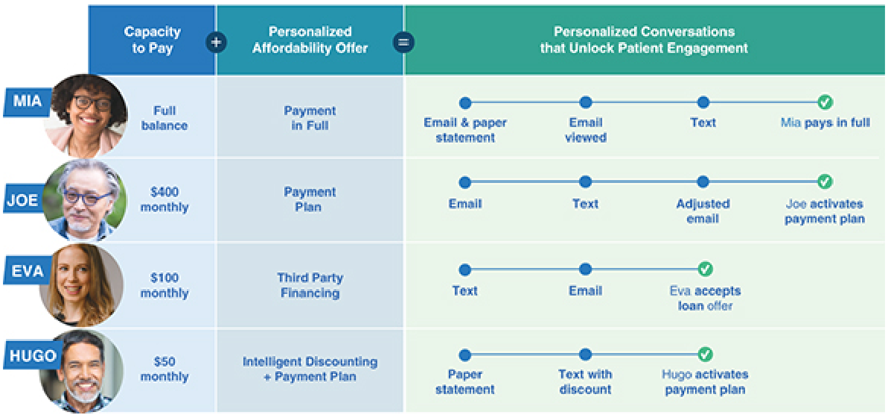
- **Integration and synchronization to core and industry specific systems**. Our software is designed to automate accounts receivable reconciliation by synchronizing customer transactions with our client's accounting and ERP systems. Our synchronization capabilities substantially reduce double data-entry and increase efficiency.

- **Real-time access**. By leveraging our data, our clients can access real-time invoice and payment status updates, facilitate seamless communication with customers and easily track payments from their customers.

- **Predictive analytics**. We have robust predictive analytics capabilities to assess payment transactions across our client base and to intelligently determine the appropriate pricing or payment plans. For example, in healthcare, we have built a personalization engine that enables hospitals and healthcare systems to better predict a patient's capacity to pay and tailor the payment options they are offered, all in accordance with the hospital's business rules.

Below is an illustration of how a large hospital client utilizes our software to personalize patient engagement with payment options and billing conversations. We solve capacity to pay for our clients' customers (with payment plans or other intelligent promotional financing) and we engage with them through their preferred communication methods (e.g., sms, chat, email, text, or phone). In turn, our clients are able to maximize yield on their accounts receivable potential, resulting in higher net payments, lower call volume, lower debt outstanding and most importantly, lower costs and happier patients.

Personalization Journey for our Clients' Customers



Our Industry

We believe Flywire plays a critical role in helping digitize transactions in traditionally underserved markets, facilitating in-country domestic and cross-border invoicing and payments, automating reconciliation, and providing a seamless experience for our clients' customers. Our ability to deliver the most important and complex payments both domestically and internationally has become increasingly valued by our clients due to the following trends:

Globalization—and the rise of a "borderless" economy—requires global, cross-border and local payment and regulatory expertise

As the world becomes more connected, it is both easier and harder to do business. Consumers want to make payments across borders with ease and want to have a personalized experience in their language and in their local currency. Businesses are attempting to satisfy this demand, but we believe they often struggle to deliver truly global capabilities. Providing a solution that meets the needs of our global client base extends beyond simple payment processing. Enabling, streamlining, and automating our clients' in-country domestic and cross-border payment operations requires a specialized approach that combines a secure, reliable, and robust suite of payments and software solutions with a seamless customer experience. We believe we can deliver extensive global reach and bring local market knowledge and expertise to keep up with the rapidly changing payments landscape.

Globalization has also increased the complexity of the regulatory landscape that our clients need to navigate. Consumers and businesses are required to understand and adhere to extensive and often incongruous sets of laws and regulations in both local and cross-border regimes. For example, many countries with significant cross-border flows require distinct paperwork to be collected, validated and recorded as part of currency export compliance for high-value payments. Furthermore, we believe that clients often lack the policies, procedures and systems in order to implement and monitor strict compliance. We believe that the result is often costly and manual review processes, which can also increase the client's risk of penalties and fines. We endeavor to actively manage the global complexities of regulation for our clients' payments while implementing innovative solutions intended to make the entire process more efficient and user-friendly.

The shift to software-integrated digital payments is accelerating

As business and consumer transaction expectations shift with digitization, providers of modern payments platforms with industry-specific software have begun to displace legacy systems. Businesses and consumers have come to expect that all payment flows, especially for high-value services, are settled with the same ease as typical e-commerce purchases. Additionally, we believe the COVID-19 pandemic will serve as a catalyst in accelerating digital transaction volumes as customer preferences continue to shift to contactless, online and mobile. We expect these trends will impact all industries and force many businesses to accept new digital payment methods. We believe fully integrated payments and software solutions, including those provided by us, enable businesses to offer seamless payment experiences, minimize friction at the point-of-sale and respond to evolving customer preferences.

Legacy payment and accounts receivable management infrastructure has significant limitations and is ripe for innovation

Even in some of the largest industries in the world, such as education, healthcare, and travel, legacy payment and accounts receivable infrastructure has not evolved to streamline complexities nor enhance efficiency as demanded by organizations or their customers. This legacy infrastructure has the following limitations:

- **Paper-based.** The accounts receivable process, from creation of an invoice to delivery to the customer, is most often still dependent on paper. This paper-based workflow not only results in payment flows that are slow, error-prone, and less secure, but is also costly for businesses. Organizations that process substantially all of their accounts receivable by automated or electronic means report half the accounts receivable processing costs of those that do not, according to survey data from the American Productivity and Quality Center (APQC). We digitize and automate the accounts receivable process from start to finish, allowing clients to rely on our solutions and save on their accounts receivable transaction and processing costs.

- **Manual.** Legacy workflows require manual input of employees at every stage of the accounts receivable process: from opening an envelope, logging the receipt, getting approvals, cashing the check, to proper accounting and compliance. This repetitive employee engagement significantly slows down payment flows, increases likelihood of error, and is more expensive for businesses. Organizations that automatically generate the vast majority of their invoices reported processing almost twice as many invoices per invoicing full-time equivalent (FTE) compared to those that do not, according to survey data from the APQC. Our clients can easily leverage our solutions for traditional back-office tasks, with less manual labor involved from start to finish.

- **Disparate.** Many businesses deal with multiple accounting and reconciliation systems to process a single transaction flow. According to APQC survey data, inefficient processing of receivables requires almost 2.5 times as many FTE resources compared to top-performing organizations for the same dollar volume. Instead of relying on stacks of disparate technology systems that were not built to work together in the context of a seamless experience, our clients can use our solutions to automatically synchronize customer transactions while leveraging their existing IT infrastructure.

- **Lacking functionality and capabilities that drive value.** A large number of businesses attempt to use their current accounting or ERP systems for accounts receivable management. These systems often lack functional and analytical capabilities to calibrate and present optimal payment options that could improve customer experience and maximize client yield on their accounts receivable. In contrast, our predictive analytics capabilities provide valuable insights to help drive business decisions and allow our clients to tailor their offerings. For example, our clients can see when a payment plan may be helpful to one of their customers, allowing them or their customers to initiate a payment plan. This insight and functionality can ultimately increase the speed and frequency of collection and improve customer satisfaction.

Accelerating digitization of B2B payments

We believe the B2B payments market remains one of the largest untapped opportunities in the payments industry. For the year ended December 31, 2021, only 51% of invoices were electronic according to Ardent Partners, and more than one-third of B2B / government to business payments were made by cash or check according to Mastercard. Few payments and software companies have end-to-end integrated payments solutions including accounts receivable software, omni-channel offerings, cross-border capabilities and other value-added services. Most often, providers only offer one or two of these capabilities and require clients to employ other piecemeal point solutions. The unique combination of our next-gen payments platform, proprietary global payment network, and vertical-specific software enables us to design and deliver a comprehensive suite of solutions that help our business clients get paid by their customers.

Our Market Opportunity

We believe the trend of digitizing payments is inevitable across all industries. When businesses and consumers make payments, they expect a quick and easy process. On the receiving end, businesses expect to accept payments from different sources and countries, and reconcile them from within one system, but without added complexity or additional costs.

Many industries still lack the digital payments infrastructure that is necessary to meet customer demand and solve operational inefficiencies. For example, the majority of healthcare payments are still made by check. Likewise, in education, budget shortfalls and jobs impacted by the COVID-19 pandemic, along with rising tuition costs, have added financial strain and created collections problems.

These inefficiencies are costly. According to a study by Deloitte, middle-market businesses incur $3.3 trillion in operational costs when reconciling invoices as a result of inadequate legacy solutions, such as disparate file formats and lack of back-office support for automated remittances.

Despite these shortfalls, the demand for domestic and cross-border money movement continues to accelerate and global payments present one of the largest market opportunities. For the primary industries we currently serve, we estimate the current addressable market for our solutions to be approximately $1.7 trillion in global payment volume, including education ($660 billion)[(1)], healthcare ($500 billion)[(2)] and travel (approximately $530 billion).[(3)]

Additionally, our B2B payments offering expands the addressable market for our solutions, which we estimate to be over $10 trillion in addressable B2B payment volume[(4)]. Given Flywire's existing penetration of key verticals, ability to integrate with a broad range of core systems and continued investments in our next-gen payments platform, proprietary global payment network, and vertical-specific software, we believe we have the opportunity to capture a meaningful share of this payment volume.

Our Growth Strategy

We believe we have a significant opportunity to build on our success and momentum to date. The key elements of our growth strategy include:

Expand Our Client Reach

- **Grow with existing clients.** We intend to continue to become a more integral part of our clients' businesses as the number of our clients' customers who utilize our solutions increases. Our track record of organic growth with our clients is demonstrated by our three-year average annual net dollar-based retention rate, which was approximately 123% for the years ended December 31, 2019 through December 31, 2021. As our clients transform and digitize their operational workflows, we plan to encourage them to add additional solutions, such as tailored invoicing, payment plans, and eStore marketplace.

- **Continue to win new clients.** We plan to expand our sales and marketing efforts to increase brand awareness and highlight the value of our solutions. We believe this will attract new clients to Flywire and as we add more clients, we can accelerate the effects of our flywheel.

- **Increase payments platform monetization.** We have the opportunity to offer additional complementary payment services to our clients' customers in support of our clients' business goals. We intend to leverage our *Flywire Advantage* by expanding the number of use cases we can address such as handling payables in education, business invoices in hospitals, and commissions in travel.

- **Expand our solution portfolio.** We expect to continue investing in our solution portfolio by expanding the breadth and depth of our payments and software capabilities. For example, over the last year, we introduced various new solutions to help our clients better meet the needs of their customers including pre-service capabilities in healthcare and international payment plans in education.

Expand Our Ecosystem Through Channel Partnerships

While the majority of our clients to date have been acquired by our direct sales team, we expect that continued engagement with channel partners, including financial institutions and providers of enterprise software solutions in our key verticals, will enhance our client acquisition efforts and drive continued growth. We also believe our channel partners, which include consultants specialized in our industry verticals, will help amplify the reach and visibility of our solutions to clients worldwide.

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(1) Based on net household payments to educational institutions in OECD countries in 2020 according to the Organisation for Economic Co-operation and Development and payments made to private education institutions in Southeast Asia in 2015 according to EY Parthenon.

(2) Based on U.S. out of pocket healthcare spending in 2019 according to the Centers for Medicare & Medicaid Services and cross-border healthcare payments in 2020 according to Patients Without Borders.

(3) Based on global travel industry revenue in 2020 according to IBISWorld and management's estimates that approximately 41% of the non-business and professional travel payment volume is addressable by our solutions.
(4) Based on cross-border B2B inflows revenue in 2020 according to Juniper and management's estimates that at least 75% of total B2B payment volume is made by medium to large businesses and is potentially addressable by our solutions.

Expand to New Verticals and Geographies

We leverage our *Flywire Advantage* to scale into new verticals and geographic markets. We have a strong track record of expanding efficiently into new verticals and geographic markets, as we have shown in healthcare, travel, and B2B payments and in the expanded reach of our global payment network. We see a large and significantly underserved opportunity for clients domestically and internationally to benefit from our payments platform, global payment network and vertical-specific software. Additionally, there are other industries, including real estate and government taxes, that we believe are poorly digitized and could benefit from our solutions.

Pursue Strategic and Value-Enhancing Acquisitions

We intend to continue to complement and accelerate our organic growth strategies through acquisitions. We have a successful record of identifying, executing, and integrating acquisitions, and we intend to continue to pursue acquisitions through a highly disciplined approach. We also have the scale to be an attractive and reputable consolidator in the payments markets as evidenced by our ability to retain nearly all of the clients and employees from our UniPay, OnPlan, and Simplee acquisitions. We believe our approach and breadth of experience in integrating culturally-aligned businesses position us to maximize the value we derive from future acquisitions.

Our Flywire Culture and Team

As an organization, our culture is founded on our shared experiences, unique and diverse backgrounds, and belief in our mission to deliver on the most important and complex payments. As a collective team of 665 FlyMates, we strive for excellence as one team, guided by our core values, including:

- **Global collaboration.** We believe in teamwork.
- **Authenticity.** We never compromise on integrity, honesty, and kindness.
- **Fulfillment.** We strive for personal and professional satisfaction.
- **Execution.** We accomplish our goals through collective support and accountability.
- **Ambitious innovation.** We continuously look to deliver more and new value to all our constituents.
- **Evolved learning.** We believe in new challenges and constant growth.

Our leadership team defines our culture and strategy and collectively has decades of experience leading companies through rapid growth at scale. Representing approximately 40 nationalities and spoken languages, our diverse team of FlyMates deliver critical domain expertise and regionally tailored skill sets to our clients 24x7. We believe our team's relentless client focus and adherence to our shared values are evident in our 2020 NPS of 64, and will continue to define our future success.

Our Business Model

We derive revenue from transactions and platform and usage-based fees. Each new student tuition bill, patient visit, travel journey and business invoice, is an opportunity for us to generate fees.

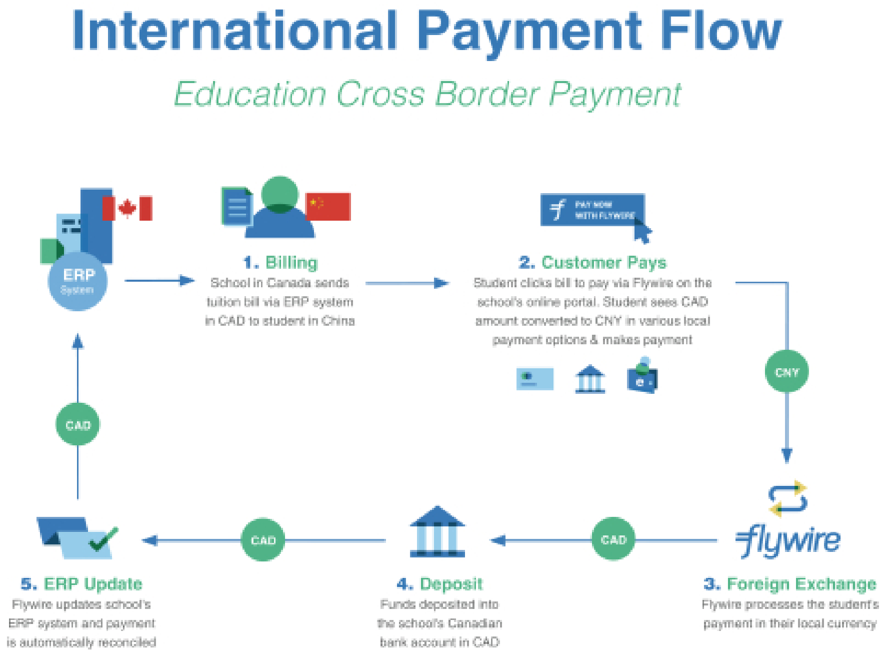
Our revenue is highly re-occurring in nature due to the mission-critical nature of our solutions that are deeply integrated within our clients' existing operating workflows and IT infrastructure. We believe the depth and breadth of our solutions help our clients get paid faster and with less friction. This enables us to develop long-standing relationships with our clients, which in turn also drive strong retention and significant cross-selling opportunities.

An Illustration of Our Solution

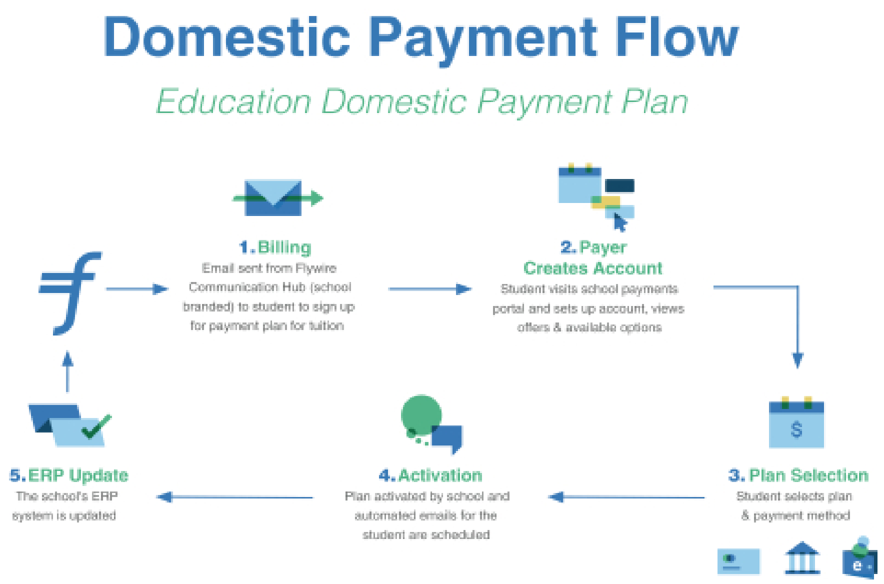
We simplify domestic and cross-border payment transactions for our clients by eliminating the need to work with disparate vendors for invoicing, global pay-in and pay-out, compliance and risk management and more. Through a single connection to Flywire, we enable our clients to securely accept and reconcile payments and engage with their customers.

The illustrations below depict how Flywire manages both international and domestic payments for a representative education client.

International Payment Example: In the first example below, a Chinese student paying their tuition to a Canadian university experiences a seamless process from start to finish—choosing their preferred payment method and currency. For our client, the accounts receivable process is automated and streamlined from invoice to receipt and to reconciliation and real-time ERP updates. For our cross-border payments, we have short term foreign exchange exposure, typically between one and four days; we leverage our in-house currency hedging algorithms, and enter into non-deliverable forward foreign currency contracts, to mitigate the volatility related to fluctuations in the foreign exchange rates. For additional discussion about our foreign exchange exposure, please see “Management’s Discussion and Analysis of Financial Condition and Results of Operations - Quantitative and Qualitative Disclosures About Market Risk”.



Domestic Payment Example: The example below illustrates the process of offering payment plans to domestic students, which can be set up by either the school or the student.



From the same payments platform, we manage the entire payment process for our clients with the only difference being the type of payment offering selected to meet the needs of their customers, whether that be international or domestic.

Our Go-To-Market Strategy

Our direct sales channel is core to our go-to-market strategy. We believe that regional, vertical, and broader domain expertise, as well as continued client management, are critical to our sales success. Our regional sales teams are located in the United States, Canada, Latin America, Europe, and the Asia Pacific region including Singapore, Japan, and Australia. Our relationship management team augments direct sales capabilities by cultivating existing relationships and identifying cross-sell and up-sell opportunities of additional solutions, contributing to our strong dollar-based net retention rate. We believe that our ability to understand the nuanced pain points of education, healthcare, and travel accounts receivable is a strategic advantage enabling us to gain clients in those verticals, while our broader domain expertise in payments, treasury, and banking is critical to executing on our broader B2B payments expansion.

We focus our sales and marketing efforts on generating leads to develop our sales pipeline, building brand and vertical awareness, scaling our network of partners, and growing our business from our existing client base. Our sales leads primarily come through inbound digital channels including our website, content marketing efforts, lead generation and account-based marketing tactics, virtual events, and industry trade shows and associations.

We typically follow a “land-and-expand” strategy as our clients engage with us on more than one solution as we grow our partnership. For example, in education we have a high success rate expanding beyond solving cross-border payments needs, with clients also adopting our domestic solutions or full-suite enterprise solution. Once our clients experience the depth of our ability to handle their multi-faceted accounts receivable and payments needs, our relationship managers are able to successfully cross-sell and up-sell other solutions, creating a large avenue of revenue generation with minimal incremental acquisition cost.

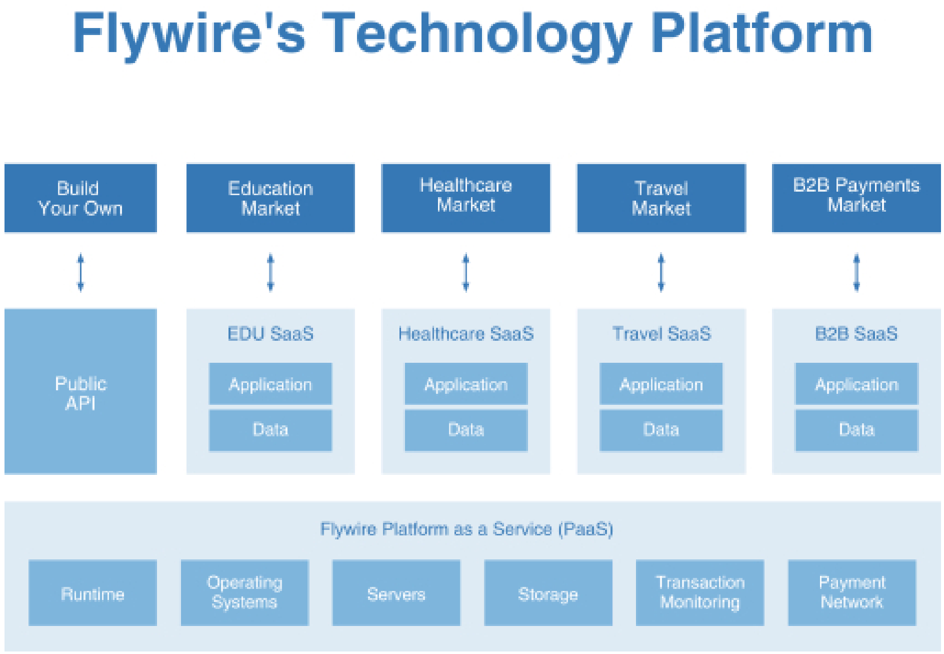
We also reach clients indirectly through our channel partnerships, integrations with workflow software, and other technology providers. Our channel partners include financial institutions, such as Bank of America Corporation, as well as a number of referral partners such as Tribal Group and Cerner Corporation. Additionally, Flywire has integrations with leading accounting and ERP systems, such as Oracle Corporation, Ellucian Company, L.P., Epic Systems Corporation and Rezdy Pty Ltd.

Our Technology and Architecture

Our unified technology is at the core of our *Flywire Advantage*. The scale and complexity of the product implementation challenges that we address for our clients and their customers cannot easily be addressed through today’s legacy systems and outdated infrastructure. Instead, it requires our combination of a modern technology stack, cloud-native infrastructure, and investment in product and engineering management talent.

Our engineering approach includes a DevOps culture, microservice architecture, continuous delivery, and the use of containers to enable shorter development lifecycles. We also operate independently-deployable services that are critical to supporting verticals and reliability across operating environments. Our product and engineering leadership team has a long history of payments and payments technology experience, with domain expertise across our verticals.

Our technology stack is comprised of the following:



Payments-as-a-Service

Our next-gen payments platform includes the infrastructure required to support more than just simple money flows:

- **Payment services**. Our technology to capture the payment from our clients' customers.
- **Enabling services**. Our proprietary pricing engine, foreign currency exchange hedging infrastructure, and ML technology to manage fraud and AML risk.
- **Transaction processing services**. Our routing capabilities enabled by our automated technology to deliver on-time payments to the appropriate destination.

Software-as-a-Service

Our vertical-specific software leverages our payments platform to provide industry specific solutions and deliver "last mile" connectivity to our clients' operating systems and their customers. Our applications address complex billing and domestic and cross-border payment processes, while delivering a near seamless payment experience. Additionally, our personalization engine, delivered as a software solution and leverages our AI and ML and deep analytics systems.

Public Application Programming Interface (API)

We recently launched a direct public API that sits on top of our payments platform. For organizations of all sizes, from smaller businesses to larger enterprises who want to control the customer experience, we can expose our API for easy integration, significantly reducing the time to realize advantages from the use of our solution. This public API capability significantly enhances our ability to scale and to execute on our growth strategies.

Our technology is designed for speed, resilience and reliability. We believe we demonstrated our ability to scale when we entered the broader B2B market and were able to leverage engineering solutions and APIs in our other verticals, including a native module integrated into NetSuite. Our technology enables us to process transactions in real-time, regardless of origin, destination or amount. For example, in education, our deep, customized integrations within our clients' systems can lead to the difference between on-time enrollment or missed registrations—a difference that cannot be delivered through batch processes that are not posted instantaneously. We leverage Amazon Web Services (AWS) for our cloud redundancy, and tools such as Site24x7, Pingdom, Cloudflare, and PagerDuty for an uninterrupted experience for our clients.

Our Compliance and Risk Management Foundation

We have a dedicated compliance and risk management function. We have implemented the practices to help us protect our business and assure our clients and payment partners that our processes are compliant and meet or exceed their exacting standards, including advanced and agile practices for risk governance and a monitoring program that leverages key data inputs and software. We have robust AML, suspicious activity reports (SARs) and client KYC procedures. We also devote considerable resources to our data and cyber security. In addition, we possess key certifications across the verticals we serve, which we believe is an important aspect of why our clients choose to work with us. These audit-tested certifications and risk program features, which in many cases apply with specificity to the verticals we serve, include: third party certifications for Service Organization Control 2, Payment Card Industry Data Security Standard (PCI DSS), and Americans with Disabilities Act (ADA) compliance, as well as systems and processes designed to ensure compliance with the General Data Protection Regulation (GDPR) in Europe, the Data Security Law and Personal Information Protection Law in China, the California Consumer Protection Act (CCPA), the Personal Information Protection and Electronic Documents Act in Canada, Family Educational Rights and Privacy Act (FERPA), and Health Insurance Portability and Accountability Act (HIPAA), among others.

Our experienced team, coupled with our advanced technology and software tools, helps us navigate the challenges of global payments in a compliant manner:

- ***Local and global regulatory regimes****.* We believe we are able to react nimbly to global and local regulatory changes that affect our business. For example, we managed potential Brexit implications and were able to obtain additional licensing in Europe so that our critical services to our clients and their customers would not be impacted.

  Locally, we often work with licensed and regulated payment service providers (PSPs) to bring more familiar solutions to our clients' customers and to leverage their regulatory insight. This insight can be a valuable tool to deliver differentiated services to our clients to help them stay in front of laws that may impact their business. For example, in India, we addressed new tax withholding requirements for our clients' customers and deployed a solution to help with their education-related payments.

- ***Currency controls and exemptions****.* We have developed robust controls to comply with the requirements of handling cross-border payments. For example, in certain jurisdictions where it is required, we are able to help track and prove purpose-driven payments through digital document collection and verification integrated with our clients' systems.

- ***Transaction-level risks****.* Our payments platform subjects payments to a series of controls, to mitigate the risk of facilitating fraud, money laundering, or transactions subject to sanctions. Payment information, historical activity and user behavior are utilized to identify potentially fraudulent transactions. All payments are monitored for suspicious behavior consistent with money laundering or terrorist financing, and all alerted activity is investigated by our internal team of experienced analysts. We also screen sender and receiver information, along with geolocation data, against relevant international watch lists.

In addition, we have FlyMates in the compliance and risk management function located around the world where we have operations to address the needs of the business in real-time.

Competition

Our primary competition consists of legacy payment methods such as traditional bank wires provided by local, regional and global banks and money transfers from remittance companies. Other competitors include integrated payment providers focused on cross-border payments; B2B payments platforms; and vertical-specific software solutions offered by local niche players.

We believe many legacy payment providers are hindered by limitations such as antiquated technology systems, insufficient solution and service offerings, poor user experiences, and unsatisfactory client and customer support. Our modern technology stack, combined with our innovative and flexible suite of solutions, addresses many of the issues that clients face today, including:

- friction in client and customer experiences;

- lack of a scaled global network;

- limited software and payments offerings;
- inability to adapt to new technology; and
- unsophisticated fraud prevention and risk management tools.

We believe that we compete favorably on the basis of these factors.

Intellectual Property

We protect our intellectual property through a combination of trademark, copyright, and trade secret laws, as well as confidentiality procedures and contractual restrictions, to establish and protect our proprietary rights both domestically and abroad. These laws, procedures and restrictions provide only limited protection. We endeavor to enter into agreements with our employees, consultants and contractors and with parties with whom we do business in order to acquire intellectual property rights developed as a result of service to Flywire, as well as to limit access to and disclosure of our proprietary information.

We actively pursue registration of our trademarks, logos, service marks, trade dress, and domain names in the United States and in other jurisdictions. As of December 31, 2021, we had 106 registered trademarks and trademark applications, and were the registered holder of a variety of U.S. and international domain names.

From time to time, we also incorporate certain intellectual property licensed from third parties. Even if any such third-party technology was not available to us on commercially reasonable terms, we believe that alternative technologies would be available as needed.

For additional information about our intellectual property and associated risks, see the section titled “Risk Factors–If we fail to adequately protect our proprietary rights, our competitive position could be impaired and we may lose valuable assets, generate less revenue and incur costly litigation to protect our rights.”

Regulation and Industry Standards

Various aspects of our business and service areas operate in a quickly evolving regulatory environment, and are subject to U.S. federal, state, and local regulation, as well as regulation outside the United States. Certain of our services also are subject to rules promulgated by various card networks and other authorities, as more fully described below. These descriptions are not exhaustive, and these laws, regulations and rules frequently change, are subject to differing interpretations or enforcement, and are increasing in number.

We are registered as a Money Service Business (MSB) with the U.S. Department of the Treasury’s Financial Crimes Enforcement Network (FinCEN) and are subject to the Bank Secrecy Act of 1970, as amended by the USA PATRIOT Act of 2001, and its implementing regulations, collectively, the BSA, and certain obligations contained therein, including, among other things, certain record-keeping and reporting requirements, and examinations by FinCEN.

The BSA is the primary compendium of U.S. laws and regulations regarding AML and countering the financing of terrorism (CFT). As required under the BSA, we have implemented and continue to expand an AML and CFT program designed to prevent our payments platform from being used to facilitate money laundering, terrorist financing, and other financial crimes. Our program is also designed to prevent our payments platform and global payment network from being used to facilitate business with certain individuals, entities, countries, and territories that are subject to economic or trade sanctions that the U.S. Department of the Treasury’s Office of Foreign Assets Controls (OFAC) and various foreign authorities administer or enforce. Our AML and CFT compliance programs include policies, procedures, and controls that are designed to address these legal and regulatory requirements and to assist in detecting and preventing the use of our payments platform to engage in money laundering or terrorist financing activity. Program elements include, without limitation, the designation of a BSA/AML Officer to oversee the programs, KYC procedures, processes to detect and report suspicious activity, sanctions screening, employee training, annual third-party independent testing, and risk-based procedures for conducting ongoing customer due diligence.

If our compliance programs are found to be deficient, we could lose key relationships with banks, merchant acquirers, and other payment partners on which we rely to carry out our business. Fines, penalties or sanctions for the violation of AML and CFT laws and regulations may be severe and our efforts to remediate issues may be costly, may result in diversion of management and staff time and effort, and may still not guarantee compliance.

Most states in the United States require a license to offer money transmission services. We have taken the position that Flywire's business to date is exempt from licensure under various state money transmission laws, either expressly as a payment processor or agent of the payee, or pursuant to common law as an agent of the payee. We actively work to evaluate, and if applicable, comply with new license or regulatory requirements as they arise. Although we believe we have defensible arguments in support of our positions under the state money transmission statutes, we have not expressly obtained confirmation of such positions from all of the state banking departments who administer the state money transmission statutes. It is possible that certain state banking departments may determine that our activities are not exempt from licensure. In the past, certain competitors have been found to violate laws and regulations related to money transmission, and they have been subject to fines and other penalties by regulatory authorities. Regulators and third-party auditors have also identified gaps in how similar businesses have implemented AML and CFT programs. The adoption of new money transmitter or MSB statutes, or changes in regulators' interpretation of existing state and federal money transmitter or MSB statutes or regulations, could subject Flywire to new registration, licensing or other requirements. Any determination that Flywire is in fact required to be licensed under such state money transmission or MSB statutes may require substantial expenditures of time and money and could lead to liability in the nature of penalties or fines, as well as cause us to be required to cease operations in some of the U.S. jurisdictions we serve.

We are in the process of procuring money transmitter licenses (or the statutory equivalent) in those U.S. jurisdictions that require them in order to be able to offer additional business lines in the future. We have procured and maintain money transmitter licenses in 41 U.S. jurisdictions, and actively work to comply with new license requirements as they arise. These licenses subject us, among other things, to record-keeping requirements, reporting requirements, bonding requirements, limitations on the investment of customer funds, and examination by state regulatory agencies. Any actual or perceived failure to comply with legal and regulatory requirements related to our money transmitter licenses may result in, among other things, revocation of required licenses, regulatory or governmental investigations, administrative enforcement actions, civil and criminal liability, and constraints on our ability to continue to operate.

Similar regulatory requirements exist in other markets where we do business. For example, local Flywire entities are licensed as Authorised Payments Institutions in each of the United Kingdom (U.K.) (regulated by the Financial Conduct Authority (FCA)) and Lithuania (regulated by the Bank of Lithuania (BOL)), and Australia (regulated by the Australian Securities & Investments Commission (ASIC)). When serving clients in these regulated markets, we are generally required to implement governance structures, AML and CFT programs and KYC standards that are different from those in the U.S., and which incorporate local or European Economic Area (EEA) requirements. The FCA in particular has been an active regulator, and as a result of Brexit, we were able to both obtain a license from the BOL and continue to serve our EEA clients through the "passporting" principle without any interruption of service. In other non-U.S. markets, we are able to serve clients in locations that either do not require Flywire to obtain a license or pursuant to a specific exemption issued by the applicable regulator.

In addition, several jurisdictions where our clients' customers reside impose currency export controls (e.g., China and India), taxation at source or other documentation requirements before money can be converted into destination currency and sent abroad. Generally, our local payment partners in these locations will assist in ensuring the customers meet these requirements, but it is often the case that we need to ensure that the Flywire payment experience accommodates the unique and ever-changing regulatory environments where our clients' customers are located.

There are also a number of U.S. federal and state consumer finance and consumer protection laws that may impact Flywire's business. States have a myriad of statutes and case law precedent addressing when credit card surcharges or convenience fees may be imposed by third-party service providers and under what circumstances they are prohibited. In addition, Dodd-Frank created the Consumer Financial Protection Bureau (CFPB), which has assumed responsibility for implementing and enforcing most federal consumer financial protection laws and a prohibition on unfair, deceptive and abusive acts and practices. Several of these laws apply to some of Flywire's clients, and in some cases, Flywire is contractually obligated to ensure its services do not violate these laws, even though Flywire is not directly subject to them. For example, the Truth in Lending Act of 1968 (TILA) is a U.S. federal law that applies to creditors and is designed to promote the informed use of consumer credit. Although Flywire is not in the business of extending credit or charging interest on the payments it helps its clients collect, when Flywire clients extend credit subject to TILA, TILA may require our clients to provide disclosures to their customers about consumer credit terms and costs in a format specified by the CFPB. Our payment installment plan functionality utilized by our clients in healthcare and education often requires that our payment experience accommodate these disclosure obligations that attach to our clients. Our business may also be subject to the Fair Credit Reporting Act (FCRA) which regulates the use and reporting of consumer credit information and imposes disclosure requirements on entities that take adverse action based on information obtained from credit reporting agencies. We could be liable if our practices governed under the FCRA are not in compliance with the FCRA or its regulations.

The Electronic Fund Transfer Act (EFTA) also imposes substantive disclosure and error resolution obligations on entities that facilitate electronic fund transfers and international remittance transfers. We could be liable for violating EFTA if we fail to comply with these requirements when they apply to us. We do not believe other laws that are implemented by the CFPB, including the Equal Credit Opportunity Act and the Fair Debt Collection Practices Act apply to us. If these determinations are wrong, interpretations of these statutes change, or we expand or change our solutions, we may be subject to the restrictions imposed by these laws. Should our business or solutions change in a way that did subject us to the CFPB's jurisdiction, we would be subject to increased scrutiny of our business and consumer compliance practices.

Separately, the Telephone Consumer Protection Act of 1991 (TCPA) and similar state and federal laws contain extensive rules relating to communication by telephone, such as detailed requirements relating to granting and revocation of consent and "opt-in" or "opt-out" thresholds for receipt of communications, and these requirements are often changing and the subject of high-profile litigation. Our services include features regulated by the TCPA and similar laws (e.g., calls made from automated dialing systems, texts confirming receipt of payment, status updates or due dates, appointment reminders) and we can be liable for penalties, or subject to litigation or contractual indemnification obligations, if we do not comply with them.

Flywire is also required to navigate card network rules and other requirements of self-regulatory organizations, such as ACH payment networks. We rely on our varied network of merchant acquirer relationships to access the payment card networks such as Visa and Mastercard, which enable our acceptance of credit cards and debit cards. We pay fees to our merchant acquirers for such services.

Visa, Mastercard and other card networks set complex and evolving rules and standards with which we must comply—often referred to as "card network rules". We also have relationships with American Express, Japan Credit Bureau (JCB) and China Unionpay, which impose similar obligations on us. The payment networks and their member financial institutions routinely update, generally expand and modify requirements applicable to merchant acquirers and their customers, including rules regulating data integrity, third-party relationships, merchant chargeback standards and compliance with the PCI DSS. PCI DSS is a set of requirements designed to ensure that all companies that process, store, or transmit payment card information maintain a secure environment to protect cardholder data. Under certain circumstances, we are required to report incidents to the card networks and other authorities within a specified time frame. Any changes in card network rules or standards that increase the cost of doing business or limit our ability to provide processing services to our merchants will adversely affect the operation of our business.

If we or our merchant acquirers fail to comply with the card network rules or other applicable rules and requirements of the card payment networks, Visa or Mastercard or our other card providers could suspend or terminate our registration. Further, our transaction processing capabilities, including with respect to settlement processes, could be delayed or otherwise disrupted, and recurring non-compliance could result in the payment networks seeking to fine us, or suspend or terminate our registrations which allow us to process transactions on their networks, which would make it impossible for us to conduct our business on its current scale.

Under certain circumstances specified in the card network rules, we may be required to submit to periodic audits, self-assessments, or other assessments of our compliance with the PCI DSS. Such activities may reveal that we have failed to comply with the PCI DSS. In addition, even if we comply with the PCI DSS, there is no assurance that we will be protected from a security breach or other cybersecurity incident.

The termination of our registration with the payment networks, or any changes in payment network or issuer rules that limit our ability to provide card payment alternatives to our clients' customers could have an adverse effect on our payment processing volumes, revenues and operating costs. If we are unable to comply with the requirements applicable to our settlement activities, the payment networks may no longer allow us to provide these services and we would lose a substantial portion of our revenues.

We are also subject to the National Automated Clearing House Association (NACHA) operating rules. NACHA is a self-regulatory organization which administers and facilitates private-sector operating rules for ACH payments and defines the roles and responsibilities of financial institutions and other ACH network participants. The NACHA Rules and Operating Guidelines impose obligations on us and our partner financial institutions particularly when we instruct our partner institutions to debit a third party's account. These obligations include audit and oversight by the financial institutions and the imposition of mandatory corrective action, including termination, for serious violations. If an audit or self-assessment of PCI DSS or NACHA compliance identifies any deficiencies that we need to remediate, the remediation efforts may distract our management team and other staff and be expensive and time consuming.

Similarly, our ACH sponsor banks have the right to audit our compliance with NACHA's rules and guidelines and are given wide discretion to approve certain aspects of our business practices. Like the payment networks, NACHA may update its operating rules and guidelines at any time, which could require us to take more costly compliance measures or to develop more complex monitoring systems. The NACHA rules permit transactions to be returned under certain circumstances. If too many of our transactions are returned, our ability to access the ACH system could be impaired by our partner financial institutions. Our partner financial institutions could similarly change their interpretation of NACHA requirements, which could require costly remediation efforts and could prevent us from continuing to provide services through such partner financial institutions until we remediate issues to their satisfaction.

We collect and use a wide variety of information (including personal information) for various purposes in our business, including: (i) to help ensure the integrity of our services, (ii) to meet KYC, transaction monitoring, AML and CFT standards, and (iii) to provide features and functionality to our clients and their customers. This aspect of our business, including the collection, use, disclosure, and protection of personal information we acquire in connection with the use of our services, is subject to numerous laws and regulations in the United States and globally. Regulation and proposed regulation in this area has increased significantly in recent years and is expected to continue to do so.

In addition to numerous privacy and data protection laws already in place, U.S. states are increasingly adopting laws modeled on the GDPR that impose comprehensive privacy and data protection obligations. For example, the CCPA, which became effective on January 1, 2020, gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing and receive detailed information about how their personal information is used, and it imposes other requirements as well. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches. Colorado, Virginia and Utah have recently joined California in enacting privacy and data protection legislation that impose additional obligations on businesses related to the collection, storage and utilization of third party information, as well as the reporting of data breaches. All 50 states, Puerto Rico, and the U.S. Virgin Islands (similar to many of the other countries where we do business), have passed laws regulating the actions that a business must take if it experiences a data breach, such as prompt disclosure to affected individuals, consumer reporting agencies, or governmental agencies. In addition, we are subject to laws in the U.S. and abroad restricting or placing conditions on our ability to collect and utilize certain specific types of information, such as Social Security and driver’s license numbers.

Many of the foreign jurisdictions where we or our customers do business, including the European Union (E.U.), have laws and regulations dealing with the processing of personal information, which in some cases are more restrictive than those in the United States. In addition to regulating the processing of personal information within the relevant jurisdictions, these legal requirements often also apply to the processing of personal information outside these jurisdictions, where there is some specified link to the relevant jurisdiction. For example, Flywire has multiple offices in Europe and serves clients and their customers throughout the E.U., where GDPR went into effect in 2018. The GDPR, which also is the law in Iceland, Norway, Liechtenstein, and—to a large degree—the U.K., has an extensive global reach and imposes robust obligations relating to the processing of personal information, including documentation requirements, greater control for data subjects (e.g., the “right to be forgotten” and data portability), security requirements, notice requirements, restrictions on sharing personal information, data governance obligations, data breach notification requirements, and restrictions on the export of personal information to most other countries. Fines of up to 20 million Euros or up to 4% of the annual global revenue of a noncompliant corporate family, whichever is greater, could be imposed for violations of certain of the GDPR’s requirements, and private claims also are possible.

Recent legal developments have created compliance uncertainty regarding some transfers of personal information from the U.K. and EEA to locations where we or our customers operate or conduct business, including the United States and potentially Singapore. Under the GDPR, such transfers can take place only if certain conditions apply or if certain data transfer mechanisms are in place. In July 2020, the Court of Justice of the E.U. ruled in its *“Schrems II”* decision (C-311/18), that the Privacy Shield, a transfer mechanism used by thousands of companies to transfer data between those jurisdictions and the United States (and also used by Flywire), was invalid and could no longer be used due to the strength of United States surveillance laws. In September 2020, the Federal Data Protection and Information Commissioner of Switzerland (where the law has a similar restriction on the export of personal information) issued an opinion concluding that the Swiss-U.S. Privacy Shield Framework does not provide an adequate level of protection for data transfers from Switzerland to the United States pursuant to Switzerland’s Federal Act on Data Protection. We and our customers continue to use alternative transfer strategies including the European Commission’s Standard Contractual Clauses (SCCs) while the authorities interpret the *Schrems II* decision and the validity of alternative data transfer mechanisms. The SCCs, though previously approved by the European Commission, have faced challenges in European courts (including being called into question in the *Schrems II* decision), and may be further challenged, suspended or invalidated for transfers to some or all countries. For example, guidance regarding *Schrems II* issued by the European Data Protection Board (which is comprised of representatives from every E.U. member state’s top data protection authority) have cast serious doubt on the validity of SCCs for most transfers of personal information to the United States. The *Schrems II* decision and related enforcement actions or other legal developments in this area could subject us to negative financial consequences, such as fines, penalties, loss of customers, and the need to engage in costly restructuring of our business and IT operations and restructuring of our relationships with service providers and other partners.

In Asia, there has been an increase in both regulation and enforcement of privacy laws. The Act on Protection of Personal Information originally enacted in June 2020 by the Japanese government, was amended and will come into effect on April 1, 2022 (Amended APPI). Since the passage of the Amended APPI, a number of implementing regulations and supporting documents have been released, addressing the requirements for transferring personal data outside Japan, notifying security breaches and creating pseudonymous information exempt from certain obligations under the Amended APPI.

China passed its new Data Security Law (DSL) in June 2021 and its new Personal Information Protection Law (PIPL) in August 2021. Both new laws impact every business operating in or doing business with China, coupling extensive obligations with respect to the processing of all types of data, with potentially significant penalties for noncompliance. With the promulgation of the DSL and PIPL, China has tightened up regulation on collection, processing, sharing and cross-border transfer of personal data and important data such as financial data. The new data security regime has an extraterritorial effect and imposes additional compliance obligations with respect to processing (in and outside China) of personal data of Chinese individuals and other data which may be viewed sensitive or important. These regulations apply not only to our client's payers who are Chinese nationals (such as students seeking to study abroad) but also China-based employees as well as third party business partners.

We have taken steps to address compliance obligations that apply to us under the Amended APPI, the DSL and PIPL but cannot assure you that such steps will be effective, and we may face the risk of increased costs, liability and loss of business.

There are also regulations that require that access to websites be safe and accessible for people with disabilities. The ADA contains certain standards (most commonly referred to as Section 508 Standards) that apply to federal government websites as well as to websites that may be provided by institutions that are recipients of federal funding. Many of our clients (principally higher education clients in the U.S.) receive support from U.S. federal agencies, and require that our payment experience be accessible and conform to the Section 508 Standards and the World Wide Web Consortium (W3C) Web Content Accessibility Guidelines 2.0 Level AA. Our payment experience is ADA-compliant, and we arrange for third-party audits to ensure that we continually conform to these standards. As we modify our user interface to improve or add features and functionality to our payment experience, we must continue to account for ADA compliance when required.

Human Capital and Employees

As of December 31, 2021, we had 665 full-time employees. We also engage part-time and temporary employees, as well as consultants as needed to support our operations. As an organization, our culture is founded on our shared experiences, unique and diverse backgrounds, and belief in our mission to deliver on the most important and complex payments. We strive for excellence as one team, guided by our core values, including, global collaboration, authenticity, fulfillment, execution, ambitious innovation and evolved learning. Representing approximately 40 nationalities and spoken languages, our diverse team of FlyMates deliver critical domain expertise and regionally tailored skill sets to our clients 24x7. Our leadership team defines our culture and strategy and collectively has decades of experience leading companies through rapid growth at scale.

None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages and we consider our relations with our employees to be good.

Our human capital resources objectives include, as applicable, identifying, recruiting, retaining, incentivizing and integrating our existing and additional employees. The principal purposes of our equity incentive plans are to attract, retain and motivate selected employees, consultants and directors through the granting of stock-based compensation awards and cash-based performance bonus awards.

Corporate Information

We were initially formed in July 2009 as peerTransfer Corporation, a Delaware corporation. We changed our name to Flywire Corporation in December 2016. Our principal executive offices are located at 141 Tremont St., #10, Boston, MA 02111. Our telephone number is (617) 329-4524. Our internet address is www.flywire.com. The information contained on, or that can be accessed through, our website is not a part of this Annual Report on Form 10-K. We have included our website address as an inactive textual reference only.

Flywire, the Flywire logo, and other registered or common law trade names, trademarks, or service marks of Flywire appearing in this Annual Report on Form 10-K are the property of Flywire. This Annual Report on Form 10-K contains additional trade names, trademarks, and service marks of ours and of other companies. We do not intend our use or display of other companies' trade names, trademarks, or service marks to imply a relationship with, or endorsement or sponsorship of us, by these other companies. Other trademarks appearing in this Annual Report on Form 10-K are the property of their respective holders. Solely for convenience, our trademarks and tradenames referred to in this Annual Report on Form 10-K appear without the ® and ™ symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor, to these trademarks and tradenames.

Available Information

Investors, the media, and others should note that we intend to announce material information to the public through filings with the SEC, the investor relations page on our website, blog posts on our website (www.flywire.com), press releases, public conference calls, webcasts, and our Twitter feed (@flywire). The information disclosed by the foregoing channels could be deemed to be material information. As such, we encourage investors, the media, and others to follow the channels listed above and to review the information disclosed through such channels. Any updates to the list of disclosure channels through which we will announce information will be posted on the investor relations page on our website. The contents of our website are not incorporated into this filing. We have included our investor relations website address only as an inactive textual reference and do not intend it to be an active link to our website.

Item 1A. Risk Factors

Investing in our common stock involves a high degree of risk. Before deciding whether to invest in shares of our common stock, you should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the accompanying notes included elsewhere in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, liquidity, operating results, and prospects could be materially and adversely affected. In that event, the market price of our common stock could decline, and you could lose part or all of your investment. See "Special Note Regarding Forward-Looking Statements."

Risk Factors Summary

Our business operations are subject to numerous risks and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

Risks Related to Our Business and Industry

- We have a history of operating losses and may not achieve or sustain profitability in the future.
- We have a short operating history at our current scale in a rapidly evolving industry.
- We may be unable to retain our current clients, attract new clients, and increase the number of our clients' customers that use our solutions or sell additional functionality to our clients.
- We may be adversely affected by the COVID-19 global pandemic and related responsive actions.
- Efforts to attract new clients may be unsuccessful.
- We may be unable to expand our direct and channel sales capabilities, grow our marketing reach and increase sales productivity.
- We expect our revenue mix to vary over time, which could affect our gross margin and results of operations.
- Our business could be adversely affected if our clients and their customers are not satisfied with the timing or quality of implementation services provided by us or our partners.
- Our financial and operating results are subject to seasonality and cyclicality.
- Certain of our key performance indicators are subject to inherent challenges in measurement.
- Our business depends, in large part, on our proprietary network of global, regional, and local banking partners and our relationships with other third parties.
- The estimates of market opportunity and our ability to capture a meaningful share of this payment volume may prove to be inaccurate.
- Our education business may be adversely affected by decreases in enrollment or tuition, or increased operating expenses for our clients.
- The healthcare industry is rapidly evolving.
- Our travel business may be sensitive to events affecting the travel industry in general.
- We may be unable to enter or expand into new verticals, including our relatively new B2B payment vertical.
- There could be consolidation in the payment processing or enablement industry.

Risks Related to Our Operations

- We may not be able to scale our business quickly enough to meet our growing client base.
- We enable the transfer of large sums of funds to our clients daily, and are subject to the risk of errors.
- We may be unable to maintain or expand our ability to offer a variety of local and international payments.
- Improper or unauthorized use of, disclosure of, or access to personal or sensitive data could harm our reputation.
- We are exposed to fluctuations in foreign currency exchange rates.
- We may fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing business needs, requirements, or preferences.
- Changes to payment card networks fees or rules could harm our business.

Risks Related to Our Legal, Regulatory and Compliance Landscape

- Payments and other financial services-related regulations and oversight are material to our business.
- We are subject to governmental laws and requirements regarding economic and trade sanctions, AML, CFT and those applicable to a MSB.
- We are subject to governmental regulation and other legal obligations, particularly those related to privacy, data protection, information security, anti-corruption, anti-bribery, and similar laws.

Risks Related to Being a Public Company

- We may fail to develop and maintain proper effective internal control over financial reporting.
- Estimates relating to our critical accounting policies may prove to be incorrect.
- We will continue to incur increased costs as a public company.

Risks Related to Ownership of Our Common Stock

- Raising additional capital may cause dilution to our existing stockholders, restrict our operations, or require us to relinquish rights to our intellectual property on unfavorable terms.
- Securities and industry analysts may not publish or publish inaccurate or unfavorable research about our business.

Risks Related to Our Business and Industry

We have a history of operating losses and may not achieve or sustain profitability in the future.

We were incorporated in 2009 and have experienced net losses from our operations since inception. We generated net losses of $28.1 million, $11.1 million and $20.1 million for the years ended December 31, 2021, 2020 and 2019, respectively. In addition, as of December 31, 2021, we had an accumulated deficit of $125.9 million. We have experienced significant revenue growth in recent periods and we are not certain whether or when we will obtain a high enough volume of revenue to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our solutions, including introducing new functionality, and to expand our marketing programs and sales teams to drive new client adoption, expand strategic partner integrations, and support international and industry expansion. Our operating results are also impacted by the mix of our revenue generated from our different revenue sources, which include transaction revenue and platform and usage-based fee revenue. Changes in our revenue mix from quarter to quarter, including those derived from cross-border or domestic currency transactions, will impact our margins, and we may not be able to grow our revenue margin adequately to achieve or sustain profitability. In addition, the mix of payment methods utilized by our clients' customers may have an impact on our margins given that our costs associated with certain payment methods, such as credit cards, are higher than other payment methods accepted by our solutions, such as bank transfers. We will also face increased compliance and security costs associated with growth, the expansion of our client base, and being a public company. Our efforts to grow our business may be costlier than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for several reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications, delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and common stock may significantly decrease.

If the assumptions we use to plan our business are incorrect or change in reaction to changes in our markets, or if we are unable to maintain consistent revenue or revenue growth, it may be difficult to achieve and maintain profitability. Our revenue from any prior quarterly or annual periods should not be relied upon as an indication of our future revenue or revenue growth or growth in volume of payments processed.

In addition, we expect to continue to expend substantial management time, financial and other resources on:

- sales, marketing, relationship management and client support, including an expansion of our sales organization, and new client support and payer retention initiatives;
- our technology infrastructure, including systems architecture, scalability, availability, performance, and security;
- our technology development, including investments in our technology development team and the development of new solutions and new functionality;
- expanding into more international markets;
- attracting new clients and increasing the number of our clients' customers that use our solutions;
- acquisitions or strategic investments;
- regulatory compliance and risk management; and
- general administration, including increased insurance, legal and accounting expenses associated with being a public company.

These investments may not result in increased revenue growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and operating results will be harmed, and we may not be able to achieve or maintain profitability over the long term.

We have a short operating history at our current scale in a rapidly evolving industry and, as a result, our past results may not be indicative of future operating performance.

We have a short history operating at our current scale in a rapidly evolving industry that may not develop in a manner favorable to our business. This relatively short operating history makes it difficult to assess our future performance with certainty. You should consider our business and prospects in light of the risks and difficulties we may encounter.

Our future success will depend in large part upon our ability to, among other things:

- cost-effectively acquire new clients and retain existing clients;
- withstand the impacts of the COVID-19 pandemic;
- increase our market share;
- avoid pricing pressure on our solutions which would compress our margins;
- effectively market our solutions;
- enhance our existing solutions and develop new solutions;
- increase awareness of our brand and maintain our reputation;

- our ability to offer seamless experience for our clients and their customers, including all user facing attributes ranging from the user interface to client and customer support;
- anticipate and respond to macroeconomic changes;
- expand our solutions and geographic reach, including with respect to B2B and travel payments;
- anticipate and effectively respond to changing trends and the preferences of clients and their customers;
- compete effectively;
- avoid interruptions in our business from information technology downtime, cybersecurity breaches, or labor stoppages;
- effectively manage our growth;
- hire, integrate, and retain talented people at all levels of our organization;
- maintain the quality of our technology infrastructure;
- retain our existing proprietary global network of banking and other payment partners and add new banking and other payment partners to scale our business; and
- retain our existing technology partners that allow us to provide alternative payment methods and add new technology partners to scale our business.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this section titled “Risk Factors”, our business and operating results will be adversely affected.

If we are unable to retain our current clients, attract new clients and increase the number of our clients’ customers that use our solutions or sell additional functionality to our clients, our revenue growth and operating results will be adversely affected.

To increase our revenue, in addition to acquiring new clients, we must continue to retain existing clients, increase the volume of payments made by our clients’ customers and sell additional functionality to our clients. We expect to derive a significant portion of our revenue from renewal of existing clients’ contracts and sales of additional features and solutions to existing clients. As the market for our solutions matures, solutions evolve, and competitors introduce lower cost or differentiated products or services that are perceived to compete with our solutions, our ability to attract (and our clients’ ability to attract) new customers and maintain our current client base and clients’ customer usage could be hindered. As a result, we may be unable to retain existing clients or increase the usage of our solutions by them or their customers, which would have an adverse effect on our business, revenue, gross margins, and other operating results, and accordingly, on the trading price of our common stock.

As the market for our solutions matures, or as new or existing competitors introduce new products or services that compete with our solutions, we may experience pricing pressure. This competition and pricing pressure could have an adverse effect on our ability to retain existing clients or attract new clients at prices that are consistent with our pricing model, operating budget and expected operating margins. In particular, it has become more common in the education sector for competitors to offer generous revenue sharing arrangements for clients we target. Our business could be adversely affected if clients or their customers perceive that features incorporated into alternative products reduce the need for our solutions or if they prefer to use competitive services. If we are unable to attract new clients and increase the number of our clients’ customers that use our solutions, our revenue growth and operating results will be adversely affected. Further, in an effort to attract new clients and increase usage by their customers, we may need to offer simpler, lower-priced payment options, which may reduce our revenue.

Our ability to sell additional functionality to our existing clients may require more sophisticated and costly sales efforts, especially for our larger clients with more senior management and established accounts receivable solutions. Similarly, the rate at which our clients deploy additional solutions from us depends on several factors, including general economic conditions, the availability of client technical personnel to implement our solutions, and the pricing of additional functionality. If our efforts to sell additional functionality to our clients are not successful, our business and growth prospects would suffer.

Contracts with our clients generally have a stated initial term of three years, are not subject to termination for convenience and automatically renew for one-year subsequent terms. Our clients may negotiate terms less advantageous to us upon renewal, which may reduce our revenue. If our clients fail to renew their contracts, renew their contracts upon terms less favorable to us or at lower fee levels or fail to purchase new solutions from us, our revenue may decline or our future revenue growth may be constrained. Should any of our clients terminate their relationship with us after implementation has begun, we would not only lose our time, effort and resources invested in such implementation, but we would also have lost the opportunity to leverage those resources to build a relationship with other clients over that same period of time.

We may experience quarterly fluctuations in our operating results, as well as our key metrics, due to a number of factors which make our future results difficult to predict and could cause our operating results to fall below expectations or our guidance.

Our operating results, and key metrics, may fluctuate due to a variety of factors, many of which are outside of our control. As a result, comparing our operating results on a period-to-period basis may not be meaningful. Our past results should not be relied on as an indication of our future performance. If our revenue or operating results fall below the expectations of investors or securities analysts or below any guidance we may provide to the market, the price of our common stock could decline substantially.

Our operating results have varied in the past and are expected to continue to do so in the future. In addition to other risk factors listed in this section titled “Risk Factors”, factors that may affect our quarterly operating results, business and financial condition include the following:

- demand for our solutions and the number, volume and timing of payments processed;
- timing of tuition payments;
- market acceptance of our current and future solutions;
- our revenue mix in a particular quarter;
- the mix of payment methods and currencies utilized by our clients’ customers in a particular quarter;
- a slowdown in spending on information technology (IT) and software by our current and/or prospective clients;
- sales cycles and performance of our direct and indirect sales force;
- budgeting and implementation cycles of our current or potential clients;
- foreign currency exchange rate fluctuations;
- the management, performance and expansion of our domestic and international operations;
- the rate of renewals of contracts with our clients;
- changes in the competitive dynamics of our markets;
- our ability to control and predict costs, including our operating expenses;
- clients delaying purchasing decisions, including in anticipation of new products or product enhancements by us or our competitors;
- the seasonality of our business;
- failure to successfully manage or integrate any acquisitions, including our acquisition of Simplee and recent acquisition of WPM;
- the outcome or publicity surrounding any pending or threatened lawsuits;
- general economic and political conditions in our domestic and international markets;

- unexpected events, including those resulting from climate change or geopolitical events; and
- the continuing effects of the COVID-19 pandemic and the responses thereto.

In addition, we may in the future experience fluctuations in our gross and operating margins due to changes in the mix of our domestic and international payments and the mix of payment methods, including an increase in the use of credit cards, and currencies used by our clients' customers to make payments.

Based upon the factors described above and those described elsewhere in this section titled "Risk Factors", we have a limited ability to forecast the amount and mix of future revenues and expenses, which may cause our operating results to fall below our estimates or the expectations of public market analysts and investors.

The COVID-19 global pandemic and related government, private sector and individual consumer responsive actions may adversely impact our employees, strategic partners, and clients, which could adversely and materially impact our business, financial condition and results of operations.

The global impacts of the COVID-19 pandemic and related government actions taken to reduce the spread of the virus, including the variants of the virus, have significantly increased economic uncertainty and reduced economic activity. The pandemic has resulted in authorities implementing numerous measures to try to contain the virus, such as travel bans and restrictions, quarantines, shelter-in-place or total lock-down orders and business limitations and shutdowns that began in the second quarter of fiscal year 2020.

In addition, the spread of COVID-19 has caused us to modify our business practices, including restricting employee travel, implementing office closures, having our employees, who we call FlyMates, work remotely and cancelling physical participation in meetings, events and conferences. We may take further actions in response to the continuing effects of the global pandemic as may be required by government authorities or as we determine are in the best interests of our FlyMates, clients and business partners. This has caused us to make modifications to some of our planned activities and has impacted some of our business development and marketing initiatives.

During the year ended December 31, 2020, we experienced periods of reduced payment volume in some of the industries we serve, including travel and education. Cross-border payment volumes were heavily impacted by the decline in travel as a result of the COVID-19 pandemic. During the year ended December 31, 2021 we observed a recovery in payment volumes in the industries we serve, including travel and education. The introduction of COVID-19 vaccines allowed for reopening of many higher education institutions to foreign students, and borders began to open for travel. The emergence of variants (most notably Delta and Omicron) and sub-variants has periodically slowed the reopening, and we will monitor new strains of COVID-19 as they are discovered. International cross-border transaction revenue represents a significant part of our revenue; international regulations and restrictions that inhibit cross-border travel and relocation of international students have had and may continue to have a material impact on our business. In addition, we may experience financial losses due to a number of operational factors, including:

- third party disruptions, including potential outages at network providers and other suppliers;
- supply chain impacts, including shortages of goods, raw materials or delays in shipment;
- challenges to the availability and reliability of our network due to changes to normal operations, including the possibility of one or more clusters of COVID-19 cases occurring at our suppliers' data centers, affecting our FlyMates, or affecting the systems or employees of our clients or business partners;
- increased cyber and payment fraud risk related to the COVID-19 pandemic, as cybercriminals attempt DDoS related attacks, phishing scams and other disruptive actions, given the shift to online banking, e-commerce and other online activity, as well as more employees working remotely as a result of the pandemic; and
- additional regulatory requirements, including, for example, government initiatives or requests to reduce or eliminate payment fees or other costs.

We adopted measures to modify our business practices and reduce operating expenses during the first half of 2020 in response to the COVID-19 pandemic, including a reduction in our workforce, delaying hiring plans, restricting travel, lowering marketing spend and the use of external resources. These measures, while in effect, may have slowed our growth. Although we began increasing our operating expenses since such time, the impact from the COVID-19 pandemic on our business, results of operations and financial condition in the longer term remains difficult to predict.

Our offices are currently open for optional use by FlyMates, in some instances at limited capacity, as allowed under national, state and local orders. While we have implemented what we believe to be a comprehensive protocol to ensure the safety and wellbeing of employees returning to the office, including as required health screenings, physical changes to our floor layout, periodic testing and required proper personal protection equipment, these protocols may not be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities.

Our clients and their customers who are affected by the ongoing COVID-19 pandemic may continue to demonstrate changed behavior even after the COVID-19 outbreak has subsided. For example, colleges and universities may continue to rely on virtual courses as students may be hesitant to return to full social interaction, and we may continue to see reduced payment volume as economic worries continue, all of which may have adverse implications for our business. In addition, many of our clients who have historically depended upon a steady flow of international students (e.g., language schools) may have curtailed or suspended operations, or permanently closed. In our business model, we function as a merchant of record in connection with the receipt of payments by our clients' customers, which subjects us to chargeback risk in the event a client's customer cancels or otherwise does not receive the services for which such customer paid. Although our client contracts allow us to pass such chargeback risk to our client, if the client has gone out of business, we may be unable to collect on the chargeback and will bear the economic loss, which will negatively impact our business.

As a result, we may continue to experience materially adverse impacts to our business as a result of the global economic impact of the COVID-19 pandemic, including lower domestic and cross border spending trends, the availability of credit, adverse impacts on our liquidity, and any recessionary conditions that persist, and exacerbate many of the other known risks described in this section titled "Risk Factors".

If our efforts to attract new clients and increase the number of our clients' customers that use our solutions are unsuccessful, our revenue growth and operating results will be adversely affected.

Our future growth and profitability will depend in large part upon the effectiveness and efficiency of our efforts to attract new clients and increase the number of our clients' customers that use our solutions. While we intend to dedicate resources to attracting new clients and increasing the number of our clients' customers that use our solutions, our ability to do so depends in large part on the success of these efforts and the success of the marketing channels we use to promote our solutions. Our marketing channels include search engine optimization, search engine marketing, account-based direct marketing campaigns, industry events and association marketing relationships. If any of our current marketing channels become less effective, if we are unable to continue to use any of these channels, if the cost of using these channels were to significantly increase or if we are not successful in generating new channels, we may not be able to attract new clients in a cost-effective manner or increase the number of our clients' customers that use our solutions. If we are unable to recover our marketing costs through increases in the number of clients and in the number of our clients' customers that use our solutions, or if we discontinue our marketing efforts, it could have a material adverse effect on our business, prospects, results of operations, and financial condition.

If we are unable to expand our direct and channel sales capabilities, grow our marketing reach and increase sales productivity, we may not be able to generate increased revenues.

We believe that our future growth will depend on the continued development of our direct sales force and its ability to obtain new clients and to manage our existing client base. Our ability to increase our client base and achieve broader market acceptance of our solutions will depend to a significant extent on our ability to expand our sales and marketing organizations, and to deploy our sales and marketing resources efficiently. We intend to continue to increase our number of direct sales professionals and to expand our relationships with new strategic channel partners. These efforts will require us to invest significant financial and other resources. New hires require training and take time to achieve full productivity. Similarly, new channel partnerships often take time to develop and may never yield results, as they require new partners to understand the services and solutions we offer, and how to position our value within the market. We cannot be certain that recent and future new hires or partner relationships will become as productive as necessary or that we will be able to hire enough qualified individuals or build effective channel sales in the future. If we are unable to hire, develop, integrate, and retain talented and effective sales personnel, if our new and existing sales personnel are unable to achieve desired productivity levels, or if our sales, channel strategy and marketing programs and advertising are not effective, we may not be able to expand our business and grow our revenue, which may harm our business, operating results and financial condition.

We expect our revenue mix to vary over time, which could affect our gross margin and results of operations.

We expect our revenue mix to vary over time due to a number of factors. Shifts in our business mix from quarter to quarter could produce substantial variation in revenue recognized. Further, our gross margins and results of operations could be affected by changes in revenue mix and costs, together with numerous other factors, including payment methods and currencies, pricing pressure from competitors, increases in credit card usage on our solutions and associated network fees, changes in payment volume across verticals and the portion of such payment volume for which we perform foreign exchange. Any one of these factors or the cumulative effects of certain of these factors may result in significant fluctuations in our gross margin and results of operations. This variability and unpredictability could result in our failure to meet internal expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our common stock could decline.

Our business could be adversely affected if our clients or their customers are not satisfied with the timing or quality of implementation services provided by us or our partners.

Our business depends on our ability to satisfy our clients and their customers with respect to our solutions as well as the services that are performed to help our clients and their customers use the features and functions of our solutions. Services are usually performed by us, and are also on occasion provided together with a third-party partner. If our clients or their customers are not satisfied with the functionality of our solutions or the services that we or a third-party partner provide, such dissatisfaction could damage our ability to retain our current clients or expand our clients' or their customers' use of our solutions. In addition, any negative publicity and reviews that we may receive which is related to our client relationships may further damage our business and may invite enhanced regulatory scrutiny at the federal and state level in the United States as well as internationally.

Our financial and operating results are subject to seasonality and cyclicality.

Our financial and operating results are subject to seasonal trends. For example, the volume of education tuition processed typically increases in the northern hemisphere during the summer and early fall months, as well as at year end, as students and their families seek to pay tuition costs for the fall semester, the spring semester, or the entire academic year, respectively. We expect this seasonality of education tuition processing to continue and expect it to impact the amount of processing fees that we earn and the level of expenses we incur to generate tuition payment volume and process the higher volume activity in a particular fiscal quarter. During the COVID-19 pandemic, we initially observed an increasing trend of education institutions delaying tuition invoicing or extending dates for payment due to uncertainties in the academic calendar, on-campus classes or remote learning planning, as well as relief being offered to families experiencing financial challenges. However, with the increase in availability of vaccines, educational institutions have, for the most part, returned to their normal billing cycles and payment due dates. Many higher education institutions are mandating full vaccination to promote normal operations and allowing students from abroad to return to their facilities. Similarly, subsectors of our travel client portfolio will experience increased seasonality as many of our travel clients depend upon advance planning for vacation or holiday travel, which has been hampered by the ongoing COVID-19 pandemic and related governmental and regulatory responses.

Certain of our key performance indicators are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We track certain key performance indicators, including metrics such as total payment volume, revenue less ancillary services, adjusted gross margin and adjusted EBITDA, with internal systems and tools and which may differ from estimates or similar metrics published by third parties due to differences in sources, methodologies, or the assumptions on which we rely. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our key performance indicators, including the metrics we publicly disclose, or our estimates. If the internal systems and tools we use to track these metrics undercount or overcount performance or contain algorithmic or other technical errors, the data we report may not be accurate. While these numbers are based on what we believe to be reasonable estimates for the applicable period of measurement, there are inherent challenges in measuring these metrics across our growing client base. If our key performance indicators are not accurate representations of our business, or if investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies with respect to these figures, our reputation may be significantly harmed, and our operating and financial results could be adversely affected.

Our business depends, in large part, on our proprietary network of global, regional and local banking partners.

To grow our business, we will need to maintain and expand our network of global, regional and local banking partners. Our proprietary network of strategic relationships with global, regional and local banking partners is a material asset to our business, which took more than a decade to build. Establishing our strategic partner relationships, particularly with our banking partners entails extensive and highly specific efforts, with little predictability and various ancillary requirements. These partners and suppliers have contractual and regulatory requirements and conditions that we must satisfy and continue to comply with in order to continue and grow the relationships. For example, our financial institution partners generally require us to submit to an exhaustive security audit including adherence to AML policies and KYC procedures. If we are not able to comply with those obligations or if our agreements with our banking partners or our network partners are terminated for any reason, we could experience service interruptions as well as delays and additional expenses in arranging new services, potentially interfering with our existing client relationships or making us less attractive to potential new clients.

We may not be able to attract new network partners to our existing network of global, regional and local banking partners, which could adversely affect our ability to expand to additional countries and territories and transact in additional currencies. In addition, our potential partners may choose to work with our competitors' or choose to compete with our solutions directly, which could have an adverse effect on our business, financial position, and operating results. Further, many of our network partners have greater resources than we do and could choose to develop their own solutions to replace or compete with ours. If we are unsuccessful in establishing, growing, or maintaining our relationships with network partners, our ability to compete or to grow our revenue could be impaired, and our results of operations may suffer.

Our growth depends in part on the success of our relationships with other (non-banking) third parties.

We have established relationships with a number of other companies, including financial institutions, processors, other financial services suppliers, channel sales partners, providers of electronic health records (EHR) services, implementation partners, technology and cloud-based hosting providers, and others. In order to grow our business, we will need to continue to establish and maintain relationships with these types of third parties, and negotiating and documenting relationships with them requires significant time and resources. Our competitors may be more effective in providing incentives to third parties to favor their products or services. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete in the marketplace or to grow our revenues could be impaired and our operating results could suffer. Even if our strategic relationships are successful, we cannot assure you that these relationships will result in increased client usage of our solutions or increased revenues.

The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed.

The market for payments solutions is fragmented, competitive, and constantly evolving. Our competitors range from legacy payment methods, such as traditional bank wires, to integrated payment providers that focus on cross-border payments. With the introduction of new technologies and market entrants, we expect that the competitive environment will remain intense going forward. Our competitors that offer legacy payment methods or integrated cross-border payment platforms may develop products that compete with ours. Financial institutions that choose to enter into and compete in our market may have the operating flexibility to bundle competing solutions with other offerings, including offering them at a lower price or for no additional cost to clients as part of a larger sale. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships, or strategic relationships. Many of our domestic and foreign competitors have greater resources, experience or more developed customer relationships than we do. For example, foreign competitors may seek to leverage local or common language relationships to cater to potential customers of our clients. There are new market entrants with innovative revenue sharing and other pricing arrangements that are able to attract customers that we compete to serve. Our competitors vary in size, breadth, and scope of the solutions offered. Some of our competitors and potential competitors have greater name recognition, longer operating histories, more established client relationships, larger marketing budgets, and greater resources than us. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, and client requirements. For example, an existing competitor or new entrant could introduce new technology that reduces demand for our solutions.

For these reasons, we may not be able to compete successfully against our current or future competitors, and this competition could result in the failure of our solutions to continue to achieve or maintain market acceptance, any of which would harm our business, operating results, and financial condition.

Our estimates of market opportunity and our ability to capture a meaningful share of this payment volume may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.

Our market opportunity estimates, including those we have generated ourselves and our ability to capture a meaningful share of this payment volume, are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. The variables that go into the calculation of our market opportunity are subject to change over time, and there is no guarantee that any payment volumes covered by our market opportunity estimates will materialize in clients using our solutions as anticipated or generate any particular level of revenue for us. Any expansion in our market depends on a number of factors, including the cost, performance, and perceived value associated with our business and those of our competitors. Even if the market in which we compete meets the size estimates and growth forecasted, our business could fail to grow at similar rates, if at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties.

Our clients in the education sector may be adversely affected by decreases in enrollment, pressure on tuition costs, or increased operating expenses, which may reduce demand for our solutions.

We are reliant on our education clients, including colleges, universities and other education-related organizations that include language schools, boarding schools, summer programs, and others, to drive enrollment at their schools and maintain tuition costs. Factors outside of our control will affect enrollments and tuition costs, including the following:

- Reduced enrollment in higher education due to lack of funding, increases to cost of attendance or other inflationary pressure. Significant reductions in student funding, through grants or loans, may reduce enrollments and decrease the payment volume we process. Potential students may also be deterred by increases in the cost of attendance.

- Government supported institutions may experience losses or reduction in public funding. Many of our clients rely considerably upon public funding or support, which may not always be available due to budget constraints.

- Changing perceptions about in-person classes. Students may reject the opportunity to attend courses in person, when online or virtual classes are offered as an option, due to growing familiarity and perceived convenience of remote learning, the ongoing COVID-19 pandemic or a lower price point for online classes.

- Our clients' rankings, reputation and marketing efforts strongly affect enrollments, none of which we control. If we fail to maintain or add clients with strong, stable reputations and rankings, they will fail to achieve consistent enrollments.

- Declines in international student enrollment. The COVID-19 pandemic and restrictions on immigration or the award of student visas can negatively impact the cross-border education industry and schools that rely on foreign student populations will be negatively affected or may cease operations.

- General economic conditions. Any contraction in the economy could be expected to reduce enrollment in higher education, whether by reducing funding, reducing corporate allowances for continuing education, general reductions in employment or savings or other factors.

In addition, some clients' customers may find that higher education is an unnecessary investment during uncertain economic times and defer enrollment in educational institutions until the economy grows at a stronger pace, or they may turn to less costly forms of secondary education, thus decreasing our education payment volumes. A significant decrease in the payment volume and resulting revenue from clients and their customers in this market, which represents, and is expected to continue to represent for the foreseeable future, a majority of our total payment volume and revenue, would have an adverse effect on our business, operating results and financial condition.

The healthcare industry is rapidly evolving and the market for technology-enabled payment services that empower healthcare clients and their customers is relatively immature and unproven. If we are not successful in promoting the benefits of our solutions, our growth may be limited.

The market for our payment solutions is subject to rapid and significant changes. The market for technology-enabled payment services that empower healthcare clients and their customers is characterized by rapid technological change, new product and service introductions, increasing patient financial responsibility, consumerism and engagement, the ongoing shift to value-based care and reimbursement models, and the entrance of non-traditional competitors. In addition, there may be a limited-time opportunity to achieve and maintain a significant share of this market due in part to the rapidly evolving nature of the healthcare and technology industries and the substantial resources available to our existing and potential competitors. The market for technology-enabled payment services that empower healthcare clients and their customers is relatively new and unproven, and it is uncertain whether this market will achieve and sustain high levels of demand and market adoption.

In order to remain competitive, we are continually involved in a number of projects to compete with these new market entrants by developing new solutions, growing our client base and penetrating new markets. Some of these projects include the expansion of our integration capabilities and the expansion of our mobile solutions. These projects carry risks, such as cost overruns, delays in delivery, performance problems and lack of acceptance by our clients. Our integration partners may also decide to develop and offer their own patient engagement solutions that are similar to our solutions.

Our success depends on providing high-quality payment solutions that healthcare clients use to improve their financial and operational performance, allowing them to collect payments and enhance their revenue lifecycle management objectives. If we cannot adapt to rapidly evolving industry standards and technology and increasingly sophisticated and varied healthcare client and customer payment needs, our existing technology could become undesirable, obsolete or harm our reputation. We must continue to invest significant resources in our personnel and technology in a timely and cost-effective manner in order to enhance our existing solutions and introduce new high-quality solutions that existing clients and potential new clients will want. Our operating results would also suffer if our innovations are not responsive to the needs of our existing clients or potential new clients, are not appropriately timed with market opportunity, are not effectively brought to market or significantly increase our operating costs. If our new or modified product and service innovations are not responsive to the preferences of healthcare clients and their customers, emerging industry standards or regulatory changes, are not appropriately timed with market opportunity or are not effectively brought to market, we may lose existing clients or be unable to obtain new clients and our results of operations may suffer.

We believe demand for our payment solutions in the healthcare industry has been driven in large part by more patient responsibility for out-of-pocket spend, a trend towards higher deductibles for health care services, increased digitization in payments, and the tailoring of payment offers and increased patient engagement. Our success also depends to a substantial extent on the ability of our solutions to increase the volume of our clients' customers payments, and our ability to demonstrate the value of our solutions to our clients. If our existing clients do not recognize or acknowledge the benefits of our solutions or our solutions do not drive payment volume, then the market for our solutions might not develop at all, or it might develop more slowly than we expect, either of which could adversely affect our operating results. A significant decrease in the payment volume and resulting revenue from our clients and their customers in the healthcare industry, which represents, and is expected to continue to represent for the foreseeable future, our second largest vertical by total payment volume and revenue, may have an adverse effect on our business, operating results and financial condition.

In addition, we have limited insight into trends that might develop and affect our healthcare business. We might make errors in predicting and reacting to relevant business, legal and regulatory trends and healthcare reform, which could harm our business. If any of these events occur, it could materially adversely affect our business, financial condition or results of operations.

Finally, our competitors, including major EHR providers, may have the ability to devote more financial and operational resources than we can to developing new technologies and services, including services that provide improved operating functionality, and adding features to their existing service offerings. Relationships with companies in the EHR space and business focused on revenue lifecycle management are critical to leverage if we are to add to our healthcare customer portfolio. Many of these companies may offer products and services similar to ours. If successful, their development efforts could render our solutions less desirable, resulting in the loss of our existing clients or a reduction in the fees we generate from our solutions.

Our business serving clients in the travel sector may be sensitive to events affecting the travel industry in general.

Events like regional or larger scale conflicts, war or other military conflict, including an escalation of the conflict between Russia and Ukraine, terrorist attacks, mass shooting incidents, natural disasters, such as hurricanes, earthquakes, fires, droughts, floods and volcanic activity, and travel-related health events, such as the COVID-19 pandemic, have a negative impact on the travel industry and affect travelers' behavior by limiting their ability or willingness to visit certain locations. We are not in a position to evaluate the net effect of these circumstances on our business as these events are largely unpredictable; however, we believe there has been negative impact to our business due to such events. Furthermore, in the longer term, our business might be negatively affected by financial pressures on or changes to the travel industry. For example, certain jurisdictions, particularly in Europe, are considering regulations intended to address the issue of "overtourism" including by restricting access to city centers or popular tourist destinations or limiting accommodation offerings in surrounding areas, such as by restricting construction of new hotels or the renting of homes or apartments. Such regulations could adversely affect travel and the volume of travel related payments that we process for our clients. The United States has implemented or proposed, or is considering, various travel restrictions and actions that could affect U.S. trade policy or practices, which could also adversely affect travel to or from the United States. If such events result in a long-term negative impact on the travel industry, such impact could have a material adverse effect on our business. The payment volume and resulting revenue from our travel vertical represents, and is expected for the foreseeable future to represent, less than 10% of our total payment volume and revenue. Because we seek to grow the payment volume and the revenue from this vertical in the future, failure to grow our payment volume and resulting revenue from this industry, may have an adverse effect on our business, operating results and financial condition.

In addition, the U.K's withdrawal from the E.U. (Brexit), including uncertainty, delays or practical difficulties in the implementation of Brexit, could continue to lead to economic uncertainty, sluggish growth or economic retraction, and have a negative impact on the travel industry and our European business. The U.K. could lose access to the single E.U. market, travel between the U.K and E.U. countries could be restricted, and we could face new regulatory costs and challenges, the scope of which is presently unknown.

With respect to the COVID-19 pandemic specifically, our 2020 financial results related to serving our existing travel clients and growing our client base in the travel sector were negatively impacted. During the year ended December 31, 2021, we witnessed recoveries in our financial results and growth in revenue and payment volumes in our travel payment vertical. While improvements have been noted, we are still experiencing impacts to our travel clients. We expect the continued effects of the COVID-19 pandemic, including the emergence and spread of variants or sub-variants of COVID-19, will continue to negatively impact our business into 2022, but the extent and duration of such impact in the long term is largely uncertain as it is dependent on future developments that cannot be accurately predicted at this time, including but not limited to the severity and transmission rate of the virus, global availability of vaccines and administration of vaccination, the rate of “herd immunity” and the extent and effectiveness of containment actions taken, including mobility restrictions, and the impact of these and other factors on travel behavior.

If we are unable to enter or expand new client verticals, including our relatively new B2B payment vertical, or if our solutions for any new vertical fail to achieve market acceptance, our operating results could be adversely affected and we may be required to reconsider our growth strategy.

Our growth strategy is influenced, in part, on our ability to expand into new client verticals, including our relatively new B2B payment vertical. The B2B payment vertical represents a relatively new market for us, and we have limited prior experience with the key ERP platforms that are critical to the B2B payment vertical. Accordingly, our lack of experience in the B2B payment vertical and with the key ERP platforms may result in operational difficulties, which could cause a delay or failure to integrate and realize the benefits of entering into this vertical. In addition, B2B payments carry a higher risk profile than education or healthcare receivables, and we will be required to devote more resources to manage the increased risk inherent in these payments. The payment volume and resulting revenue from our B2B payment vertical represents, and is expected for the foreseeable future to represent, less than 10% of our total payment volume and revenue. We expect both the payment volume and the revenue from this vertical to grow over time. As such, failure to grow our payment volume and resulting revenue from our B2B payment vertical may have an adverse effect on our business, operating results and financial condition.

We may be unable to identify new verticals that meet our criteria for selecting industries that our solutions are ideally suited to address. In addition, our market validation process may not support entry into selected verticals due to our perception of the overall market opportunity or of the willingness of market participants within those verticals to adopt our solutions.

Even if we choose to enter new verticals, our market validation process does not guarantee our success. We may be unable to tailor our solutions for a new vertical or, in the event that we enter a new vertical by way of a strategic acquisition, we may be unable to leverage the acquired platform in time to take advantage of the identified market opportunity, and any delay in our time-to-market could expose us to additional competition or other factors that could impede our success. In addition, any solution we develop or acquire for a new vertical may not provide the functionality required by potential clients or their customers and, as a result, may not achieve widespread market acceptance within the new vertical. To the extent we choose to enter new verticals, whether organically or via strategic acquisition, we may invest significant resources to develop and expand the functionality of our solutions to meet the needs of customers in those verticals, which investments will occur in advance of our realization of revenue from them.

Consolidation in the payment processing or enablement industry could have a material adverse effect on our business, financial condition and results of operations.

Many payment processing or enablement industry participants are consolidating to create larger and more integrated financial processing systems with greater market power. We expect regulatory and economic conditions to result in additional consolidation in the healthcare industry in the future. As consolidation accelerates, the economies of scale of our clients' organizations may grow. If a client experiences sizable growth following consolidation, it may determine that it no longer needs to rely on us and may reduce its demand for our solutions. In addition, as payment processing providers consolidate to create larger and more integrated systems with greater market power, these providers may try to use their market power to negotiate fee reductions for our solutions. Finally, consolidation may also result in the acquisition or future development by our clients of products and services that compete with our solutions. Any of these potential results of consolidation could have a material adverse effect on our business, financial condition and results of operations.

Risks Related to Our Operations

We may not be able to scale our business quickly enough to meet our growing client base, and if we are not able to grow efficiently, our operating results could be harmed.

As usage of our solutions grows and we sign additional clients and technology partners, we will need to devote additional resources to improving and maintaining our infrastructure and global payments network and integrating with third-party applications to maintain the performance of our solutions. In addition, we will need to appropriately scale our internal business systems, including client support, our 24x7 assistance to clients' customers and risk and compliance operations, to serve our growing client base.

Any failure of or delay in these efforts could result in interruptions to our solutions, impaired system performance, and reduced client satisfaction, resulting in decreased sales to clients, lower renewal rates by existing clients, the issuance of service credits, or requested refunds, all of which could hurt our revenue growth. If sustained or repeated, these performance issues could reduce the attractiveness of our solutions to clients and their customers and could result in lost client opportunities and lower renewal rates, any of which could hurt our revenue growth, client loyalty, and our reputation. Even if we are successful in these efforts to scale our business, they will be expensive and complex, and require the dedication of significant management time and attention. We could also face inefficiencies or service disruptions as a result of our efforts to scale our internal infrastructure. We cannot be sure that the expansion and improvements to our internal infrastructure will be effectively implemented on a timely basis, if at all, and such failures could adversely affect our business, operating results, and financial condition.

We enable the transfer of large sums of funds to our clients daily, and are subject to the risk of errors, which could result in financial losses, damage to our reputation, or loss of trust in our brand, which would harm our business and financial results.

For the year ended December 31, 2021, we processed over $13.2 billion in payments on our solutions, compared to approximately $7.5 billion for the year ended December 31, 2020. For the year ended December 31, 2020, we processed over $7.5 billion in payments on our solutions, compared to approximately $5.8 billion for the year ended December 31, 2019. We have grown rapidly and seek to continue to grow, and our business is subject to the risk of financial losses as a result of chargebacks for client-related losses, credit losses, operational errors, software defects, service disruption, employee misconduct, security breaches, or other similar actions or errors in our solutions. As a provider of accounts receivable and other payment solutions, we enable the transfer of funds to our clients from their customers. Software errors in our solutions and operational errors by our FlyMates and business partners may also expose us to losses.

Moreover, our trustworthiness and reputation are fundamental to our business. As a global payments enablement and software company, the occurrence of any credit losses, operational errors, software defects, service disruption, employee misconduct, security breaches, or other similar actions or errors in our solutions could result in financial losses to our business and our clients, loss of trust, damage to our reputation, or termination of our agreements with strategic partners, each of which could result in:

- loss of clients or a reduction in use of our solutions by our clients' customers;
- lost or delayed market acceptance and acquisition of new clients;
- legal claims against us;
- regulatory enforcement action; or
- diversion of our resources, including through increased service expenses or financial concessions, and increased insurance costs.

There can be no assurance that the insurance we maintain to cover losses resulting from our errors and omissions will cover all losses or our coverage will be sufficient to cover our losses. If we suffer significant losses or reputational harm as a result, our business, operating results, and financial condition could be adversely affected.

If we are unable to maintain or expand our ability to offer a variety of local and international payment methods for our clients to make available to their customers, or if we fail to continue to grow and develop preferred payment choices, our business may be materially and adversely affected.

The continued growth and development of our proprietary global payments network will also depend on our ability to anticipate and adapt to changes in client and customer behavior. For example, behavior may change regarding the use of credit and debit card transactions, including the relative increased use of cash, crypto-currencies, other emerging or alternative payment methods and credit card systems that may include strong regional preferences that we or our processing partners do not adequately support. Any failure to timely integrate emerging payment methods into our solutions, anticipate behavior changes, or contract with payment processing partners that support such emerging payment technologies could cause our clients to use our solutions less, resulting in a corresponding loss of revenue, in the event such methods become popular among their customers.

The number and variety of the payment methods we offer or currencies we are able to service may not meet client expectations, or the costs borne by our clients' customers in completing payments may become unsuitable. Accordingly, we may need to change our pricing strategies or reduce our prices, which could harm our revenue, gross profits, and operating results.

We utilize a number of payment providers to clear and settle transactions for our clients, including payments providers such as China UnionPay Co. Ltd. and Adyen N.V. If the services provided by these partners become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices, or for any other reason, our expenses could increase and our ability to process certain payments could be materially interrupted, all of which could harm our business, financial condition, and results of operations. In addition, our agreements with these providers include certain terms and conditions. These providers have broad discretion to change their terms of service and other policies with respect to our business, and those changes may be unfavorable to us. Therefore, we believe that maintaining successful partnerships with these payment providers is critical to our success.

We, our strategic partners and our clients obtain and process large amounts of personal and sensitive data. Any real or perceived improper or unauthorized use of, disclosure of, or access to such data could harm our reputation as a trusted brand, as well as have a material adverse effect on our business.

We, our strategic partners and our clients, and the third-party vendors that we use, obtain and process large amounts of sensitive data, including personally identifiable information, also referred to as "personal data," and other potentially sensitive data related to our clients, their customers and each of their transactions, as well as a variety of such data relating to our own workforce and internal operations. We face risks, including to our reputation as a trusted brand, in the handling and protection of this data, and these risks will increase as our business continues to expand to include new solutions and technologies.

We are responsible for data security for ourselves and for third parties with whom we partner and under the rules and regulations established by the payment networks, such as Visa, Mastercard and American Express, and debit card networks and by industry regulations and standards that may be promulgated by organizations such as NACHA, which manages the governance of the ACH network in the United States. These third parties include our distribution partners and other third-party service providers and agents. We and other third parties collect, process, store and/or transmit personal and sensitive data, such as names, addresses, social security numbers, credit or debit card numbers and expiration dates, driver's license numbers and bank account numbers. We have ultimate liability to the payment networks and to our customers for our failure or the failure of third parties with whom we contract to protect this data in accordance with PCI DSS and network requirements. The loss, destruction or unauthorized modification or disclosure of merchant or cardholder data by us or our contracted third parties could result in significant fines, sanctions and proceedings or actions against us by the payment networks, governmental entities, clients, client customers or others and damage our reputation.

Similarly, there are existing regulatory regimes designed to protect the privacy of categories of personal or otherwise sensitive data. Relevant U.S. federal privacy laws include the FERPA, the Gramm-Leach-Bliley Act (GLBA), and HIPAA. We also are subject to stringent contractual obligations relating to the handling of such data, including obligations that are more restrictive than legally required. For example, under HIPAA, the information we collect during the payment experience may include protected health Information (PHI), and as such, we are considered a "business associate" of the U.S. healthcare clients we serve, and we are required to enter into a business associate agreement (BAA) with these clients. The BAAs largely mirror some of the statutory obligations contained in HIPAA, but many contain additional contractual undertakings that give these clients additional remedies in the event of a breach of our obligations to protect the confidentiality of the client's PHI or otherwise meet our contractual obligations. Privacy laws impose a variety of compliance burdens on us and our clients, such as requiring notice to individuals of privacy practices, providing individuals with certain rights to prevent the use and disclosure of protected information, and also imposing requirements for safeguarding and proper destruction of personal information through the issuance of data security standards or guidelines. Privacy laws grant audit rights to our regulators and those of our clients. Any unauthorized disclosure of PHI or other data we are obligated to protect by regulation or contract could result in significant fines, sanctions, or requirements to take corrective action that could materially adversely affect our reputation and business.

Threats may derive from human error, fraud, or malice on the part of employees or third parties, or from accidental technological failure. For example, certain of our employees have access to personal and sensitive data that could be used to commit identity theft or fraud. Concerns about security increase when we transmit information electronically because such transmissions can be subject to attack, interception, or loss. Also, computer viruses can be distributed and spread rapidly over the Internet and could infiltrate our systems or those of our contracted third parties. Denial of service or other attacks could be launched against us for a variety of purposes, including interfering with our solutions or to create a diversion for other malicious activities. These and other types of actions and attacks could disrupt our delivery of solutions or make them unavailable. Any such actions or attacks against us or our contracted third parties could impugn our reputation, force us to incur significant expenses in remediating the resulting impacts, expose us to uninsured liability, result in the loss of our bank sponsors or our ability to participate in the payment networks, increase our risk of regulatory scrutiny and the costs associated with such scrutiny, subject us to lawsuits, fines or sanctions, distract our management, or increase our costs of doing business.

We and our contracted third parties could be subject to security breaches by hackers. Our encryption of data and other protective measures may not prevent unauthorized access to or use of personal and sensitive data. A breach of a system may subject us to material losses or liability, including payment network fines, assessments and claims for unauthorized purchases with misappropriated credit, debit or card information, impersonation, or other similar fraud claims. A misuse of such data or a cybersecurity breach could harm our reputation and deter clients and their customers from using electronic payments generally and our solutions specifically, thus reducing our revenue. In addition, any such misuse or breach could cause us to incur costs to correct the breaches or failures, expose us to uninsured liability, increase our risk of regulatory scrutiny and the costs associated with such scrutiny, subject us to lawsuits, and result in the imposition of material penalties and fines under state and federal laws or by the payment networks. The insurance coverage we maintain to cover cyber risks may be insufficient to cover all losses. In addition, a significant cybersecurity breach of our systems or communications could result in payment networks prohibiting us from processing transactions on their networks or the loss of our bank sponsors that facilitate our participation in the payment networks, either of which could materially impede our ability to conduct business.

Cyber incidents have been increasing in sophistication and frequency and can include third parties gaining access to employee or customer data using stolen or inferred credentials, computer malware, viruses, spamming, phishing attacks, ransomware, card skimming code, and other deliberate attacks and attempts to gain unauthorized access. Providers of payment and accounts receivable software have frequently been targeted by such attacks and due to the war in the Ukraine and continued political uncertainty involving Russia and Ukraine and potentially other regions of Europe, there is an increased likelihood that escalation of tensions could result in cyber-attacks that could either directly or indirectly impact our operations. Because of this, we face additional cybersecurity challenges, including threats to our own IT infrastructure or those of our clients, our customers' clients, and/or third-party providers, that may take a variety of forms ranging from stolen bank accounts, business email compromise, client employee fraud, account takeover, or check fraud, to "mega breaches" targeted against payment and accounts receivable software, which could be initiated by individual or groups of hackers or sophisticated cyber criminals using any of the methods described above. A cybersecurity incident or breach could result in disclosure of confidential information and intellectual property, or cause production downtimes and compromised data. We have in the past experienced cybersecurity incidents of limited scale, and we may in the future experience other data security incidents or breaches affecting personally identifiable information or other confidential business information. We may be unable to anticipate or prevent techniques used in the future to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred. As we increase our client base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or our clients' (or our clients' customers') data.

Additionally, it is also possible that unauthorized access to sensitive customer and business data may be obtained through inadequate use of security controls by our customers, suppliers or other vendors. While we are still not currently aware of any impact that the SolarWinds supply chain attack had on our business, this is a relatively recent event, and the scope of the attack is still undetermined. Therefore, there is residual risk that we could experience a security breach arising from the SolarWinds supply chain attack.

We have administrative, technical, and physical security measures in place, and we have policies and procedures in place to both evaluate the security protocols and practices of our vendors and to contractually require service providers to whom we disclose personal data to implement and maintain privacy and security measures. However, we cannot provide assurance that the contractual requirements related to security and privacy that we impose on our service providers will be followed, or that those requirements, or our internal measures, will be adequate to prevent the unauthorized use or disclosure of data. If our privacy protection or security measures or those of the previously mentioned third parties are inadequate or are breached as a result of third-party action, employee or contractor error, malfeasance, malware, phishing, hacking attacks, system error, software bugs or defects in our solutions, trickery, process failure, or otherwise, and, as a result, there is improper disclosure of, or someone obtains unauthorized access to or extract funds or sensitive information, including personally identifiable information, on our systems or our partners' systems, or if we suffer a ransomware or advanced persistent threat attack, or if any of the foregoing is reported or perceived to have occurred, our reputation and business could be damaged. Recent high-profile security breaches and related disclosures of personal and sensitive data by large institutions suggest that the risk of such events is significant, even if privacy protection and security measures are implemented and enforced. If personal or sensitive information is lost or improperly disclosed or threatened to be disclosed, we could incur significant costs associated with remediation and the implementation of additional security measures, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. In addition, we may incur significant liability and financial loss and may be subject to regulatory scrutiny, investigations, proceedings, and penalties.

Under our terms of service and our contracts with strategic partners and clients, if there is a breach of payment information that we store, we could be liable for their losses and related expenses. Additionally, if our own confidential business information were improperly disclosed, our business could be materially and adversely affected. A core aspect of our business is the reliability and security of our solutions. Any perceived or actual breach of security, regardless of how it occurs or the extent of the breach, could have a significant impact on our reputation as a trusted brand, cause us to lose existing partners or clients, prevent us from obtaining new partners, clients or customers, require us to expend significant funds to remedy problems caused by breaches and implement measures to prevent further breaches, and expose us to legal risk and potential liability including those resulting from governmental or regulatory investigations, class action litigation, and costs associated with remediation, such as fraud monitoring and forensics. Any actual or perceived security breach at a company providing services to us or our clients could have similar effects.

We cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Our risk management efforts may not be effective to prevent fraudulent activities by our customers, employees or other third parties, which could expose us to material financial losses and liability and otherwise harm our business.

Our software provides payment facilitation solutions for a large number of our clients and their customers. We are responsible for performing KYC reviews of our clients, sanctions screening their customers, and monitoring transactions for fraud. We have been and may continue to be targeted by parties who seek to commit acts of financial fraud using techniques such as stolen identities and bank accounts, compromised business email accounts, employee or insider fraud, account takeover, false applications, and fake invoicing. We may suffer losses from acts of financial fraud committed by our clients, our clients' customers and purported customers, our employees and payment partners or third parties.

The techniques used to perpetrate fraud are continually evolving and we may not be able to identify all risks created by new solutions or functionality. Our risk management policies, procedures, techniques, and processes may not be sufficient to identify all of the risks to which we are exposed, to enable us to prevent or mitigate the risks we have identified, or to identify additional risks to which we may become subject in the future. Furthermore, our risk management policies, procedures, techniques, and processes may contain errors or our employees or agents may commit mistakes or errors in judgment as a result of which we may suffer large financial losses. The software-driven and highly automated nature of our solutions could enable criminals and those committing fraud to steal significant amounts of money accessing our solutions. As greater numbers of our clients' customers use our solutions, and we serve clients in industries that are at higher risk for fraudulent activity, our exposure to material risk losses from a single client, or from a small number of clients, will increase. In addition, our clients or their customers may suffer losses from acts of financial fraud by third parties posing as us through account takeover, credential harvesting, use of stolen identities and various other techniques, which could harm our reputation, consume significant time of our compliance, security and client relations teams to investigate and remediate, or prompt us to reimburse our clients for such losses in order to maintain client business relationships.

Our current business and anticipated growth will continue to place significant demands on our risk management efforts, and we will need to continue developing and improving and investing in our existing risk management infrastructure, policies, procedures, techniques, and processes. As techniques used to perpetrate fraud on our solutions evolve, we may need to modify our solutions to mitigate fraud risks. As our business grows and becomes more complex, we may be less able to forecast and carry appropriate reserves in our books for fraud related losses. Further, these types of fraudulent activities targeting our solutions can also expose us to civil and criminal liability, governmental and regulatory sanctions as well as potentially cause us to be in breach of our contractual obligations to our clients and partners.

We are exposed to fluctuations in foreign currency exchange rates that could materially and adversely affect our results of operations.

A majority of the total payment volume we have historically processed is cross-border payments denominated in many foreign currencies, which subjects us to foreign currency risk. The strengthening or weakening of the U.S. dollar versus these foreign currencies impacts the translation of our net revenues generated in these foreign currencies into the U.S. dollar. In connection with providing our solutions in multiple currencies, we may face financial exposure if we are unable to implement appropriate hedging strategies, negotiate beneficial foreign exchange rates, or as a result of fluctuations in foreign exchange rates between the times that we set them. We also have foreign exchange risk on our assets and liabilities denominated in currencies other than the functional currency of our subsidiaries. We also incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency. Fluctuations in the exchange rates between the U.S. dollar and other currencies, including the recent depreciation of the Russian ruble, could result in the dollar equivalent of our expenses being higher which may not be offset by additional revenue earned in the local currency. This could have a negative impact on our reported results of operations.

Periods of instability in the Eurozone, including fears of sovereign debt defaults, and stagnant growth generally, and of certain Eurozone member states in particular, have resulted in concerns regarding the suitability of a shared currency for the region, which could lead to the reintroduction of individual currencies for member states. If this were to occur, Euro-denominated assets and liabilities would be re-denominated to such individual currencies, which could result in a mismatch in the values of assets and liabilities and expose us to additional currency risks.

As our international operations continue to grow, our risks associated with fluctuation in currency rates will become greater, and we will continue to reassess our approach to managing this risk, such as using foreign currency forward and option contracts to hedge certain exposures to fluctuations in foreign currency exchange rates. In addition, currency fluctuations or a weakening U.S. dollar can increase the costs of our international operations, and the strengthening U.S. dollar could slow international demand as solutions priced in the U.S. dollar become more expensive.

If we fail to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing business needs, requirements, or preferences, or if we fail to continue to grow and develop our payments solutions, our business may be materially and adversely affected.

Our future success depends in large part on the continued growth and development of our payments solutions. If such activities are limited, restricted, curtailed or degraded in any way, or if we fail to continue to grow and develop our payments solutions, our business may be materially and adversely affected. The market for payments enablement solutions is relatively new and subject to changes in technology, regulatory regimes, industry standards, payment methods, regulations and client and customer needs. The success of our business will depend, in part, on our ability to adapt and respond effectively to these changes through methods which include launching new solutions.

The success of any new product and service, or any enhancements or modifications to existing solutions, depends on several factors, including the timely completion, introduction, and market acceptance of such solutions, enhancements, and modifications. Our engineering and software development teams operate in different locations across the globe (including teams in Valencia, Spain, Cluj, Romania, Chicago and Tel Aviv, Israel), which can create logistical challenges. If we are unable to effectively coordinate with our global technology and development teams to enhance our solutions, add new payment methods or develop new solutions that keep pace with technological and regulatory changes to achieve market acceptance, or if new technologies emerge that are able to deliver competitive solutions that are more effective, secure, convenient or cost effective than our solutions, our business, operating results, and financial condition would be adversely affected. Furthermore, modifications to our existing solutions or technology will increase our technology and development expenses. Any failure of our solutions to operate effectively with existing or future network solutions and technologies could reduce the demand for our solutions, result in clients or clients' customer dissatisfaction and adversely affect our business.

Changes to payment card networks fees or rules could harm our business.

We are required to comply with Mastercard, American Express, and Visa payment card network operating rules and the rules of other regional card (such as China Unionpay or JCB) or payment providers, in connection with our solutions. We have agreed to reimburse our merchant acquirers for any fines they are assessed by payment card networks as a result of any rule violations by us. We may also be directly liable to the payment card networks for rule violations. The payment card networks set and interpret the card operating rules. The payment card networks could adopt new operating rules or interpret or reinterpret existing rules that we or our processors might find difficult or even impossible to follow, or costly to implement. For example, the card networks could adopt new rules or reinterpret existing rules to substantially modify how we offer credit card payment methods to our clients, or impose new fees or costs that could negatively impact our margins. Card networks also could modify security or fraud detection methodologies that could have a downstream impact on our business, and force us to change our solutions, payment experience or security protocols, which may increase our operating costs. We also may seek to introduce other card-related solutions in the future, which would entail additional operating rules. As a result of any violations of rules, new rules being implemented, or increased fees, we could lose our ability to offer certain cards as a payment method to our clients' customers, or such payments could become prohibitively expensive for us or for our clients. Additionally, from time to time, card networks, including Visa and Mastercard, increase the fees that they charge processors. We could attempt to pass these increases along to our clients and their customers, but this strategy might result in the loss of clients to our competitors who do not pass along the increases. If competitive practices prevent us from passing along the higher fees to our clients and their customers in the future, we may have to absorb all or a portion of such increases, which may increase our operating costs and reduce our profit margins. If we are unable to offer credit cards as a payment method to our clients' customers, our business would be adversely affected.

If we do not or cannot maintain the compatibility of our solution with evolving software solutions used by our clients, or the interoperability of our solutions with those of our third-party payment providers, payment networks and key software vendors, our business may be materially and adversely affected.

Our solutions integrate with ERP systems, such as Ellucian Company, L.P. in education, Epic Systems Corporation in healthcare, Rezdy Pty Ltd in travel and Oracle Corporation in B2B payments. We automatically synchronize suppliers, clients, client customers, invoices, and payment transactions between our solutions and these systems. This two-way sync eliminates duplicate data entry and provides the basis for managing cash-flow through an integrated solution for accounts receivable, and payments.

In addition, we are subject to certain standard terms and conditions with these partners. These partners have broad discretion to change their terms of service and other policies, and those changes may be unfavorable to us. Therefore, we believe that maintaining successful partnerships with these providers is critical to our future success.

We also rely on our proprietary global payment network comprised of leading global, regional and local banks and technology and payment partners. If we do not or cannot maintain the interoperability of their products or services or the products or our key software vendors that are integral to our solutions, our business may be materially and adversely affected. These third parties periodically update and change their systems, and although we have been able to adapt our solutions to their evolving needs in the past, there can be no guarantee that we will be able to do so in the future. In particular, if we are unable to adapt to such changes, we may not be able to utilize these strategic partners and we may lose access to large numbers of clients as a result.

If any of the third party software providers change the features of their APIs, discontinue their support of such APIs, restrict our access to their APIs, or alter the terms governing their use in a manner that is adverse to our business, we will not be able to provide synchronization capabilities, which could significantly diminish the value of our solutions and harm our business, operating results, and financial condition.

If we fail to maintain and enhance our brand, our ability to expand our client base will be impaired and our business, operating results, and financial condition may suffer.

We believe that further developing, maintaining and enhancing our brand domestically and on a global basis is important to support the marketing and sale of our existing and future solutions to new clients and to attracting additional and strategic partners. Successfully further developing, maintaining and enhancing our brand will depend largely on the effectiveness of our marketing and demand generation efforts, our ability to provide reliable and seamless solutions that continue to meet the needs of our clients and their customers at competitive prices, our ability to maintain our clients' trust, our ability to continue to develop new functionality, solutions, and our ability to successfully differentiate solutions from competitive solutions. Our brand promotion activities may not generate client awareness or yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, our business could suffer.

If we lose key members of our management team or are unable to attract and retain executives and employees we need to support our operations and growth, our business may be harmed.

Our success and future growth depend upon the continued services of our management team and other key employees. Our Chief Executive Officer, Michael Massaro, and our President and Chief Operating Officer, Rob Orgel, are critical to our overall management, as well as the continued development of our solutions, strategic partnerships, culture, relationships with financial institutions, and strategic direction. From time to time, there may be changes in our management team resulting from the hiring or departure of executives and key employees, which could disrupt our business. Our senior management and key employees are employed on an at-will basis. We currently have “key person” insurance on our Chief Executive Officer, Michael Massaro, but not for any of the other members of our management team. Certain of our key employees have been with us for a long period of time and have fully vested stock options or other long-term equity incentives that may become valuable and are publicly tradable subject to Rule 144 limitations, which may reduce the incentive for each of these key employees to remain at our Company. We cannot ensure that we will be able to retain the services of any members of our senior management or other key employees or that we would be able to timely replace members of our senior management or other key employees should any of them depart. The loss of our Chief Executive Officer, or our President and Chief Operating Officer, or one or more of our senior management, or other key employees could harm our business, and we may not be able to find adequate replacements.

The failure to attract and retain additional qualified personnel could prevent us from executing our business strategy and growth plans.

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executive officers, software developers, compliance and risk management personnel and other key employees in our industry and locations is intense and increasing, especially in the U.S., where wage inflation has been increasing. We compete with many other companies for software developers with high levels of experience in designing, developing, and managing payment systems, as well as for skilled legal and compliance and risk operations professionals. Many of the companies with which we compete for experienced personnel have greater resources than we do and can frequently offer such personnel substantially greater compensation than we can offer. If we fail to identify, attract, develop and integrate new personnel, or fail to retain and motivate our current personnel, our growth prospects would be adversely affected.

If we cannot maintain our company culture as we grow, our success and our business may be harmed.

We believe our culture has been a key contributor to our success to date and that the critical nature of the solutions that we provide promotes a sense of greater purpose and fulfillment in our FlyMates. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel, which is critical to our growth, and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our culture. If we fail to maintain our culture, our business and competitive position may be adversely affected.

Our sales cycles may be long and vary.

We devote significant resources to establish relationships with new clients and deepen relationships with existing clients. The sales cycles of our solutions tend to vary depending on the client industry sector which may make forecasting more complex and uncertain.

As a result of the ongoing COVID-19 pandemic, many enterprises have limited travel, prohibited in person meetings and implemented other restrictions that could make the sales process more lengthy and difficult. Mid-market and large enterprises tend to have more complex operating environments than smaller businesses, making it often more difficult and time-consuming for us to demonstrate the value of our solutions to prospective clients. The decision to use our solutions may also be an enterprise-wide decision, and require us to provide greater levels of education regarding the use and benefits of our solutions, which may result in additional time, effort, and money spent on our sales cycle without any assurance that our efforts will be successful in generating any sales. Often, major hospital systems and national or state higher education systems will solicit service offers by issuing requests for proposals (RFPs), which are generally a time- and resource-intensive process, with no assurances of being selected as a vendor after the RFP process is completed. Finally, large enterprises typically have longer implementation cycles, especially hospital and education systems, require greater product functionality and scalability and a broader range of services, demand that vendors take on a larger share of risks, sometimes require longer testing periods that delay general availability of our solutions, and expect greater payment flexibility from vendors. All of these factors can add further risk to business conducted with these clients. If we fail to realize an expected sale from a large end-client in a particular quarter or at all, our business, operating results, and financial condition could be materially and adversely affected.

In addition, we may face unexpected deployment challenges with enterprise clients. It may be difficult to deploy our software solutions if a client has unexpected database, hardware or software technology issues, or if a client insists on a more customized or unique solution that is time intensive or that we have little prior experience in delivering. Decisions on timing of deployments may also be impacted by cost and availability of personnel. Any difficulties or delays in the initial implementation could cause clients to reject our solutions or lead to the delay or non-receipt of future orders, in which case our business, operating results and financial condition would be harmed.

Our operating results depend in substantial part on our ability to deliver a successful client experience and persuade our clients to grow their relationship with us over time. As we expect to grow rapidly, our client acquisition costs could outpace our build-up of recurring revenue, and we may be unable to reduce our total operating costs through economies of scale such that we are unable to achieve profitability. Any increased or unexpected costs or unanticipated delays, including delays caused by factors outside of our control, could cause our operating results to suffer.

We typically incur significant upfront costs in our client relationships, and if we are unable to develop or grow these relationships over time, we are unlikely to recover these costs and our operating results may suffer.

We devote significant resources to establish relationships with new clients and deepen relationships with existing clients. Our sales cycle for our solutions can be variable, typically ranging from three to nine months from initial contact to contract execution. However, there is potential for our sales cycle to extend beyond three to nine months as a result of the COVID-19 pandemic and other factors. During the period of our sales cycle, our efforts involve educating our clients about the use, technical capabilities and benefits of our solutions. Our operating results depend in substantial part on our ability to deliver a successful client experience and persuade our clients to grow their relationship with us over time. As we expect to grow rapidly, our client acquisition costs could outpace our build-up of recurring revenue, and we may be unable to reduce our total operating costs through economies of scale such that we are unable to achieve profitability. Any increased or unexpected costs or unanticipated delays, including delays caused by factors outside of our control, could cause our operating results to suffer.

If we fail to offer high-quality client support, or if our support is more expensive than anticipated, our business and reputation could suffer.

Our clients and their customers rely on our support services to resolve issues and realize the full benefits provided by our solutions. High-quality support is also important for the expansion of the use of our solutions with existing clients and their customers. We provide multilingual support over chat, email or via telephone. The number of our clients, and the number of their customers utilizing our solutions, has grown significantly and such growth, as well as any future growth, will put additional pressure on our client service organization. If we do not help our clients and their customers quickly resolve issues and provide effective ongoing support, or if our support personnel or methods of providing support are insufficient to meet the needs of our clients and their customers, our ability to retain clients and their customers and acquire new clients and customers could suffer, and our reputation with existing or potential clients could be harmed. Providing an exceptional client experience requires significant time and resources from our client service team. Therefore, failure to scale our client service organization adequately may adversely impact our business results and financial condition.

In addition, as we continue to grow our operations and continue to expand to new jurisdictions, we need to be able to provide efficient client service that meets our clients' needs globally at scale. In geographies where we sell through our channel partners, if we are unable to provide a high quality client experience tailored to the language and culture of the applicable jurisdiction, our business operations and reputation may suffer.

We may require additional capital to support the growth of our business, and this capital might not be available on acceptable terms, if at all.

We have funded our operations since inception primarily through equity and debt financings, sales of our solutions, and fees. We cannot be certain when or if our operations will generate sufficient cash to fully fund our ongoing operations or the growth of our business. We intend to continue to make investments to support our business, which may require us to engage in equity or debt financings to secure additional funds. Additional financing may not be available on terms favorable to us, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could harm our business, operating results, and financial condition. If we incur additional debt, the debt holders would have rights senior to holders of common stock to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue additional equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in the future will depend on numerous considerations, including factors beyond our control, we cannot predict or estimate the amount, timing, or nature of any future issuances of debt or equity securities. As a result, our stockholders bear the risk of future issuances of debt or equity securities reducing the value of our common stock and diluting their interests.

Our business could be harmed as a result of the risks associated with our acquisitions.

As part of our business strategy, we have in the past and intend to continue to seek to acquire or invest in businesses, products or technologies that could complement or expand our business, enhance our technical capabilities or otherwise offer growth opportunities by providing us with additional intellectual property, client relationships and geographic coverage. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating, and pursuing suitable acquisitions, whether or not such acquisitions are completed. In addition, we can provide no assurances that we will be able to find and identify desirable acquisition targets or that we will be successful in entering into a definitive agreement with any one target. In addition, even if we reach a definitive agreement with a target, there is no assurance that we will complete any future acquisition or if we do acquire additional businesses, we may not be able to integrate them effectively following the acquisition or effectively manage the combined business following the acquisition.

Any acquisitions we undertake or have recently completed, including the acquisition of WPM in December 2021 and Simplee in February 2020, will likely be accompanied by business risks which may include, among other things:

- the effect of the acquisition on our financial and strategic position and reputation;
- the failure of an acquisition to result in expected benefits, which may include benefits relating to enhanced revenues, technology, human resources, costs savings, operating efficiencies, goodwill and other synergies;
- the difficulty, cost and management effort required to integrate the acquired businesses, including costs and delays in implementing common systems and procedures and costs and delays caused by communication difficulties;
- the assumption of certain known or unknown liabilities of the acquired business, including litigation-related liabilities;
- the reduction of our cash available for operations and other uses, the increase in amortization expense related to identifiable assets acquired, potentially dilutive issuances of equity securities or the incurrence of debt;
- a lack of experience in new markets, new business culture, products or technologies or an initial dependence on unfamiliar distribution partners;
- the possibility that we will pay more than the value we derive from the acquisition;
- the impairment of relationships with our clients, clients' customers, partners or suppliers or those of the acquired business; and
- the potential loss of key employees of the acquired business.

These factors could harm our business, results of operations or financial condition.

In addition to the risks commonly encountered in the acquisition of a business or assets as described above, we may also experience risks relating to the challenges and costs of closing a transaction. The risks described above may be exacerbated as a result of managing multiple acquisitions at once.

Systems failures and resulting interruptions in the availability of our solutions could harm our business.

Our systems and those of our service providers and partners have experienced from time to time, and may experience in the future, service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, insider threats, human error, earthquakes, hurricanes, floods, fires, and other natural disasters, war or other military conflict, including an escalation of the conflict between Russia and Ukraine, power losses, disruptions in telecommunications services, fraud, computer viruses or other malware, or other events. Some of our systems are not fully redundant, and our disaster recovery planning may not be sufficient for all possible outcomes or events. In addition, as a provider of payments solutions targeted to highly regulated clients in industries such as education and healthcare, we are subject to heightened scrutiny by regulators that may require specific business continuity, resiliency and disaster recovery plans, and more rigorous testing of such plans, which may be costly and time-consuming to implement, and may divert our resources from other business priorities.

A prolonged interruption in the availability, speed, or functionality of our solutions or payment methods could materially harm our business. Frequent or persistent interruptions in our solutions could cause current or potential clients and their customers to believe that our systems are unreliable, leading them to switch to our competitors or to avoid or reduce the use of our solutions, and could permanently harm our reputation and brand. Moreover, if any system failure or similar event results in damages to our clients or their customers and business partners, these clients, customers or partners could seek significant compensation or contractual penalties from us for their losses, and those claims, even if unsuccessful, would likely be time-consuming and costly for us to address.

We have undertaken and continue to make certain technology and network upgrades and redundancies which are designed to improve the reliability of our solutions. These efforts are costly and time-consuming, involve significant technical risk and may divert our resources from new features and solutions, and there can be no guarantee that these efforts will succeed. Because we are a regulated payments institution in certain jurisdictions, frequent or persistent interruptions could lead to regulatory scrutiny, significant fines and penalties, and mandatory and costly changes to our business practices, and ultimately could cause us to lose existing licenses that we need to operate or prevent or delay us from obtaining additional licenses that may be required for our business.

We use public cloud hosting with AWS and depend on AWS' ability to protect their data centers against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. Our operations depend on protecting the cloud infrastructure hosted by AWS by maintaining the configuration, architecture, and interconnection specifications, as well as the information stored in these virtual data centers and transmitted by third-party internet service providers. In limited occasions, we have experienced service disruptions in the past, and may experience interruptions or delays in our solutions in the future. We may also incur significant costs for using alternative equipment or taking other actions in preparation for, or in reaction to, events that damage the data storage services we use. Although we have disaster recovery plans that utilize various data storage locations, any incident affecting our data storage or internet service providers' infrastructure that may be caused by fire, flood, severe storm, earthquake, power loss, telecommunications failures, unauthorized intrusion, computer viruses and disabling devices, natural disasters, war or other military conflict, including an escalation of the conflict between Russia and Ukraine, terrorist attacks, negligence, and other similar events beyond our control could negatively affect our solutions. Any prolonged service disruption affecting our solutions could damage our reputation with current and potential clients, expose us to liability, cause us to lose clients, or otherwise harm our business. In the event of damage or interruption to our solutions, our insurance policies may not adequately compensate us for any losses that we may incur. System failures or outages, including any potential disruptions due to significantly increased global demand on certain cloud-based systems during the COVID-19 pandemic, could compromise our ability to provide our solutions in a timely manner, which could harm our ability to conduct business or delay our financial reporting. Such failures could adversely affect our operating results and financial condition.

Our solutions are accessed by many of our clients and their customers, often at the same time. As we continue to expand the number of clients that we serve and solutions that we are able to offer to our clients and their customers, we may not be able to scale our technology to accommodate the increased capacity requirements, which may result in interruptions or delays in service. In addition, the failure of data centers, internet service providers, or other third-party service providers to meet our capacity requirements could result in interruptions or delays in access to our solutions or impede our ability to grow our business and scale our operations. If our third-party infrastructure service agreements are terminated, or there is a lapse of service, interruption of internet service provider connectivity, or damage to data centers, we could experience interruptions in access to our solutions as well as delays and additional expense in arranging new facilities and services.

We also rely on components, applications, and services supplied by third parties, including payment service providers and merchant acquirer partners which subjects us to risks. If these third parties experience operational interference or disruptions, breach their agreements with us, fail to perform their obligations and meet our expectations, or experience a cybersecurity incident, our operations could be disrupted or otherwise negatively affected, which could result in client dissatisfaction, regulatory scrutiny, and damage to our reputation and brand, and materially and adversely affect our business.

In addition, we are continually improving and upgrading our systems and technologies. Implementation of new systems and technologies is complex, expensive, and time-consuming. If we fail to timely and successfully implement new systems and technologies, or improvements or upgrades to existing information systems and technologies, or if such systems and technologies do not operate as intended, this could have an adverse impact on our business, internal controls (including internal controls over financial reporting), results of operations, and financial condition.

Risks Related to Our Legal, Regulatory and Compliance Landscape

We currently handle cross-border and domestic payments and plan to expand our solutions to new clients, to accept and settle payments in new countries and in new currencies, and to increase our global network to allow us to offer local and alternative payment methods, creating a variety of operational challenges; additionally, our domestic and international operations subject us to increased risks, which could harm our business.

Our business is subject to risks inherent in conducting business globally, including cross-border payments and domestic payments in the United States and certain other markets. Our handling of domestic and cross-border payments to our clients generates a significant portion of our revenues, with a substantial portion of such revenues coming from payments processed from Asia (including India, China and Korea). We expect that international revenues will continue to account for a significant percentage of total net revenues for the foreseeable future, and that in particular, the proportion of our revenue from Asia will continue to increase. Current events, including the possibility of renegotiated trade deals and international tax law treaties, and the recent escalation of the conflict between Russia and Ukraine, create a level of uncertainty, and potentially increased complexity, for multinational companies. These uncertainties could have a material adverse effect on our business and our results of operations and financial condition. In addition, international operations are subject to various risks which could have a material adverse effect on those operations or our business as a whole, including:

- foreign currency exchange rate volatility;
- risks related to government regulation or required compliance with local laws;
- local licensing and reporting obligations or the imposition of currency controls which make it impossible or increasingly difficult for our clients to collect payments from international customers;
- local regulatory and legal obligations related to privacy, data protection, data localization, and user protections;
- the need to localize our solutions, including offering clients and their customers the ability to transact business in the local currency and adapting our solutions to local preferences, in markets in which we may have limited or no experience;
- trade barriers and changes in trade regulations;
- the impact of government sanctions on our ability to offer services in a region, such as the sanctions recently announced by the U.S. and other countries against Russia;
- difficulties in developing, staffing, and managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- limitations on the repatriation of cash, including imposition or increase of withholding and other taxes on remittances and other payments by foreign subsidiaries;
- political or social unrest, war or other military conflict, including an escalation of the conflict between Russia and Ukraine, economic instability, repression, or human rights issues;
- natural disasters, global pandemics such as COVID-19 or other public health emergencies, acts of war, and terrorism;
- compliance with U.S. laws and foreign laws prohibiting corrupt payments to government officials, such as the Foreign Corrupt Practices Act (FCPA) and the U.K. Bribery Act, and other local anti-corruption laws;
- compliance with U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;

- retaliatory tariffs and restrictions limiting free movement of currency and an unfavorable trade environment, including as a result of political conditions and changes in the laws in the United States and elsewhere and as described in more detail below;
- antitrust and competition regulations;
- expanded compliance with potentially conflicting and changing laws of taxing jurisdictions where we conduct business and applicable U.S. tax laws as they relate to international operations, the complexity and adverse consequences of such tax laws, and potentially adverse tax consequences due to changes in such tax laws or levels of enforcement;
- national or regional differences in macroeconomic growth rates; and
- increased difficulties in collecting accounts receivable.

Foreign operations may also expose us to political, social, regulatory and economic uncertainties affecting a country or region, or to political hostility to investments by foreign or private equity investors. Many financial markets are not as developed or as efficient as those in the United States, and as a result, liquidity may be reduced and price volatility may be higher in those markets than in more developed markets. The legal and regulatory environment may also be different, particularly with respect to bankruptcy and reorganization, and may afford us less protection as a creditor than we may be entitled to under U.S. law. Financial accounting standards and practices may differ, and there may be less publicly available information in respect of such companies.

Restrictions imposed or actions taken by foreign governments could include exchange controls, seizure or nationalization of foreign deposits and adoption of other governmental restrictions which adversely affect the prices of securities or the ability to repatriate profits. For instance, we process a substantial amount of payments from China. The Chinese government imposes controls on the convertibility of the Renminbi the currency of China, into foreign currencies and, in certain cases, the remittance of currency out of China. The Chinese government may at its discretion further restrict access in the future to foreign currencies for current account transactions. In addition, income received by us from sources in some countries may be reduced by withholding and other taxes. Any such taxes paid by us will reduce the net income or return from such investments. While we will take these factors into consideration in making investment decisions, including when hedging positions, no assurance can be given that we will be able to fully avoid these risks or generate sufficient risk-adjusted returns.

Violations of the complex foreign and U.S. laws, rules and regulations that apply to our cross-border operations may result in fines, criminal actions, or sanctions against us, our officers, or FlyMates; prohibitions on the conduct of our business; and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our FlyMates, contractors, or agents will not violate our policies. These risks are inherent in our cross-border operations and expansion, may increase our costs of doing business internationally, and could harm our business.

Payments and other financial services-related regulations and oversight are material to our business. Our failure to comply could materially harm our business.

The local, state, and federal laws, rules, regulations, licensing schemes, and industry standards in the United States and other jurisdictions in which we operate that govern our business include, or may in the future include, those relating to consumer finance and consumer protection, cross-border and domestic money transmission, foreign exchange, payments services (such as money transmission, payment processing, and settlement services), AML and CFT, escheatment, international sanctions regimes, and compliance with the PCI DSS. These laws, rules, regulations, licensing schemes, and standards are enforced by multiple authorities and governing bodies in the United States, including the Department of the Treasury, the Federal Deposit Insurance Corporation, the SEC, CFPB, the Federal Trade Commission, self-regulatory organizations, and numerous state and local regulators and law enforcement agencies. Our clients also have their own regulatory obligations, and they expect our solutions to comply with the regulatory requirements that are applicable to their businesses. For additional discussion about the regulatory environment that we and our clients operate in, please see “Business–Regulation and Industry Standards”. As we expand into new jurisdictions, the number of foreign laws, rules, regulations, licensing schemes, and standards governing our business will expand as well. In addition, as our business and solutions continue to develop and expand, we may become subject to additional laws, rules, regulations, licensing schemes, and standards. We may not always be able to accurately predict the scope or applicability of certain laws, rules, regulations, licensing schemes, or standards to our business, particularly as we expand into new areas of operations, which could have a significant negative effect on our existing business and our ability to pursue future plans.

Certain of our subsidiaries are registered with FinCEN. Our subsidiary Flywire Global Corp. has obtained licenses to operate as a money transmitter (or the statutory equivalent) in 41 U.S. jurisdictions, and is in the process of applying for a license in, to the best of our knowledge, all U.S. states and territories where such licensure or registration is required in order to be able to offer additional business lines in the future. As a licensed money transmitter, we are (and in the states where we are awaiting licensure, will be) subject to obligations and restrictions with respect to the investment of client funds, reporting requirements, bonding requirements, minimum capital requirements, and inspection by state regulatory agencies concerning various aspects of our business. Evaluation of our compliance efforts, as well as the questions of whether and to what extent our solutions are considered money transmission, are matters of regulatory interpretation and could change over time. In addition, there are substantial costs involved in maintaining and renewing our licenses, certifications, and approvals, and we could be subject to fines or other enforcement action if we are found to violate disclosure, reporting, AML, CFT, capitalization, corporate governance, or other requirements of such licenses.

If we fail to predict how a U.S. law or regulation or a law or regulation from another jurisdiction in which we operate will be applied to us, we could be subject to additional licensure requirements and/or administrative enforcement actions. This could also require changes to the manner in which we conduct some aspects of our business or potential product changes, and require us to pay fines, penalties, or compensation to clients for past non-compliance. At the federal level, we are registered as a MSB with FinCEN. For additional discussion of the requirements of our MSB registration, please see “Business – Regulation and Industry Standards.” At the state level, we rely on various exemptions from state money transmitter licensing requirements, and regulators may find that we have violated applicable laws or regulations because we are not licensed or registered as a money transmitter in all of the U.S. jurisdictions we service. We believe, based on our business model, that we have valid exemptions from licensure under various state money transmission laws, either expressly as a payment processor or agent of the payee, or pursuant to common law as an agent of the payee. While we believe we have defensible arguments in support of our positions under the state money transmission statutes, we have not expressly obtained confirmation of such positions from the state banking departments who administer the state money transmission statutes. It is possible that certain state banking departments may determine that our activities are not exempt. Any determination that we are in fact required to be licensed under the money transmission statute of a state where we are not yet licensed may require substantial expenditures of time and money to remediate and could lead to liability in the nature of penalties or fines, costs, legal fees, reputational damage or other negative consequences. We could be required to cease operations in some or all of the U.S. jurisdictions we service and where we are not yet licensed, which determination would have a materially adverse effect on our business, including our financial condition, operating results, and reputation. In the past, certain competitors have been found to violate laws and regulations related to money transmission, and they have been subject to fines and other penalties by regulatory authorities.

The adoption of new money transmitter or MSB statutes in jurisdictions or changes in regulators’ interpretation of existing state and federal money transmitter or MSB statutes or regulations could subject us to new registration or licensing requirements. There can be no assurance that we will be able to obtain or maintain any such licenses in all of the jurisdictions we service, and, even if we were able to do so, there could be substantial costs and potential product changes involved in maintaining such licenses, which could have a material and adverse effect on our business. These factors could impose substantial additional costs, involve considerable delay to the development or provision of our solutions, require significant and costly operational changes, or prevent us from providing our solutions in any given market.

The regulatory environment in which we operate is subject to constant change, and new regulations could make aspects of our business as currently conducted no longer possible.

In the future, as a result of the regulations applicable to our business, we could be subject to investigations and resulting liability, including governmental fines, restrictions on our business, or other sanctions, and we could be forced to cease conducting certain aspects of our business with residents of certain jurisdictions, be forced to change our business practices in certain jurisdictions, or be required to obtain additional licenses or regulatory approvals. For example, because a majority of voters in the U.K. approved an exit from the E.U. (commonly referred to as Brexit), we were required to obtain a license from a member state of the EEA which would allow us to continue to provide our solutions to clients located in the EEA under a principle known as “passporting”. We were able to obtain a license as an authorized payment institution from the Bank of Lithuania in September 2019 and subsequently obtained the right to passport our solutions to other EEA member states.

Government agencies may impose new or additional rules on money transmission, including regulations that:

- prohibit, restrict, and/or impose taxes or fees on money transmission transactions in, to or from certain countries or with certain governments, individuals, and entities;

- impose additional client identification and client due diligence requirements;
- impose additional reporting or recordkeeping requirements, or require enhanced transaction monitoring;
- limit the types of entities capable of providing money transmission services, or impose additional licensing or registration requirements;
- impose minimum capital or other financial requirements;
- limit or restrict the revenue that may be generated from money transmission, including revenue from the transaction value associated with the payment method used by our clients' customers and platform-related fees for access to our solutions and invoice and payment plan fees;
- require enhanced disclosures to our money transmission clients or their customers;
- require the principal amount of money transmission transactions originated in a country to be invested in that country or held in trust until paid;
- limit the number or principal amount of money transmission transactions that may be sent to or from a jurisdiction, whether by an individual or in the aggregate; and
- restrict or limit our ability to process transactions using centralized databases, for example, by requiring that transactions be processed using a database maintained in a particular country or region.

We are subject to governmental laws and requirements regarding economic and trade sanctions, AML and CFT that could impair our ability to compete in international markets or subject us to criminal or civil liability if we violate them.

We are currently required to comply with U.S. economic and trade sanctions administered by OFAC and we have processes in place to comply with the OFAC regulations as well as similar requirements in the foreign jurisdictions in which we already operate. As part of our compliance efforts, we scan our clients against watch lists promulgated by OFAC and certain other international agencies. Our application can be accessed from anywhere in the world, and if our service is accessed from a sanctioned country in violation of applicable trade and economic sanctions, we could be subject to fines or other enforcement actions. We are also subject to various AML and CFT laws and regulations around the world that prohibit, among other things, our involvement in transferring the proceeds of criminal or terrorist activities. In the United States, most of our solutions are subject to AML laws and regulations, including the BSA, and similar laws and regulations. The BSA, among other things, requires MSBs to develop and implement risk-based AML programs, to report large cash transactions and suspicious activity, and in some cases, to collect and maintain information about clients who use their services and maintain other transaction records. Regulators and third-party auditors have identified gaps in how similar businesses have implemented AML programs, and we could likewise be subject to significant fines, penalties, inquiries, audits, investigations, enforcement actions, and criminal and civil liability if our AML program is found to be insufficient by a regulator.

Our business operations in other parts of the world such as the U.K., Lithuania, Australia and Singapore are subject to similar laws and requirements. Regulators in the United States and globally continue to increase their scrutiny of compliance with these obligations, which may require us to further revise or expand our compliance program, including the procedures we use to verify the identity of our clients and to monitor transactions on our system, including payments to persons outside of the United States. Regulators regularly re-examine the transaction volume thresholds at which we must obtain and keep applicable records or verify identities of clients, and any change in such thresholds could result in greater costs for compliance. Similarly, as a condition to doing business with us, our banking and other strategic partners also impose ongoing obligations on us related to AML and CFT and sanctions screening. Any failure on our part to maintain the necessary processes and policies to comply with these regulations and requirements, or to adapt our processes and policies to changes in laws, would subject us to penalties, fines, or loss of key relationships which would have a material adverse effect on our business and results of operations. Furthermore, government sanctions imposed with respect to Russia's invasion of Ukraine in February and March 2022 are impacting our ability to offer our services in the region, and additional sanctions could be imposed in the future. Further instability or tension in Russia, Ukraine, and the surrounding region could also cause us to adjust our operating model, which would increase our costs of operations.

Any actual or perceived failure to comply with governmental regulation and other legal obligations, particularly those related to privacy, data protection, and information security, could harm our business. Compliance with such laws could also result in additional costs and liabilities to us or inhibit sales of our solutions.

Our clients and their customers store personal and business information, financial information and other sensitive information through our solutions. In addition, we collect, store, and process personal and business information and other data from and about actual and prospective clients, their customers, our FlyMates and our service providers and other business partners, as well as their personnel. Our handling of data is subject to a variety of laws and regulations, including regulation by various government agencies, such as the U.S. Federal Trade Commission (FTC), and various state, local, and foreign agencies. Our data handling is also subject to contractual obligations and industry standards.

The U.S. federal and various state and foreign governments have adopted or proposed limitations on the collection, distribution, use, and storage of data relating to individuals and businesses, including the use of contact information and other data for marketing, advertising, and other communications with individuals and businesses. In the United States, various laws and regulations apply to the collection, processing, disclosure, and security of certain types of data, including the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the Gramm Leach Bliley Act, FERPA, HIPAA, and the now in question E.U.-U.S. and Swiss—U.S. Privacy Shield protections, as well as state laws relating to privacy and data security. Additionally, the FTC and many state attorneys general are interpreting federal and state consumer protection laws as imposing standards for the online collection, use, dissemination, and security of data. For example, California enacted the CCPA, which took effect on January 1, 2020 and became enforceable by the California Attorney General on July 1, 2020, and broadly defines personal information. The CCPA creates new individual privacy rights for consumers (as that term is broadly defined) and places increased privacy and security obligations on entities handling personal data of consumers or households. The CCPA requires covered companies to provide certain disclosures to California consumers about its data collection, use and sharing practices, provide such consumers with ways to opt-out of certain sales or transfers of personal information, provides for civil penalties for violations, and allows for a new private right of action for data breaches that has resulted in an increase in data breach litigation. It remains unclear, however, how the CCPA will be interpreted. As currently written, it will likely impact our business activities and exemplifies the vulnerability of our business to not only cyber threats but also the evolving regulatory environment related to personal data and protected health information.

Additionally, a new California ballot initiative, the California Privacy Rights Act (CPRA) was passed in November 2020. Effective starting on January 1, 2023, the CPRA imposes additional obligations on companies covered by the legislation and will significantly modify the CCPA, including by expanding consumers' rights with respect to certain sensitive personal information. The CPRA also creates a new state agency that will be vested with authority to implement and enforce the CCPA and the CPRA. The effects of the CCPA and the CPRA are potentially significant and may require us to modify our data collection or processing practices and policies and to incur substantial costs and expenses in an effort to comply and increase our potential exposure to regulatory enforcement and/or litigation.

The laws and regulations relating to privacy and data security are evolving, can be subject to significant change, and may result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. The CCPA, in particular, has prompted a number of proposals for new federal and state-level privacy legislation, which could increase our potential liability and adversely affect our business. Virginia became the second state after California to enact a broad privacy law with the passage of the Virginia Consumer Data Protection Act (CDPA) on March 2, 2021. The CDPA contains several new requirements for covered companies that may add operational challenges, including a greater emphasis on transparency, broader affirmative consent or opt-in requirements to process sensitive personal data, broader opt-out rights and data protection assessment requirements for certain sales of personal data as well as targeted advertising and profiling, and an appeal process for denials of consumer rights requests. The law will take effect January 1, 2023, the same day as the CPRA. Colorado became the third state with the passage of the Colorado Privacy Act (CPA) on July 8, 2021. Like the CDPA, the CPA provides consumers the right to opt out of processing for sales of personal data, targeted advertising, and profiling, provides the right to appeal a business' denial to take action, among other new consumer rights, requires data protection assessments for certain processing activities, and, unlike the CDPA, grants the Attorney General rulemaking powers. The law will take effect on July 1, 2023. Unlike in California, neither law provides for a private right of action. We anticipate that more states may enact legislation similar to the CCPA, which provides consumers with new privacy rights and increases the privacy and security obligations of entities handling certain personal information of such consumers. For example, the Utah state legislature passed the Utah Consumer Privacy Act in March 2022. The Utah legislation most closely mirrors Virginia's CDPA, and if signed the law will go into effect on December 31, 2023. Such proposed legislation, if enacted, may add additional complexity, variation in requirements, restrictions and potential legal risk, require additional investment of resources in compliance programs, impact strategies and the availability of previously useful data and could result in increased compliance costs and/or changes in business practices and policies.

Many of the foreign jurisdictions where we or our clients operate or conduct business, including the E.U., have laws and regulations dealing with the collection, use, storage, and disclosure and other handling (collectively, processing) of personal information, which in some cases are more restrictive than those in the U.S. In addition to regulating the processing of personal information within the relevant jurisdictions, these legal requirements often also apply to the processing of personal information outside these jurisdictions, where there is some specified link to the relevant jurisdiction. For example, we have multiple offices in Europe and serves clients and their customers throughout the E.U., where the GDPR went into effect in 2018. The GDPR, which is also the law in Iceland, Norway, Liechtenstein, and—to a large degree—the U.K., has an extensive global reach and imposes robust obligations relating to the processing of personal information, including documentation requirements, greater control for data subjects (e.g., the "right to be forgotten" and data portability), security requirements, notice requirements, restrictions on sharing personal information, data governance obligations, data breach notification requirements, and restrictions on the export of personal information to most other countries. The solutions that we currently offer subject us to many of these laws and regulations in many of the foreign jurisdictions where we operate or conduct business, and these laws and regulations may be modified or subject to new or different interpretations, and new laws and regulations may be enacted in the future.

Recent legal developments have created compliance uncertainty regarding some transfers of personal information from the U.K. and EEA to locations where we or our clients operate or conduct business, including the United States and potentially Singapore, particularly with respect to cross-border transfers. Under the GDPR, such transfers can take place only if certain conditions apply or if certain data transfer mechanisms are in place. In July 2020, the Court of Justice of the E.U. ruled in its "*Schrems II*" decision (C-311/18), that the Privacy Shield, a transfer mechanism used by thousands of companies to transfer data between those jurisdictions and United States (and also used by us), was invalid and could no longer be used due to the strength of United States surveillance laws. In September 2020, the Federal Data Protection and Information Commissioner of Switzerland (where the law has a similar restriction on the export of personal information) issued an opinion concluding that the Swiss-U.S. Privacy Shield Framework does not provide an adequate level of protection for data transfers from Switzerland to the United States pursuant to Switzerland's Federal Act on Data Protection. We and our clients continue to use alternative transfer strategies, including SCCs, while the authorities interpret the *Schrems II* decision and the validity of alternative data transfer mechanisms. The SCCs, though previously approved by the European Commission, have faced challenges in European courts (including being called into question in the *Schrems II* decision), and may be further challenged, suspended or invalidated for transfers to some or all countries. For example, guidance regarding *Schrems II* issued by the European Data Protection Board (which is comprised of representatives from every E.U. member state's top data protection authority) have cast serious doubt on the validity of SCCs for most transfers of personal information to the United States. At present, there are few if any viable alternatives to the Privacy Shield and the SCCs, so such developments may necessitate further expenditures on local infrastructure, changes to internal business processes, changes to clients and clients' customer facing solutions, or may otherwise affect or restrict our sales and operations.

On June 4, 2021, the European Commission released the final Implementing Decision on SCCs (New SCCs) for the transfer of personal data from the E.U. to "third countries" such as the US. The New SCCs will repeal and replace the existing SCCs (dating from 2001, 2004 and 2010) and address the entry into force of the GDPR) and the July 2020 decision of the CJEU in Schrems II, which invalidated the E.U.-U.S. Privacy Shield. The New SCCs broadly follow the draft implementing decision on standard contractual clauses (Draft SCCs) issued by the European Commission on November 12, 2020, but there are some material differences. The Draft SCCs' significant and extensive new requirements for data importers that act as controllers (for example, obligations to give notice to data subjects and to notify personal data breaches to EU authorities) remain, but have been aligned more closely with the GDPR requirements. While the New SCCs are not immediately in force, compliance with them will be required for new transfer agreements entered into from late September 2021. SCCs currently in effect must be replaced with the New SCCs by late December 2022.

E.U. data protection authorities have the power to impose administrative fines for violations of the GDPR of up to a maximum of €20 million or 4% of a corporate family's total worldwide global turnover for the preceding fiscal year, whichever is higher. Such penalties are in addition to any civil litigation claims by clients, data subjects or other third parties. We believe that the solutions that we currently offer subject us to the GDPR and other laws and regulations relating to privacy, data protection, and information security, and these may be modified or subject to new or different interpretations in the future. We will need to take steps to address compliance obligations in this rapidly evolving legal environment, but we cannot assure you that we will be able to implement changes in a timely manner or without significant disruption to our business, or that such steps will be effective, and we may face the risk of liability and loss of business.

In addition, further to the U.K. exit from the E.U. on January 31, 2020, the GDPR ceased to apply in the U.K. at the end of the transition period on December 31, 2020. However, as of January 1, 2021, the U.K.'s European Union (Withdrawal) Act 2018 incorporated the GDPR (as it existed on December 31, 2020 but subject to certain U.K. specific amendments) into U.K. law (referred to as the U.K. GDPR). The U.K. GDPR and the U.K. Data Protection Act 2018 set out the U.K.'s data protection regime, which is independent from but aligned to the E.U.'s data protection regime. Non-compliance with the U.K. GDPR may result in monetary penalties of up to £17.5 million or 4% of worldwide revenue, whichever is higher. Like the GDPR, the U.K. GDPR restricts personal data transfers outside the U.K. to countries not regarded by the U.K. as providing adequate protection (this means that personal data transfers from the U.K. to the EEA remain free flowing).

On June 28, 2021, the European Commission adopted an adequacy decision under the GDPR, thereby recognizing that the U.K.'s data protection system continues to provide the same protections with respect to personal data as when it was an EU member state, and enabling the continued exchange of personal data between the E.U. and the U.K. The adequacy decision facilitates the implementation of the E.U.-U.K. Trade Cooperation Agreement, which foresaw the need for bilateral data flow and continued cooperation. The adequacy decision does, however, include a 'sunset clause', limiting its duration to four years, at which point the European Commission will need to once again review the safeguards in place in the U.K.'s post-Brexit legal system and decide if the adequacy decision may be renewed.

This lack of clarity on future U.K. laws and regulations and their interaction with E.U. laws and regulations could add legal risk, uncertainty, complexity and cost to our handling of E.U. personal information and our privacy and data security compliance programs. It is possible that over time the U.K. Data Protection Act 2018 could become less aligned with the GDPR, which could require us to implement different compliance measures for the U.K. and the E.U. and result in potentially enhanced compliance obligations for E.U. personal data.

In Asia, there has been an increase in both regulation and enforcement of privacy laws. The Act on Protection of Personal Information originally enacted in June 2020 by the Japanese government, was amended and will come into effect on April 1, 2022 (Amended APPI). Since the passage of the Amended APPI, a number of implementing regulations and supporting documents have been released, addressing the requirements for transferring personal data outside Japan, notifying security breaches and creating pseudonymous information exempt from certain obligations under the Amended APPI. We have taken steps to address compliance obligations that apply to us under the Amended APPI, but cannot assure you that such steps will be effective, and we may face the risk of increased costs, liability and loss of business.

The People's Republic of China (home to the most online users in the world), is one of the latest countries to pass a new omnibus privacy law. China passed its new Data Security Law (DSL) in June 2021 and its new Personal Information Protection Law (PIPL) in August 2021. The DSL applies to a wide range of data processing activities including, but not limited to, processing personal information. With extraterritorial scope and severe fines and penalties, these laws are set to impose an increasingly complex and comprehensive legal framework for processing personal information when doing business in China. The PIPL is enforced and administered by the Cyberspace Administration of China and relevant state and local government departments. The law draws from the GDPR, with heavy penalties up to the greater of 5% of the previous year's revenue (possibly global) or $7.7 million.

We have taken steps to address compliance obligations that apply to us under the Amended APPI, the DSL and PIPL but cannot assure you that such steps will be effective, and we may face the risk of increased costs, liability and loss of business.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that, if adopted, may apply to us, or which clients or clients' customers may require us to adopt. Because the interpretation and application of privacy and data protection laws, regulations, rules, and other standards are still uncertain, it is possible that these laws, rules, regulations, and other actual or alleged legal obligations, such as contractual or self-regulatory obligations, may be interpreted and applied in a manner that is inconsistent with our existing data management practices or the functionality of our solutions. If so, in addition to the possibility of fines, lawsuits and other claims, we could be required to fundamentally change our business activities and practices or modify our software, which could have an adverse effect on our business. Any failure or perceived failure by us to comply with laws, regulations, policies, legal, or contractual obligations, industry standards, or regulatory guidance relating to privacy or data security, may result in governmental investigations and enforcement actions, litigation, fines and penalties, or adverse publicity, and could cause our clients and partners to lose trust in us, which could have an adverse effect on our reputation and business. We expect that there will continue to be new proposed laws, regulations, and industry standards relating to privacy, data protection, marketing, consumer communications, and information security, and we cannot determine the impact such future laws, regulations, and standards may have on our business. Future laws, regulations, standards, and other obligations or any changed interpretation of existing laws or regulations could impair our ability to develop and market new functionality and maintain and grow our client base and increase revenue. Future restrictions on the collection, use, sharing, or disclosure of data, or additional requirements for express or implied consent of our clients, partners, or end users for the use and disclosure of such information could require us to incur additional costs or modify our solutions, possibly in a material manner, and could limit our ability to develop new functionality.

If we are not able to comply with these laws or regulations, or if we become liable under these laws or regulations, we could be directly harmed, and we may be forced to implement new measures to reduce our exposure to this liability. This may require us to expend substantial resources or to discontinue certain solutions, which would negatively affect our business, financial condition, and operating results. In addition, the increased attention focused upon liability issues as a result of lawsuits and legislative proposals could harm our reputation or otherwise adversely affect the growth of our business. Furthermore, any costs incurred as a result of this potential liability could harm our operating results.

We are subject to anti-corruption, anti-bribery, and similar laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business.

We are subject to the FCPA, the U.K. Bribery Act, U.S. domestic bribery laws, and other anti-corruption laws. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public sector. These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. We maintain operations and serve clients in several countries around the world. Although we do not target government entities as clients, some of our clients may receive funding or other support from local, state, provincial or national governments. As we maintain and seek to increase our international cross-border business and expand operations abroad, we may engage with business partners and third-party intermediaries to market our services and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our FlyMates, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

While we maintain policies and training programs for our FlyMates related to anti-corruption, anti-bribery and gift giving, and include representations regarding legal compliance in our contracts with vendors and strategic partners, there can be no assurances that these policies, training programs or contractual provisions will be observed or enforceable. We cannot assure you that all of our FlyMates and agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. As we increase our international business, our risks under these laws may increase.

Detecting, investigating, and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management. In addition, noncompliance with anti-corruption or anti-bribery laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties, injunctions, suspension or debarment from contracting with certain persons, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas are received or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal proceeding, our business, operating results, and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees.

In February 2022, following Russia's invasion of Ukraine, the United States and other countries announced sanctions against Russia. The sanctions announced by the United States and other countries against Russia to date include restrictions on selling or importing goods, services or technology in or from affected regions, travel bans and asset freezes impacting connected individuals and political, military, business and financial organizations in Russia, severing Russia's largest bank from the U.S. financial system, barring some Russian enterprises from raising money in the U.S. market and blocking the access of Russian banks to financial markets. The United States and other countries could impose wider sanctions and take other actions should the conflict further escalate. While it is difficult to anticipate the impact the sanctions announced to date may have on us, any further sanctions imposed or actions taken by the United States or other countries, and any retaliatory measures by Russia in response, could increase our costs, reduce our sales and earnings or otherwise have an adverse effect on our operations.

New or revised tax regulations, unfavorable resolution of tax contingencies or changes to enacted tax rates could adversely affect our tax expense.

Changes in tax laws or their interpretations could result in changes to enacted tax rates and may require complex computations to be performed that were not previously required, significant judgments to be made in interpretation of the new or revised tax regulations and significant estimates in calculations, as well as the preparation and analysis of information not previously relevant or regularly produced. Future changes in enacted tax rates could negatively affect our results of operations.

The vast majority of states have considered or adopted laws that impose tax collection obligations on out-of-state companies. States where we have nexus may require us to calculate, collect, and remit taxes on sales in their jurisdiction. Additionally, the Supreme Court of the United States recently ruled in *South Dakota v. Wayfair, Inc. et al* (Wayfair) that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. In response to Wayfair, or otherwise, states or local governments may enforce laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. We may be obligated to collect and remit sales and use tax in states in which we have not collected and remitted sales and use tax. A successful assertion by one or more states requiring us to collect taxes where we historically have not or presently do not do so could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a perceived competitive disadvantage if they do not impose similar obligations on our competitors, and decrease our future sales, which could adversely affect our business and operating results.

Relevant foreign taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. If disagreements with relevant taxing authorities on other unknown matters were to occur, and our position was not sustained, we could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of our operations.

Our tax returns and positions are subject to review and audit by federal, state, local and international taxing authorities. An unfavorable outcome to a tax audit could result in higher tax expense, thereby negatively affecting our results of operations and cash flows. We have recognized estimated liabilities on the balance sheet for material known tax exposures relating to deductions, transactions and other matters involving some uncertainty as to the proper tax treatment of the item. These liabilities reflect what we believe to be reasonable assumptions as to the likely final resolution of each issue if raised by a taxing authority. While we believe that the liabilities are adequate to cover reasonably expected tax risks, there can be no assurance that, in all instances, an issue raised by a tax authority will be finally resolved at a financial amount no more than any related liability. An unfavorable resolution, therefore, could negatively affect our financial position, results of operations and cash flows in the current and/or future periods.

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

Our success is dependent, in part, upon protecting our proprietary technology. We rely on a combination of copyrights, trademarks, service marks, trade secret laws, the domain name dispute resolution mechanism, confidentiality procedures, and contractual provisions to establish and protect our proprietary rights. However, effective protection of intellectual property rights is expensive, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights, and the steps we take to protect our intellectual property may be inadequate. We do not have patents covering any of our technology and do not actively pursue patents. Any of our trademarks, or other intellectual property rights may be challenged or circumvented by others, or narrowed or invalidated through administrative process or litigation. There can be no guarantee that others will not independently develop similar solutions or duplicate any of our solutions. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our solutions and use information that we regard as proprietary to create solutions that compete with ours.

We pursue registration of copyrights, trademarks, and domain names in the United States and in certain jurisdictions outside of the United States, but doing so may not always be successful or cost-effective. We may be unable or, in some instances, choose not to obtain legal protection for our intellectual property, and our existing and future intellectual property rights may not provide us with competitive advantages or distinguish our solutions from those of our competitors. The laws of some foreign countries may not protect our intellectual property rights to the same extent as the laws of the United States, and effective intellectual property protection and mechanisms may be uncertain or unavailable in those jurisdictions. We may need to expend additional resources to defend our intellectual property in such countries, and the inability to do so could impair our business or adversely affect our international expansion. Particularly given the international nature of the Internet, the rate of growth of the Internet, and the ease of registering new domain names, we may not be able to detect unauthorized use of our intellectual property or take prompt enforcement action.

We endeavor to enter into agreements with our employees, consultants and contractors and with parties with whom we do business in order to acquire intellectual property rights developed as a result of service to us, as well as to limit access to and disclosure of our proprietary information. No assurance can be given that our intellectual property related agreements with our employees, consultants, contractors clients, their customers, or strategic partners and others will be effective in controlling access to and distribution of our solutions and proprietary information, potentially resulting in the unauthorized use or disclosure of our trade secrets and other intellectual property, including to our competitors, which could cause us to lose any competitive advantage resulting from this intellectual property. Further, these agreements do not prevent our competitors or partners from independently developing technologies that are substantially equivalent or superior to our solutions. In addition, individuals not subject to invention assignment agreements may make adverse ownership claims to our current and future intellectual property.

To protect our intellectual property rights, we may be required to spend significant resources to monitor, protect and defend these rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Such litigation could be costly, time consuming, and distracting to management and could result in the impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our solutions, impair the functionality of our solutions, delay introductions of new features, integrations, and capabilities, result in our substituting inferior or more costly technologies into our solutions, or injure our reputation. In addition, we may be required to license additional technology from third parties to develop and market new features, integrations, and capabilities, and we cannot be certain that we could license that technology on commercially reasonable terms or at all, and our inability to license this technology could harm our ability to compete.

We may in the future be subject to intellectual property disputes, which are costly and may subject us to significant liability and increased costs of doing business.

We may in the future become subject to intellectual property disputes. Lawsuits are time-consuming and expensive to resolve and they divert management's time and attention. We cannot predict the outcome of lawsuits and cannot assure you that the results of any such actions will not have an adverse effect on our business, operating results, or financial condition. During litigation, we may become subject to provisional rulings, including preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle legal disputes on terms that are unfavorable to us. Furthermore, such disputes, even those without merit, may subject us to an unfavorable judgment that we may not choose to appeal or that may not be reversed upon appeal. In such a situation, we could be required to pay substantial damages or license fees to third party patent owners. In addition, we may also be required to modify, redesign, reengineer, or rebrand our solutions, or stop making, licensing, or providing solutions that incorporate the asserted intellectual property. Alternatively, we may enter into a license agreement to continue practices found to be in violation of a third party's rights. If we are required, or choose to enter into, royalty or licensing arrangements, such arrangements may not be available on reasonable terms or at all. In addition, we may also be contractually obligated to indemnify our clients in the event of infringement of a third party's intellectual property rights.

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

We use open source software in our solutions and expect to continue to use open source software in the future. There are uncertainties regarding the proper interpretation of and compliance with open source licenses, and there is a risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to use such open source software, and consequently to provide or distribute our solutions. Although use of open source software has historically been free, recently several open source providers have begun to charge license fees for use of their software. If our current open source providers were to begin to charge for these licenses or increase their license fees significantly, this would increase our research and development costs and have a negative impact on our results of operations and financial condition.

Additionally, we may from time to time face claims from third parties claiming ownership of, or seeking to enforce the terms of, an open source license, including by demanding release of source code for the open source software, derivative works or our proprietary source code that was developed using, or that is distributed with, such open source software. These claims could also result in litigation and could require us to make our proprietary software source code freely available, require us to devote additional research and development resources to change our solutions or incur additional costs and expenses, any of which could result in reputational harm and would have a negative effect on our business and operating results. In addition, if the license terms for the open source software we utilize change, we may be forced to reengineer our solutions or incur additional costs to comply with the changed license terms or to replace the affected open source software. Further, use of certain open source software can lead to greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or controls on the origin of software or indemnification for third party infringement claims. Although we have implemented policies to regulate the use and incorporation of open source software into our solutions, we cannot be certain that we have not incorporated open source software in our solutions in a manner that is inconsistent with such policies.

Indemnity and liability provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, data protection, and other losses.

Our agreements with some of our technology partners and certain clients include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, data protection, damages caused by us to property or persons, or other liabilities relating to or arising from our solutions or other contractual obligations. Some of these indemnity agreements provide for uncapped liability and some indemnity provisions survive termination or expiration of the applicable agreement. Large indemnity payments could harm our business, operating results, and financial condition. We may incur substantial liability, and we may be required to cease use of certain functions of our solutions, as a result of intellectual property related claims. Any dispute with a client or technology partner with respect to these obligations could have adverse effects on our relationship with that client or technology partner and other existing or new clients or technology partners, and harm our business and operating results. In addition, although we carry insurance, our insurance may not be adequate to indemnify us for all liability that may be imposed, or otherwise protect us from liabilities or damages with respect to claims alleging compromises of client or clients' customer data, and any such coverage may not continue to be available to us on acceptable terms or at all.

The U.K.'s departure from the E.U. could adversely affect us.

The U.K. formally exited the E.U. on January 31, 2020 and a transition period was in place until December 31, 2020 during which time the U.K. remained in both the E.U. customs union and single market and was subject to E.U. rules. There continues to be a significant lack of clarity over the terms of the U.K.'s future relationship with the E.U. in the future.

Brexit could therefore adversely affect U.K., regional (including European), and worldwide economic and market conditions and could contribute to instability in global financial and foreign currency exchange markets, including volatility in the value of the British Pound and Euro, which in turn could adversely affect us or our clients and companies with which we do business, particularly in the U.K. Brexit could lead to greater restrictions on travel between the U.K. and the EEA region, with the potential inability of students to travel or relocate for purposes of seeking foreign educational opportunities. Brexit could also trigger a general deterioration in credit conditions, a downturn in consumer sentiment, and overall negative economic growth. Any of these scenarios could have an adverse effect on our business or our clients.

In addition, Brexit could lead to legal uncertainty and increased complexity for financial services firms as national laws and regulations in the U.K. start to diverge from E.U. laws and regulations. In particular, depending on the terms of Brexit, we may face new regulatory costs and challenges, including the following:

- if we are unable to utilize appropriate authorizations and regulatory permissions, our European operations could lose their ability to offer services into the U.K. market on a cross-border basis and for our U.K. based operations to offer services on a cross-border basis in the European markets;
- we could be required to obtain additional regulatory permissions to operate in the U.K. market, adding costs and potential inconsistency to our business. Depending on the capacity of the U.K. authorities, the criteria for obtaining permission, and any possible transitional arrangements, our business in the U.K. could be materially affected or disrupted;
- we could be required to comply with legal and regulatory requirements in the U.K. that are in addition to, or inconsistent with, those of the E.U., leading to increased complexity and costs for our European and U.K. operations; and
- our ability to attract and retain the necessary human resources in appropriate locations to support our U.K. and European business could be adversely impacted.

These and other factors related to Brexit could, individually or in the aggregate, have a material adverse impact on our business, financial condition, and results of operations.

Our ability to use our net operating losses to offset future taxable income may be subject to certain limitations.

As of December 31, 2021, we had U.S. federal net operating loss (NOL) carryforwards of approximately $122.1 million and state NOL carryforwards of approximately $164.9 million. The federal and material state NOL carryforwards will begin to expire in 2030 and 2022, respectively. In general, under Sections 382 and 383 of the United States Internal

Revenue Code of 1986, as amended (Code), a corporation that undergoes an “ownership change” is subject to limitations on its ability to utilize its pre-change NOLs and other tax attributes such as research tax credits to offset future taxable income. An “ownership change” pursuant to Section 382 of the Code generally occurs if one or more stockholders or groups of stockholders who own at least 5% of the company’s stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year period. If it is determined that we have in the past experienced an ownership change, or if we undergo one or more ownership changes as a result of our initial public offering (IPO) or future transactions in our stock, then our ability to utilize NOLs and other pre-change tax attributes could be limited by Sections 382 and 383 of the Code. Future changes in our stock ownership, many of which are outside of our control, could result in an ownership change under Sections 382 or 383 of the Code. We are in the process of completing a Section 382 study. Furthermore, our ability to utilize NOLs of companies that we may acquire in the future may be subject to limitations. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we were to achieve profitability.

Under the Tax Cuts and Jobs Act enacted in 2017 (Tax Act) as modified by the Coronavirus Aid, Relief, and Economic Security Act enacted in 2020 (CARES Act), U.S. federal NOL carryforwards generated in taxable periods beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such NOL carryforwards in taxable years beginning after December 31, 2020 is limited to 80% of taxable income. In addition, federal NOLs arising in tax years ending after December 31, 2017 can be carried forward indefinitely, but carryback is generally prohibited. NOLs generated in tax years beginning before January 1, 2018 will not be subject to the taxable income limitation, and NOLs generated in tax years ending before January 1, 2018 will continue to have a two-year carryback and twenty-year carryforward period. Deferred tax assets for NOLs will need to be measured at the applicable tax rate in effect when the NOL is expected to be utilized. Similar rules may apply under state tax laws. The changes in the carryforward/carryback periods as well as the new limitation on use of NOLs may significantly impact our valuation allowance assessments for NOLs generated after December 31, 2017.

Risks Related to Being a Public Company

As a public company, we are obligated to develop and maintain proper and effective internal control over financial reporting, and if we fail to develop and maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable laws and regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (Exchange Act), the Sarbanes-Oxley Act of 2002 (Sarbanes-Oxley Act), the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank), the listing requirements of The Nasdaq Global Select Market (Nasdaq), and other applicable securities rules and regulations. Compliance with these rules and regulations will increase our legal and financial compliance costs, make some activities more difficult, time consuming, or costly, and increase demand on our systems and resources, particularly after we are no longer an emerging growth company. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and operating results. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. It may require significant resources and management oversight to maintain and, if necessary, improve our disclosure controls and procedures and internal control over financial reporting to meet this standard. As a result, management’s attention may be diverted from other business concerns, which could adversely affect our business and operating results. To comply with these requirements, we may need to hire more employees in the future or engage outside consultants, which would increase our costs and expenses.

As a public company, we are required, pursuant to Section 404 of the Sarbanes-Oxley Act (Section 404), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting commencing with our Annual Report on Form 10-K for the year ending December 31, 2022. Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock.

This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting, as well as a statement that our independent registered public accounting firm has issued an opinion on the effectiveness of our internal control over financial reporting, provided that our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting until our first annual report required to be filed with the SEC following the later of the date we are deemed to be an “accelerated filer” or a “large accelerated filer,” each as defined in the Exchange Act, or the date we are no longer an emerging growth company, as defined in the JOBS Act, which could be as early as our annual report on Form 10-K for the year ending December 31, 2022. We expect to incur significant expenses and devote substantial management effort toward ensuring compliance with the auditor attestation requirements of Section 404. Furthermore, if and when we are deemed to be a “large accelerated filer”, we will also have to file a more expansive proxy statement and be subject to shorter filing deadlines, which will require additional time and expense as well.

An independent assessment of the effectiveness of our internal controls could detect problems that our management’s assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation. We will be required to disclose changes made in our internal control and procedures on a quarterly basis. To comply with the requirements of being a public company, we have undertaken and may need to continue to undertake various actions, such as implementing new internal controls and procedures, hiring risk professionals, accounting and internal audit staff, and engaging outside consultants, which will increase our operating expenses.

We are in the early stages of the costly and challenging process of compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404. We may not be able to complete our evaluation, testing, and any required remediation in a timely fashion. During the evaluation and testing process, if we identify material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal control over financial reporting is effective.

If we are unable to assert that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion on the effectiveness of our internal control, including as a result of a material weakness, we could lose investor confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we may be subject to investigation or sanctions by the SEC. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on Nasdaq.

Increased scrutiny from investors and others regarding our environmental, social, governance, or sustainability responsibilities could result in additional costs or risks and adversely impact our reputation, employee retention, and willingness of partners, clients or our clients’ customers to do business with us.

Investor advocacy groups, certain institutional investors, investment funds, other market participants, stockholders, and consumer groups have focused increasingly on the environmental, social and governance (ESG) or “sustainability” practices of companies. These parties have placed increased importance on the implications of the social cost of their investments. We have convened a cross-functional working group to further enhance our commitment to sustainability and ESG, and recognize the importance of communicating our progress on ESG to our stakeholders. As part of its responsibilities, our ESG working group is assessing opportunities for communicating progress on our priority initiatives. However, if our ESG practices do not meet (or are viewed as not meeting) investor or other industry stakeholder expectations and standards, which continue to evolve, our brand, reputation and employee retention may be negatively impacted, including based on an assessment of our ESG practices. Any sustainability report that we publish or sustainability disclosure we make may include our policies and practices on a variety of social and ethical matters, including corporate governance, community involvement, environmental compliance, employee health and safety practices, cybersecurity and privacy, human capital management, and workforce equity, inclusion and diversity. It is possible that stakeholders may not be satisfied with our ESG practices or the speed of their adoption. We could also incur additional costs and require additional resources to monitor, report, and comply with various ESG practices. Also, our failure, or perceived failure, to meet the standards included in any sustainability disclosure could negatively impact our reputation, employee retention, and the willingness of our partners, clients or our clients’ customers to do business with us.

We will incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to compliance with our public company responsibilities and corporate governance practices.

As a public company, we will continue to incur significant legal, accounting, and other expenses that we did not incur as a private company, which we expect to further increase after we are no longer an “emerging growth company.” The Sarbanes-Oxley Act, Dodd-Frank, the listing requirements of the Nasdaq, and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel devote a substantial amount of time to compliance with these requirements and interacting with public company investors and securities analysts. These new obligations and constituents require significant attention from our management team and could divert their attention away from the day-to-day management of our business, which could harm our business, operating results, and financial condition. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the specific timing of such costs.

Risks Related to Ownership of Our Common Stock

The price of our common stock may be volatile or may decline regardless of our operating performance and you may not be able to resell your shares at or above the price you paid for them.

An active or liquid market in our common stock may not be sustainable. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- overall performance of the equity markets;
- our operating performance and the performance of other similar companies;
- delays in the roll out of new solutions;
- changes in our projected operating results that we provide to the public, our failure to meet these projections or changes in recommendations by securities analysts that elect to follow our common stock;
- regulatory actions with respect to our payment solutions;
- regulatory or legal developments in the United States and other countries;
- the level of expenses related to our solutions;
- announcements of acquisitions, strategic alliances or significant agreements by us or by our competitors;
- developments or disputes concerning patent applications, issued patents or other intellectual property or proprietary rights;
- recruitment or departure of key personnel;
- the economy as a whole and market conditions in our industry, including conditions resulting from the COVID-19 pandemic;
- political or social unrest, war or other military conflict, including an escalation of the conflict between Russia and Ukraine, economic instability, repression, or human rights issues;
- variations in our financial results or the financial results of companies that are perceived to be similar to us;
- financing or other corporate transactions, or inability to obtain additional funding;
- changes in the structure of payment systems;
- effects of the ongoing United States-China trade war;
- trading activity by a limited number of stockholders who together beneficially own a majority of our outstanding common stock;
- the expiration of market standoff or contractual lock-up agreements;
- the size of our market float; and
- any other factors discussed in this Annual Report on Form 10-K.

In addition, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies.

Concerns over economic recession, the COVID-19 pandemic, interest rate increases and inflation, supply chain delays and disruptions, policy priorities of the U.S. presidential administration, trade wars, unemployment, or prolonged government shutdown may contribute to increased volatility and diminished expectations for the economy and markets. Additionally, concern over geopolitical issues may also contribute to prolonged market volatility and instability. For example, the conflict between Russia and Ukraine could lead to disruption, instability and volatility in global markets and industries. The U.S. government and other governments in jurisdictions have imposed severe economic sanctions and export controls against Russia and Russian interests, have removed Russia from the SWIFT system, and have threatened additional sanctions and controls. The impact of these measures, as well as potential responses to them by Russia, is unknown.

Stock prices of many companies, and technology companies in particular, have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have filed securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business.

We are an "emerging growth company," and we cannot be certain if the reduced reporting and disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we may take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies," including the auditor attestation requirements of Section 404 reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Pursuant to Section 107 of the JOBS Act, as an emerging growth company, we have elected to use the extended transition period for complying with new or revised accounting standards until those standards would otherwise apply to private companies. As a result, our consolidated financial statements may not be comparable to the financial statements of issuers who are required to comply with the effective dates for new or revised accounting standards that are applicable to public companies, which may make our common stock less attractive to investors. In addition, if we cease to be an emerging growth company, we will no longer be able to use the extended transition period for complying with new or revised accounting standards.

We will remain an emerging growth company until the earliest of (i) December 31, 2026, (ii) the last day of the first fiscal year in which our annual gross revenue is $1.07 billion or more, (iii) the date on which we have, during the previous rolling three-year period, issued more than $1 billion in non-convertible debt securities, and (iv) the date on which we are deemed to be a "large accelerated filer," which will occur as of the end of any fiscal year in which we (x) have an aggregate market value of our common stock held by non-affiliates of $700 million or more as of the last business day of our most recently completed second fiscal quarter, (y) have been required to file annual and quarterly reports under the Exchange Act for a period of at least 12 months, and (z) have filed at least one annual report pursuant to the Exchange Act.

We cannot predict if investors will find our common stock less attractive if we continue to choose to rely on these exemptions. For example, if we do not adopt a new or revised accounting standard, our future operating results may not be as comparable to the operating results of certain other companies in our industry that adopted such standards. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock, and our stock price may be more volatile.

Raising additional capital may cause dilution to our existing stockholders, restrict our operations or require us to relinquish rights to our intellectual property on unfavorable terms to us.

Until such time, if ever, as we can generate substantial revenue, we may finance our cash needs through a combination of equity offerings, government or private party grants, debt financings and strategic partnership agreements. We may seek additional capital through a variety of means, including through strategic partnership arrangements, public or private equity or debt financings, third-party funding and marketing and distribution arrangements, as well as other strategic alliances and licensing arrangements or any combination of these approaches. However, disruptions in the capital markets could make any financing more challenging, and there can be no assurance that we will be able to raise capital on commercially reasonable terms or at all. To the extent that we raise additional capital through the sale of equity or convertible debt securities, your ownership interest will be diluted, and the terms may include liquidation preferences or other rights, powers or preferences that may adversely affect your rights as a stockholder. To the extent that debt financing is available, and we choose to raise additional capital in the form of debt, such debt financing may involve agreements that include covenants limiting or restricting our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If we raise additional capital pursuant to collaborations, licensing arrangements or other strategic partnerships, such agreements may require us to relinquish rights to our technologies.

If we are unable to raise additional funds through equity or debt financing or through collaborations or strategic partnerships when needed, we may be required to delay, limit, reduce or terminate the development of our solutions or commercialization efforts.

We may allocate our cash and cash equivalents in ways that you and other stockholders may not approve.

Our management has broad discretion in the application of our cash and cash equivalents. Because of the number and variability of factors that determine our use of our cash and cash equivalents, their ultimate use may vary substantially from their currently intended use. Our management might not apply cash and cash equivalents in ways that ultimately increase the value of your investment. The failure by our management to apply these funds effectively could harm our business. Pending their use, we may invest our cash and cash equivalents in short-term, investment-grade, interest-bearing securities. These investments may not yield a favorable return to our stockholders. If we do not invest or apply our cash and cash equivalents in ways that enhance stockholder value, we may fail to achieve expected financial results, which could cause our stock price to decline.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. If industry analysts cease coverage of us, the trading price for our common stock would be negatively affected. If one or more of the analysts who cover us downgrade our common stock or publish inaccurate or unfavorable research about our business, our common stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our common stock could decrease, which might cause our common stock price and trading volume to decline.

Sales of substantial amounts of our common stock in the public markets could cause the market price of our common stock to decline.

The price of our common stock could decline if there are substantial sales of our common stock, particularly sales by our directors, executive officers and significant stockholders, or if there is a large number of shares of our common stock available for sale and the market perceives that sales will occur. We had a total of 100,454,177 shares of our voting common stock and 5,988,378 shares of our non-voting common stock outstanding as of December 31, 2021. Other than shares held by directors, executive officers and other affiliates that are subject to volume limitations under Rule 144 under the Securities Act and various vesting agreements, these shares of common stock generally are freely tradable without restrictions or further registration under the Securities Act.

Certain of our stockholders will have rights, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or our stockholders, subject to market standoff and lock-up agreements. We registered shares of common stock that we have issued and may issue under our employee equity incentive plans. These shares will be able to be sold freely in the public market upon issuance, subject to securities laws.

The market price of the shares of our common stock could decline as a result of the sale of a substantial number of our shares of common stock in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

The concentration of our stock ownership will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring stockholder approval.

As of December 31, 2021, our executive officers, directors and the holders of more than 5% of our outstanding voting and non-voting common stock, in the aggregate, beneficially owned approximately 46.9% of our voting and non-voting common stock. As a result, these stockholders, acting together, will have significant influence over all matters that require approval by our stockholders, including the election of directors and approval of significant corporate transactions. Corporate actions might be taken even if other stockholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of our company that other stockholders may view as beneficial.

We do not intend to pay dividends on our common stock and, consequently, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock.

We have never declared or paid any cash dividend on our common stock and do not currently intend to do so for the foreseeable future. We currently anticipate that we will retain future earnings for the development, operation and expansion of our business and do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, our loan and security agreement currently prohibits us from paying dividends on our equity securities, and any future debt financing arrangement may contain terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Any return to stockholders will therefore be limited to the appreciation of their stock. Therefore, the success of an investment in shares of our common stock will depend upon any future appreciation in their value. There is no guarantee that shares of our common stock will appreciate in value or even maintain the price at which our stockholders have purchased their shares.

Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law (DGCL) may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- a classified board of directors with three-year staggered terms, which could delay the ability of stockholders to change the membership of a majority of our board of directors;
- the ability of our board of directors to issue shares of preferred stock and to determine the price and other terms of those shares, including preferences and voting rights, without stockholder approval, which could be used to significantly dilute the ownership of a hostile acquiror;
- the exclusive right of our board of directors to elect a director to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- a prohibition on stockholder action by written consent, which forces stockholder action to be taken at an annual or special meeting of our stockholders;
- the requirement that a special meeting of stockholders may be called only by a majority vote of our entire board of directors, the chairman of our board of directors or our chief executive officer, which could delay the ability of our stockholders to force consideration of a proposal or to take action, including the removal of directors;
- the requirement for the affirmative vote of holders of at least 66 2/3% of the voting power of all of the then-outstanding shares of the voting stock, voting together as a single class, to amend the provisions of our amended and restated certificate of incorporation or our amended and restated bylaws, which may inhibit the ability of an acquiror to effect such amendments to facilitate an unsolicited takeover attempt; and
- advance notice procedures with which stockholders must comply to nominate candidates to our board of directors or to propose matters to be acted upon at a stockholders' meeting, which may discourage or deter a potential acquiror from conducting a solicitation of proxies to elect the acquiror's own slate of directors or otherwise attempting to obtain control of us.

In addition, as a Delaware corporation, we are subject to Section 203 of the DGCL. These provisions may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time. A Delaware corporation may opt out of this provision by express provision in its original certificate of incorporation or by amendment to its certificate of incorporation or bylaws approved by its stockholders. However, we have not opted out of this provision.

These and other provisions in our amended and restated certificate of incorporation, amended and restated bylaws and Delaware law could make it more difficult for stockholders or potential acquirors to obtain control of our board of directors or initiate actions that are opposed by our then-current board of directors, including delay or impede a merger, tender offer or proxy contest involving our company. The existence of these provisions could negatively affect the price of our common stock and limit opportunities for you to realize value in a corporate transaction.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the DGCL, our certificate of incorporation or our bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. This provision would not apply to claims brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. Our amended and restated certificate of incorporation provides further that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These choices of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees and may discourage these types of lawsuits. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive-forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the exclusive-forum provision contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our business.

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

Our corporate headquarters are located in Boston, Massachusetts, where we occupy facilities totaling approximately 16,419 square feet under a lease that expires in March 2024. We use these facilities for administration, finance, legal, compliance, human resources, global payments, IT, sales and marketing, engineering, and customer success.

We maintain other leased locations in the U.S. and throughout the world. We intend to procure additional space as we add employees and expand geographically. We believe that our facilities are adequate to meet our needs for the immediate future, and that, should it be needed, suitable additional space will be available to accommodate any such expansion of our operations.

Item 3. Legal Proceedings

From time to time, we may be subject to legal proceedings and claims in the ordinary course of business, including patent, commercial, product liability, employment, class action, whistleblower, and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. We are not currently a party to any legal proceedings that we believe to be material to our business or consolidated financial statements. The results of any future litigation cannot be predicted with certainty, and regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, and other factors.

Item 4. Mine Safety Disclosures

Not applicable.

PART II

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

Market Information

Our voting common stock began trading on the Nasdaq Global Select Market under the symbol “FLYW” on May 26, 2021. Prior to that date, there was no public trading market for our common stock.

Our non-voting common stock is not listed on any stock exchange nor traded on any public market.de

Holders of Record

As of March 25, 2022, there were 71 holders of record of our voting common stock. This number does not include beneficial owners whose shares are held by nominees in street name. As of March 25, 2022, there were 2 holders of record of our non-voting common stock.

Dividend Policy

We have never declared nor paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not expect to pay any dividends on our capital stock in the foreseeable future. Any future determination relating to our dividend policy will be at the discretion of our board of directors, subject to applicable laws, and will depend on our financial condition, results of operations, capital requirements, general business conditions, and other factors that our board of directors considers relevant. In addition, the terms of our Revolving Credit Agreement restrict our ability to pay dividends.

Securities Authorized for Issuance under Equity Compensation Plans

The following table provides information as of December 31, 2021, with respect to shares of our common stock that may be issued, subject to certain vesting requirements, under our existing equity compensation plans, including our 2009 Equity Incentive Plan, which was adopted in 2009 and amended and restated in 2011 (as amended and restated, the 2009 Plan), our 2018 Stock Incentive Plan (2018 Plan), 2021 Equity Incentive Plan (2021 Plan) and Employee Stock Purchase Plan (ESPP).

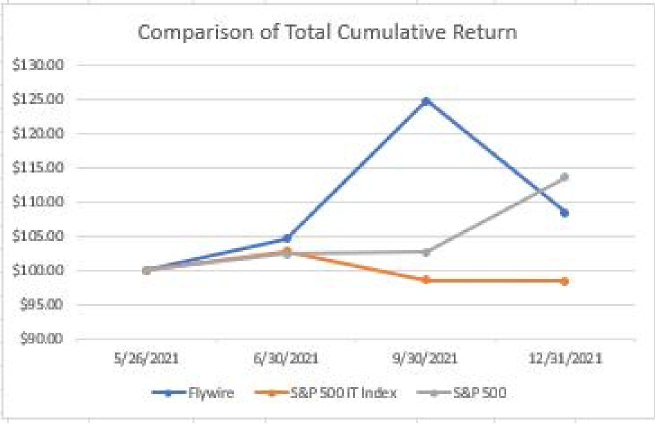
	A	B	C
Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants, and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants, and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (A)
Equity compensation plans approved by security holders	15,068,413 (1)	5.40 (2)	11,060,080 (3)

(1) Of these shares, 161,470 were underlying then outstanding restricted stock units and 507,050 were subject to options then outstanding under the 2021 Plan; 51,651 were underlying then outstanding restricted stock awards and 4,216,996 were subject to options then outstanding under the 2009 Plan; and 10,131,246 were subject to options then outstanding under the 2018 Plan.
(2) Does not take into account restricted stock units, which have no exercise price.
(3) Represents 9,420,270 shares of common stock available for issuance under our 2021 Plan and 1,639,810 shares of common stock available for issuance under our ESPP. No shares are available for future issuance under our 2009 Plan or 2018 Plan. Our 2021 Plan provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year equal to the lower of: (a) 5% of the total number of shares of common stock and non-voting common stock outstanding on the last business day of the prior fiscal year; or (b) such other amount as our board of directors may determine. Our ESPP provides for annual increases in the number of shares available for issuance thereunder on the first day of each fiscal year equal to the least of: (x) 2,000,000 shares; (y) 1% of the shares of common stock and non-voting common stock issued and outstanding on the last business day of the prior fiscal year; or (z) the number of shares determined by our board of directors. On January 1, 2022, an additional 5,322,128 shares became available for future issuance under the 2021 Plan and an additional 1,064,426 shares became available for future issuance under the ESPP. The additional shares from the annual increase on January 1, 2022 are not included in the table above.

Stock Performance Graph

The following performance graph and related information shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, nor shall such information be incorporated by reference into any future filing under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing, or otherwise subject to the liabilities under the Securities Act or Exchange Act, except to the extent that we specifically incorporate it by reference into such filing.

The following graph depicts the total cumulative stockholder return on our common stock from May 26, 2021, the first day of trading of our common stock on the Nasdaq Global Select Market, through December 31, 2021, relative to the performance of the S&P 500 Index and S&P 500 IT Index. The graph assumes an initial investment of $100.00 at the close of trading on May 26, 2021 and that all dividends paid by companies included in these indices have been reinvested. The performance shown in the graph below is not intended to forecast or be indicative of future stock price performance.



Recent Sales of Unregistered Equity Securities

The following sets forth information regarding all unregistered securities sold by us during the year ended December 31, 2021. No underwriters were involved in the sales and the certificates representing the securities sold and issued contain legends restricting transfer of the securities without registration under the Securities Act or an applicable exemption from registration.

(1) We granted stock options to employees, directors, and other service providers to purchase an aggregate of 4,434,200 shares of common stock under our 2018 Plan, with weighted average per share exercise price of $12.59.

(2) We issued 5,910,974 shares of common stock upon exercise of stock options under our 2009 Plan and 2018 Plan.

(3) In February 2021, we issued and sold an aggregate of 2,571,936 shares of our Series F preferred stock at a purchase price of approximately $23.3287 per share for an aggregate purchase price of approximately $60 million to 14 purchasers that each represented to the Registrant that it was an accredited investor.

(4) In May 2021, we issued 182,467 shares of our Series C convertible preferred stock upon the net exercise of warrants to purchase shares of Series C convertible preferred stock.

The offers, sales and issuances of the securities described in Items (1) and (2) above were exempt from registration under the Securities Act under either (1) Rule 701 in that the transactions were under compensatory benefit plans and contracts relating to compensation as provided under Rule 701 or (2) Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving any public offering. The recipients of such securities were the registrant’s directors, officers, employees, consultants or other service providers and received the securities under our 2009 Plan or 2018 Plan. The recipients of securities in each of these transactions represented their intention to acquire the securities for investment only and not with view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions.

The offers, sales and issuances of the securities described in Items (3) and (4) above were exempt from registration under the Securities Act under Section 4(a)(2) of the Securities Act or Regulation D promulgated thereunder as transactions by an issuer not involving a public offering. The recipients of securities in each of these transactions acquired the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the securities issued in these transactions. Each of the recipients of securities in these transactions was an accredited person and had adequate access, through employment, business or other relationships, to information about the registrant.

Use of Proceeds from IPO

In May 2021, we closed our IPO in which we issued and sold 12,006,000 shares of our voting common stock, including 1,566,000 shares of voting common stock sold pursuant to the underwriters' full exercise of their option to purchase additional shares, at a public offering price of $24.00 per share, for aggregate net proceeds of $263.8 million, after deducting underwriting discounts and commissions of $19.4 million and other offering costs of $4.9 million. Goldman Sachs & Co. LLC, J.P. Morgan Securities LLC and Citigroup Global Markets Inc. acted as representatives of the underwriters for our IPO. No payments for such expenses were made directly or indirectly to (i) any of our officers or directors or their associates, (ii) any persons owning 10% or more of any class of our equity securities or (iii) any of our affiliates. All of the shares issued and sold in the IPO were registered under the Securities Act pursuant to a Registration Statement on Form S-1 (File No. 333- 255706), which was declared effective by the SEC on May 25, 2021, and a Registration Statement on Form S-1 MEF (File No. 333-256471) filed pursuant to Rule 462(b) of the Securities Act.

The IPO terminated after the sale of all securities registered pursuant to the Registration Statements. As of December 31, 2021, the net proceeds of our IPO are in non-interest bearing accounts, but are expected to be invested in investment grade, interest-bearing instruments in the second quarter of 2022. There has been no material change in the expected use of the net proceeds from our IPO as described in our final prospectus, dated May 25, 2021, filed with the SEC pursuant to Rule 424(b) relating to our IPO.

Issuer Purchases of Equity Securities

None.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

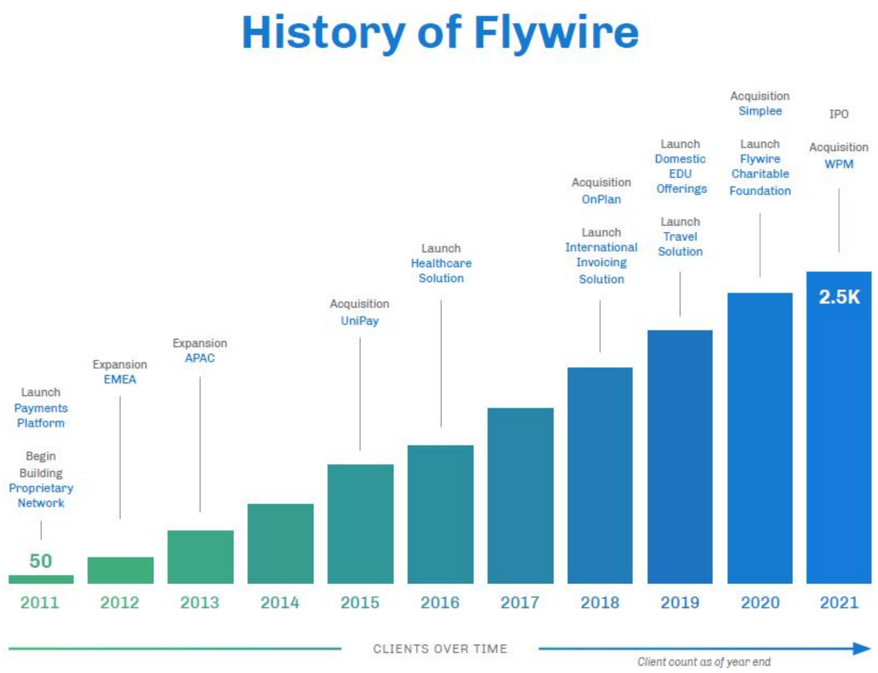
You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. Some of the information contained in this Annual Report on Form 10-K includes forward-looking statements that involve risks and uncertainties. You should read the sections titled "Special Note Regarding Forward-Looking Statements" and "Risk Factors" for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis. Our fiscal year end is December 31, and our fiscal quarters end on March 31, June 30, September 30, and December 31.

Overview

Flywire is a leading global payments enablement and software company. Our next-gen payments platform, proprietary global payment network and vertical-specific software help our clients get paid and help their customers pay with ease—no matter where they are in the world. Our clients rely on us for integrated solutions that are both global and local, and combine tailored invoicing, flexible payment options, and highly personalized omni-channel experiences. We believe we make generational advances for our clients by transforming payments into a source of value and growth for their organizations while delighting their customers with payment experiences that are engaging, secure, fast, and transparent.

Our *Flywire Advantage* is derived from three core elements: (i) our next-gen payments platform; (ii) our proprietary global payment network; and (iii) our vertical-specific software backed by our deep industry expertise. With our *Flywire Advantage*, we aim to power the transformation of our clients' accounts receivable functions by automating paper and check-based business processes in addition to creating interactive, digital payment experiences for their customers. As a result, clients who implement our payments and software solutions can see increased digital payments and improved accounts receivable, higher enrollment in payment plans, and a reduction in customer support inquiries. We help our clients turn their accounts receivable functions into strategic, value-enhancing areas of their organizations.

We reach clients through various channels, with our direct channel being our primary go-to-market strategy. Our industry-experienced sales and relationship management teams bring expertise and local reach, and our solution combines high-tech and high-touch functions backed by 24x7 multilingual customer support, resulting in high client and customer satisfaction. In addition, the value of our *Flywire Advantage* has been recognized, with global financial institutions and technology providers choosing to form channel partnerships with us. These partnerships promote organic referral and lead generation opportunities and enhance our indirect sales strategy.



The combination of our differentiated solution and efficient go-to-market strategy has resulted in strong and consistent client growth.

- ***Rapid domestic and international payments volume growth****.* We have grown our total payment volume by approximately 76.0% period-over-period from approximately $7.5 billion during the year ended December 31, 2020 to over $13.2 billion during the year ended December 31, 2021. We grew our total payment volume by approximately 30.5% period-over-period from approximately $5.8 billion during the year ended December 31, 2019 to over $7.5 billion during the year ended December 31, 2020.

- ***Expanded global payments network****.* We have continued to add to the capabilities of our payment network by means of new local bank accounts and payment partners, and have expanded our global reach to over 240 countries and territories and more than 140 currencies.

- ***Enjoyable and personalized user experience****.* Our NPS score of 64 in fiscal year 2020 demonstrates a strong affinity among our clients for our platform.

- ***Strong dollar-based net retention****.* For the year ended December 31, 2021, our annual net dollar-based retention rate was approximately 140%. For the year ended December 31, 2020, despite the impact of the COVID-19 pandemic on our clients and the industries we serve, our annual net dollar-based retention rate was approximately 100%. For the year ended December 31, 2019, our annual net dollar-based retention rate was approximately 128%.We calculate the annual net dollar-based retention rate for a given year based on the weighted average of the quarterly net dollar-based retention rates for each quarter in that year. We calculate the quarterly net dollar-based retention rate for a given quarter by dividing the revenue we earned in that quarter by the revenue we earned from the same clients in the corresponding quarter of the previous year. Our calculation of quarterly net dollar-based revenue rate for a given quarter only includes revenue from clients that were clients at the beginning of the corresponding quarter of the previous year.

As of December 31, 2021, we serve over 2,500 clients around the world. In education, we serve more than 2,000 institutions and 2.0 million students globally. In healthcare, we power more than 80 healthcare systems, including four of the top 10 healthcare systems in the United States ranked by hospital size as of December 31, 2021. In our newer payment verticals of travel and B2B payments, we have a growing portfolio of more than 300 clients as of December 31, 2021.

Our success in building our client base around the world and expanding utilization by our clients' customers has allowed us to achieve significant scale. We enabled more than $13.2 billion in TPV during the year ended December 31, 2021 and 7.5 billion in TPV during the year ended December 31, 2020. We generated revenue of $201.1 million, $131.8 million and $94.9 million for the years ended December 31, 2021, 2020 and 2019, respectively, and incurred net losses of $28.1 million, $11.1 million, and $20.1 million for those same years. Pro forma revenue and pro forma net loss for the year ended December 31, 2020, as if our acquisition of Simplee had occurred on January 1, 2020, was $136.3 million and $13.4 million, respectively.

We believe that the growth of our business and our operating results will be dependent upon many factors, including our ability to add new clients, expand the usage of our solutions by our existing clients and their customers, and increase the breadth and depth of our payments and software capabilities by adding new solutions. While these areas present significant opportunities for us, they also pose challenges and risks that we must successfully address in order to sustain the growth of our business and improve our operating results.

While we have experienced significant growth and increased demand for our solutions over recent periods, we expect to continue to incur losses in the short term and may not be able to achieve or maintain profitability in the future. Our marketing is focused on generating leads to develop our sales pipeline, building our brand and market awareness, scaling our network of partners and growing our business from our existing client base. We believe that these efforts will result in an increase in our client base, revenues, and improved margins in the long term. To manage any future growth effectively, we must continue to improve and expand our IT and financial infrastructure, our operating and administrative systems and controls, and our ability to manage headcount, capital, and processes in an efficient manner. Additionally, we face intense competition in our market, and to succeed, we need to innovate and offer solutions that are differentiated from legacy payment solutions. We must also effectively hire, retain, train, and motivate qualified personnel and senior management. If we are unable to successfully address these challenges, our business, operating results, and prospects could be adversely affected.

Initial Public Offering

On May 28, 2021, we completed our IPO, in which we issued and sold 12,006,000 shares of common stock at a public offering price of $24.00 per share, which included 1,566,000 shares of common stock issued pursuant to the exercise in full of the underwriters' option to purchase additional shares. We received $263.8 million in net proceeds from the IPO, after deducting underwriting discounts and commissions of $19.4 million and other offering costs of $4.9 million.

Recent Acquisition

In December 2021, we acquired all of the issued and outstanding shares of WPM for a purchase price of $59.6 million including $56.1 million of cash consideration, net of cash acquired and the estimated fair value of contingent consideration of $3.5 million. Contingent consideration represents additional payments that we may be required to make in the future in the form of restricted stock units, which totals up to $7.9 million depending on our achievement of specified minimum payment volume targets and integration targets established for the years ended December 31, 2022 and 2023. WPM is a leading software provider that enables seamless and secure payment experiences for universities and colleges across the U.K. The acquisition of WPM is intended to build on our existing education payments business and is expected to further accelerate our market share in the U.K. education sector. WPM contributed $0.3 million in platform revenue during the year ended December 31, 2021.

In February 2020, we acquired all of the issued and outstanding shares of Simplee for a purchase price of $86.5 million including $79.4 million of cash consideration, net of cash acquired and the estimated fair value of contingent consideration of $7.1 million. Contingent consideration represents additional payments that we may be required to make in the future, which totals up to $20.0 million, depending on our reaching certain revenue and integration targets established for the years ended December 31, 2020 and 2021, as well as retaining key clients. Simplee is a provider of healthcare payment and collection software. The Simplee acquisition brings a highly complementary client base with whom we can further expand our capabilities, and additional platform and healthcare specific software capabilities with which we believe we can acquire additional clients in the healthcare market.

Our Revenue Model

We derive revenue from transactions and platform and usage-based fees.

Transaction revenue is earned from payment processing services provided to our clients. The fee earned on each transaction consists of a rate applied to the total payment value of the transaction, which can vary based on the payment method currency pair conversion and the geographic region in which our client and the clients' customer resides. We also earn revenue from marketing fees from credit card service providers for marketing arrangements in which we perform certain marketing activities which we consider to be ancillary to the solutions we provide to our clients.

Platform and usage-based fee revenue includes (i) fees earned for the utilization of our payment platform to optimize cash collections, (ii) fees collected on payment plans established by our clients on our payment platform, (iii) subscription fees and (iv) fees related to printing and mailing services which we consider to be ancillary to the solutions we provide to our clients.

Key Operating Metrics and Non-GAAP Financial Measures

The following table sets forth our key operating metrics and non-GAAP measures for the periods presented:

	For the Year Ended December 31,		
Dollars In Millions	**2021**	**2020**	**2019**
Total Payment Volume	$ 13,201.3	$ 7,513.3	$ 5,756.9
Revenue	$ 201.1	$ 131.8	$ 94.9
Revenue Less Ancillary Services	$ 181.1	$ 114.6	$ 88.2
Gross Margin	62.3%	60.3%	58.7%
Adjusted Gross Margin	69.2%	69.4%	63.2%
Net Loss	$ (28.1)	$ (11.1)	$ (20.1)
Adjusted EBITDA	$ 22.8	$ 6.2	$ (9.7)

For the year ended December 31, 2021, transaction revenue and platform and usage-based fee revenue represented 73.6% and 26.4% of our revenue, respectively. For the year ended December 31, 2021 transaction revenue and platform and usage-based fee revenue represented 80.7% and 19.3% of our total revenue less ancillary services, respectively.

For the year ended December 31, 2020, transaction revenue and platform and usage-based fee revenue represented 68.0% and 32.0% of our revenue, respectively. For the year ended December 31, 2020, transaction revenue and platform and usage-based fee revenue represented 77.0% and 23.0% of our total revenue less ancillary services, respectively.

For the year ended December 31, 2019, transaction revenue and platform and usage-based fee revenue represented 91.3% and 8.7% of our revenue, respectively. For the year ended December 31, 2019 transaction revenue and platform and usage-based fee revenue represented 92.0% and 8.0% of our total revenue less ancillary services, respectively.

For the year ended December 31, 2021, our total payment volume was approximately $13.2 billion, consisting of $8.4 billion of total payment volume from transactions included in transaction revenue and $4.8 billion of total payment volume from transactions included in platform and usage-based fee revenue. For the year ended December 31, 2020, our total payment volume was approximately $7.5 billion, consisting of $4.7 billion of total payment volume from transactions included in transaction revenue and $2.8 billion of total payment volume from transactions included in platform and usage-based fee revenue. For the year ended December 31, 2019, our total payment volume was approximately $5.8 billion, consisting of $4.7 billion of total payment volume from transactions included in transaction revenue and $1.1 billion of total payment volume from transactions included in platform and usage-based fee revenue.

Total Payment Volume

To grow revenue from clients we must facilitate the use of our payment platform by our clients to process the amounts paid to them by their customers. The more our clients use our platform and rely upon our features to automate their payments, the more payment volume is processed on our solution. This metric provides an important indication of the value of the transactions that our clients' customers are completing on our payment platform and is an indicator of our ability to generate revenue from our clients. We define total payment volume as the total amount paid to our clients on our payments platform in a given period.

Revenue Less Ancillary Services, Adjusted Gross Margin and Adjusted EBITDA

We use non-GAAP financial measures to supplement financial information presented on a GAAP basis. We believe that excluding certain items from our GAAP results allows management to better understand our consolidated financial performance from period to period and better project our future consolidated financial performance as forecasts are developed at a level of detail different from that used to prepare GAAP-based financial measures. Moreover, we believe these non-GAAP financial measures provide our stakeholders with useful information to help them evaluate our operating results by facilitating an enhanced understanding of our operating performance and enabling them to make more meaningful period to period comparisons. There are limitations to the use of the non-GAAP financial measures presented here. Our non-GAAP financial measures may not be comparable to similarly titled measures of other companies. Other companies, including companies in our industry, may calculate non-GAAP financial measures differently than we do, limiting the usefulness of those measures for comparative purposes.

We use supplemental measures of our performance which are derived from our consolidated financial information, but which are not presented in our consolidated financial statements prepared in accordance with GAAP. These non-GAAP financial measures include the following:

- *Revenue Less Ancillary Services* represents our consolidated revenue in accordance with GAAP less (i) pass-through cost for printing and mailing services and (ii) marketing fees we receive. We exclude these amounts to arrive at this supplemental non-GAAP financial measure as we view these services as ancillary to the primary services we provide to our clients.

- *Adjusted Gross Margin* - Adjusted gross margin represents adjusted gross profit divided by Revenue Less Ancillary Services. Adjusted gross profit represents Revenue Less Ancillary Services less cost of revenue adjusted to (i) exclude pass-through cost for printing services and (ii) offset marketing fees against costs incurred. Management believes this presentation supplements the GAAP presentation of gross margin with a useful measure of the gross margin of our payment-related services, which are the primary services we provide to our clients.

- *Adjusted EBITDA* - Adjusted EBITDA represents EBITDA further adjusted by excluding (i) stock-based compensation expense, (ii) the impact from the change in fair value measurement for contingent consideration associated with acquisitions, (iii) the impact from the change in fair value measurement of our preferred stock warrants prior to our IPO, (iv) other income (expense), net, (v) indirect taxes related to intercompany activity, (vi) acquisition related transaction costs, and (vii) employee retention costs, such as incentive compensation, associated with acquisition activities. Management believes that the exclusion of these amounts to calculate Adjusted EBITDA provides useful measures for period-to-period comparisons of our business.

These non-GAAP financial measures are not meant to be considered as indicators of performance in isolation from or as a substitute for revenue, gross margin or net loss prepared in accordance with GAAP and should be read only in conjunction with financial information presented on a GAAP basis. Reconciliations of Revenue Less Ancillary Services, Adjusted Gross Margin and Adjusted EBITDA to the most directly comparable GAAP financial measure are presented below. We encourage you to review these reconciliations in conjunction with the presentation of the non-GAAP financial measures for each of the periods presented. In future fiscal periods, we may exclude such items and may incur income and expenses similar to these excluded items.

Reconciliations of Non-GAAP Financial Measures

The tables below provide reconciliations of Revenue Less Ancillary Services, Adjusted Gross Margin and Adjusted EBITDA to the most comparable GAAP figure on a consolidated basis for the periods presented.

Revenue Less Ancillary Services and Adjusted Gross Margin:

(Dollars In Millions)	Year Ended December 31, 2021	2020	2019
Revenue	$ 201.1	$ 131.8	$ 94.9
Adjusted to exclude gross up for:			
Pass-through cost for printing and mailing	(18.2)	(15.8)	(1.2)
Marketing fees	(1.8)	(1.4)	(5.5)
Revenue Less Ancillary Services	$ 181.1	114.6	88.2
Payment processing services costs	70.2	47.8	36.7
Hosting and amortization costs within technology and development expenses	5.7	4.5	2.5
Adjusted to:			
Exclude printing and mailing costs	(18.2)	(15.8)	(1.2)
Offset marketing fees against related costs	(1.8)	(1.4)	(5.5)
Costs of revenue less ancillary services	$ 55.9	$ 35.1	$ 32.5
Gross Profit	$ 125.3	$ 79.5	$ 55.7
Gross Margin	62.3 %	60.3 %	58.7 %
Adjusted Gross Profit	$ 125.3	$ 79.5	$ 55.7
Adjusted Gross Margin	69.2 %	69.4 %	63.2 %

(Dollars In Millions)	Transaction	Platform and Usage-Based Fee	Twelve Months Ended December 31, 2021
Revenue	$ 148.0	$ 53.1	$ 201.1
Adjusted to exclude gross up for:			
Pass-through cost for printing and mailing	—	(18.2)	(18.2)
Marketing fees	(1.8)	—	(1.8)
Revenue Less Ancillary Services	$ 146.2	$ 34.9	$ 181.1
Percentage of Revenue	73.6 %	26.4 %	100.0 %
Percentage of Revenue less Ancillary Services	80.7 %	19.3 %	100.0 %

(Dollars In Millions)	Transaction	Platform and Usage-Based Fee	Twelve Months Ended December 31, 2020
Revenue	$ 89.6	$ 42.2	$ 131.8
Adjusted to exclude gross up for:			
Pass-through cost for printing and mailing	—	(15.8)	(15.8)
Marketing fees	(1.4)	—	(1.4)
Revenue Less Ancillary Services	$ 88.2	$ 26.4	$ 114.6
Percentage of Revenue	68.0 %	32.0 %	100.0 %
Percentage of Revenue less Ancillary Services	77.0 %	23.0 %	100.0 %

(Dollars In Millions)	Transaction	Platform and Usage-Based Fee	Twelve Months Ended December 31, 2019
Revenue	$ 86.6	$ 8.3	$ 94.9
Adjusted to exclude gross up for:			
Pass-through cost for printing and mailing	—	(1.2)	$ (1.2)
Marketing fees	(5.5)	—	(5.5)
Revenue Less Ancillary Services	$ 81.1	$ 7.1	$ 88.2
Percentage of Revenue	91.3 %	8.7 %	100.0 %
Percentage of Revenue less Ancillary Services	92.0 %	8.0 %	100.0 %

EBITDA and Adjusted EBITDA:

(Dollars In Millions)	Year Ended December 31, 2021	2020	2019
Net loss	$ (28.1)	$ (11.1)	$ (20.1)
Interest expense	2.0	2.5	2.5
Provision for (benefit from) income taxes	2.2	(7.2)	0.6
Depreciation and amortization	9.0	6.8	3.7
EBITDA	(14.9)	(9.0)	(13.3)
Stock-based compensation expense	18.9	3.8	2.9
Change in fair value of contingent consideration	2.3	5.4	0.7
Change in fair value of preferred stock liability, prior to IPO	10.8	0.7	0.1
Other (income) expense, net [1]	(0.1)	(0.7)	(0.5)
Indirect taxes related to transfer price arrangement	0.9	—	—
Acquisition related transaction costs [2]	0.7	1.5	0.4
Acquisition related employee retention costs [3]	4.2	4.5	—
Adjusted EBITDA	$ 22.8	$ 6.2	$ (9.7)

(1) For the year ended December 31, 2021, other (income) expense consisted of gains of ($0.1) million from the remeasurement of foreign currency transactions into their functional currency. For the year ended December 31, 2020, other (income) expense consisted of interest income of $0.1 million and gains from the remeasurement of foreign currency transactions into their functional currency of ($0.6) million. For the year ended December 31, 2019, other (income) expense consisted of interest income of $0.6 million and losses from remeasurement of foreign currency transactions into their functional currency of $0.1 million.
(2) Acquisition related costs consisted of legal and advisory fees incurred in connection with the Simplee and WPM acquisitions.
(3) Acquisition related employee retention costs consisted of costs incurred to retain and compensate Simplee and WPM's employees in connection with integration of the business.

Key Factors Affecting Our Performance

Increased Utilization by Our Clients and Their Customers

Our ability to monetize our payments platform and global payment network is an important part of our business model. Today, we charge a fee based on the total payment volume we process on behalf of our clients. Our revenue and payment volume increases as our clients process more transactions on our payment platform and more money is collected through our global payment network. Increased average size of the payments processed on our payment platform also increases our revenue. Our ability to influence clients to process more transactions on our platform will have a direct impact on our revenue.

In addition, sustaining our growth requires continued adoption of our platform by new clients and further adoption of use cases such as payment plans, by our clients' customers. Our ability to influence our clients to expand their customers' usage of our platform also depends on our ability to successfully introduce new solutions, such as our solutions to support payments by international education consultants and our B2B solutions.

Mix of Business on Our Platform

Our revenue is affected by several factors, including the amount of payment volume processed by us on behalf of our clients, the industry in which our clients operate, the currency in which payments are made and received and the number of payment plans initiated by our clients' customers. For example, we recognize more transaction revenue as our clients engage in cross border payment flows which may increase or decrease depending on the industry in which our clients operate. We may experience shifts in the type of revenue we earn (transaction revenue or platform and usage-based fee revenue) depending on the nature of the activity of our clients and our clients' customers on our platform.

Investment in Technology and Development and Sales and Marketing

We make significant investments in both new solutions and existing solution enhancement. New solution features and functionality are brought to market through a variety of distribution and promotional activities. We will continue to adopt emerging technologies, expand our library of software integrations and invest in the development of more features. While we expect our expenses related to technology and development to increase, we believe these investments will contribute to long-term growth and profitability.

Additionally, we will continue to expand efforts to market our payment platform and global payment network directly to our clients through comprehensive marketing initiatives. We are focused on the effectiveness of sales and marketing spending and will continue to be strategic in maintaining efficient client acquisition, including adjusting spending levels as needed in response to changes in the economic environment.

Seasonality

Our operating results and operating metrics are subject to seasonality and volatility, which could result in fluctuations in our quarterly revenues and operating results or in perceptions of our business prospects. We have experienced in the past, and expect to continue to experience, seasonal fluctuations in our revenue, which can vary by geographic corridor. For instance, our revenue has historically been strongest in our first and third quarters and weakest in our second quarter. Some variability results from seasonal events including the timing of when our education clients' customers make their tuition payments on our payment platform and the number of business days in a month or quarter. We also experience volatility in certain other metrics, such as transactions processed and total payment volume.

Economic Conditions and Resulting Consumer Spending Trends

Changes in macro-level consumer spending for education, healthcare and travel trends, including as a result of COVID-19 pandemic, could affect the amounts of volumes processed on our platform, thus resulting in fluctuations to our revenue streams.

Impact of the COVID-19 Pandemic

The unprecedented and rapid spread of COVID-19 in 2020 as well as the shelter-in-place orders, promotion of social distancing measures, restrictions to businesses deemed non-essential, and travel restrictions implemented throughout the United States and globally have significantly impacted the verticals in which we have been predominantly focused over the last decade, including payment volumes, sales cycles and time to implementation in those verticals. However, we have not experienced any significant client attrition and our quarterly and annual net dollar-based retention rate remained strong. For the year ended December 31, 2021, our annual net dollar-based retention rate was approximately 140%. For the year ended December 31, 2020, despite the impact of the COVID-19 pandemic on our clients and the industries we serve, our annual net dollar-based retention rate was approximately 100%. For the year ended December 31, 2019, our annual net dollar-based retention rate was approximately 128%. During the year ended December 31, 2021, we added an additional 300 clients and have observed a recovery in payment volumes and growth in clients. As a result of the payment volume growth, client growth and public company complexities, we have increased hiring. As variants (most notably Delta and Omicron) or sub-variants of COVID-19 emerge, we will continue to evaluate the nature and extent of these potential impacts to our business, consolidated financial statements, and liquidity.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. The CARES Act did not have a material impact on our consolidated financial statements for the years ended December 31, 2020 and 2021. We continue to monitor any effects that may result from the CARES Act or other government relief programs that are made available.

Diversified Mix of Clients

Following the onset of the COVID-19 pandemic, payment volumes and revenue from education clients relying on international enrollments declined significantly, but we saw significant strength in revenue from healthcare clients, particularly as out-of-pocket costs for our clients' customers continued to remain high. There can be no assurance that such trends or that the levels of total revenue that we generate from our healthcare clients will continue.

During the year ended December 31, 2021, we have observed a recovery in payment volumes and growth in clients.

Dynamic Changes to Client Communication and Product Solutions

In response to the macroeconomic impact of the COVID-19 pandemic, we initiated a series of refinements to our technology and personalization engine to optimize our clients' ability to offer payment plans and communicate effectively and digitally with their customers. For example, we developed streamlined versions of our solution that allowed healthcare clients to rapidly deploy secure payment capabilities in support of newly emergent telehealth services that were deployed in the early phases of the COVID-19 to enable remote healthcare services. Similarly, we configured some of our education payment plan solutions for a very streamlined implementation in support of our clients' requests for affordability solutions for their students that could be deployed with minimal IT involvement. While we continue to invest in our technology and product capabilities, our ability to continue providing streamlined and effective products through our technology platform may impact our ability to retain and win new clients in the future. We believe that our ability to help increase payment affordability has become more critical to our clients during the COVID-19 pandemic as the lack of affordability drives the need for more financial flexibility.

Business Continuity

In response to COVID-19 developments, we implemented measures to focus on the safety of our employees and support of our clients, while at the same time seeking to mitigate the impact on our financial position and operations. We have implemented remote working capabilities for our entire organization and to date, there has been minimal disruption to our operations. During the spring of 2020, due to initial COVID-19 uncertainty, we reduced our workforce by approximately 12%. By the end of 2020, and throughout 2021, we had an aggressive hiring plan to meet the demand of customers and life as a public company. As vaccination rates have increased, our offices have reopened in limited capacity. We have also increased our hiring plan to address key roles with the goal of ensuring continuity and growth.

Components of Results of Operations

Revenue

We generate revenue from transactions and platform and usage-based fees as described below.

Transaction Revenue

Transaction revenue consists of a fee based on the total payment volume processed through our payment platform and global payment network. The fee can vary depending on the geographic region in which our client and client's customer resides, the payment method selected by our clients' customer and the currencies in which the transaction is completed on our solution. Fees received are reported as revenue upon the completion of payment processing transaction.

We also earn marketing fees from credit card service providers for marketing arrangements in which we perform certain marketing activities to increase the awareness of the credit card provider and promote certain methods of payments on our payment platform. Fees from these marketing services are recognized as revenue when we complete our obligations under the marketing arrangements. We do not expect our marketing services revenue to be material in future periods.

Platform and Usage-Based Fee Revenue

We earn revenue from many of our clients based on the amount of accounts receivable they collect through our platform. For these services, we are paid a platform and usage-based fee based on the total payment volume that our clients collect. We also earn revenue from clients' customers when they enter into a payment plan and make actual payments against a payment plan in satisfying their obligation to our client. Additionally, we earn a subscription fee from some of our clients for their use of our payment platform. Finally, we earn fees from providing other ancillary services to our clients including printing and mailing services.

Payment Processing Services Costs

Payment processing services costs consist of costs incurred to process payment transactions which include banking and credit card processing fees, foreign currency translation costs, partner fees, personnel-related expenses for our employees who facilitate these payments and personnel related expenses for our employees who provide implementation services to our clients. We expect that payment processing services costs will increase in absolute dollars but may fluctuate as a percentage of total revenue from period to period, as we continue to invest in scaling our processing operations and grow our revenue base.

Technology and Development

Technology and development includes (a) costs incurred in connection with the development of our solution and the improvement of existing solutions, including the amortization of software and website development costs incurred in developing our solution, which are capitalized, and acquired developed technology, (b) site operations and other infrastructure costs incurred, (c) amortization related to capitalized cost to fulfill a contract, (d) personnel-related expenses, including salaries, stock based compensation and other expenses, (e) hardware and software engineering, consultant services and other costs associated with our technology platform and products, (f) research materials and facilities, and (g) depreciation and maintenance expense.

We believe delivering new functionality is critical to attract new clients and expand our relationship with existing clients. We expect to continue to make investments to expand our solutions in order to enhance our clients' experience and satisfaction, and to attract new clients. We expect our technology and development expenses to increase in absolute dollars, but they may fluctuate as a percentage of total revenue from period to period as we expand our technology and development team to develop new solutions and enhancements to existing solutions.

Selling and Marketing

Selling and marketing expenses consist of personnel-related expenses, including stock-based compensation expense, sales commissions, amortization of acquired customer relationship intangible assets, marketing program expenses, travel-related expenses and costs to market and promote our solutions through advertisements, marketing events, partnership arrangements, and direct customer acquisition.

We focus our sales and marketing efforts on generating awareness of our Company, platform, and solutions, creating sales leads, and establishing and promoting our brand. We plan to continue investing in sales and marketing efforts by driving our go-to-market strategies, building our brand awareness, and sponsoring additional marketing events; however, we will adjust our sales and marketing spend level as needed, and this may fluctuate from period to period, in response to changes in the economic environment.

General and Administrative

General and administrative expenses consist of personnel-related expenses, including stock-based compensation expense for finance, risk management, legal and compliance, human resources and IT functions, costs incurred for external professional services, as well as rent and facility and insurance costs. We expect to incur additional general and administrative expenses as we continue to invest in our planned growth of our business. We also expect to increase the size of our general and administrative functions to support the growth in the business and to operate as a public company. As a result, we expect that our general and administrative expenses will increase in absolute dollars but may fluctuate as a percentage of total revenue from period to period.

Interest Expense

Interest expense consists of interest previously incurred on our Loan and Security Agreement (LSA) and interest on a new Revolving Credit Facility. During 2018, we borrowed $25.0 million under the LSA to complete the acquisition of OnPlan Holdings LLC. On April 25, 2020, we entered into a Joinder and Second Amendment to the LSA to refinance the LSA. As part of the refinancing, the lender re-advanced $4.2 million of principal paid on the loan through May 1, 2020. The LSA was interest only until May 2023 and carried annual interest at a rate equal to the greater of (i) 5.25% above the prime rate or (ii) 8.50%. In July 2021, we refinanced the LSA by entering into a $50.0 million Revolving Credit Facility. The Revolving Credit Facility has an adjustable rate of interest based on the type of loan requested, either at an annual rate based on the Alternate Base Rate (ABR), which references the prime rate plus an applicable margin or LIBOR plus an applicable margin. Loans based on ABR bear interest at a rate between ABR plus 0.75% and ABR plus 1.25%, and loans based on LIBOR bear interest at a rate between LIBOR plus 1.75% and LIBOR plus 2.25%, depending on our liquidity.

Change in Fair Value of Preferred Stock Warrant Liability

In connection with our financing arrangements, we issued warrants to purchase convertible preferred stock to a lender. The warrants to purchase preferred stock provided for net share settlement under which the maximum number of shares that could be issued represented the total amount of shares under the warrant agreements. These warrants were classified as liabilities on our consolidated balance sheets as these were free standing instruments that may have required us to transfer an asset upon exercise. The warrant liability associated with these warrants was recorded at fair value on the issuance date of the warrants and was marked to market each reporting period based on changes in the warrants' fair value calculated using the Black-Scholes model. Following our IPO, all preferred stock warrants were either fully exercised or converted to warrants to purchase common stock and no longer require liability classification. As a result, we no longer recognize the change in fair value of preferred stock warrant liability in our consolidated statements of operations and comprehensive loss.

Other Income (Expense), Net

Other income (expense), net consists of interest income and gains and losses from the remeasurement of foreign currency transactions into its functional currency.

Provision for (Benefit From) Income Tax

Provision for (benefit from) income taxes largely consists of foreign and state income taxes. We have generated NOL carryforwards for U.S. Federal and state tax purposes as we expand the scale of our operations. Any changes in the U.S. and foreign taxation of such activities may increase our overall provision for income taxes in the future.

We have a valuation allowance for our U.S. deferred tax assets, including federal and state NOLs. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized through expected future taxable income generated in the United States.

Results of Operations

Comparison of results for the years ended December 31, 2021 and 2020

The following table sets forth our consolidated statements of operations for periods presented:

	Year Ended December 31,			
(Dollars In Millions)	2021	2020	$ Change	% Change
Revenue	$ 201.1	$ 131.8	$ 69.3	52.6 %
Payment processing services costs	70.2	47.8	22.4	46.9 %
Technology and development	31.3	24.5	6.8	27.8 %
Selling and marketing	51.3	32.6	18.7	57.4 %
General and administrative	61.6	42.7	18.9	44.3 %
Total costs and operating expenses	214.4	147.6	66.8	45.3 %
Loss from operations	(13.3)	(15.8)	2.5	(15.8)%
Interest expense	(2.0)	(2.5)	0.5	(20.0)%
Change in fair value of preferred stock warrant liability	(10.8)	(0.7)	(10.1)	1442.9 %
Other income (expense), net	0.1	0.7	(0.6)	(85.7)%
Total other expenses, net	(12.7)	(2.5)	(10.2)	408.0 %
Loss before income taxes	(25.9)	(18.3)	(7.6)	41.5 %
Provision for (benefit from) income taxes	2.2	(7.2)	9.4	(130.6)%
Net loss	(28.1)	(11.1)	(17.0)	153.2 %
Foreign currency translation adjustment	(0.2)	(0.3)	0.1	(33.3)%
Comprehensive income (loss)	$ (28.3)	$ (11.4)	$ (16.9)	148.2 %

Revenue

Revenue was $201.1 million for the year ended December 31, 2021, compared to $131.8 million for the year ended December 31, 2020, an increase of $69.3 million or 52.6%. Revenue is comprised of transaction revenue and platform and usage-based fee revenue as follows:

	Year Ended December 31,			
(Dollars In Millions)	2021	2020	$ Change	% Change
Transaction revenue	$ 148.0	$ 89.6	$ 58.4	65.2 %
Platform and usage-based fee revenue	53.1	42.2	10.9	25.8 %
Revenue	$ 201.1	$ 131.8	$ 69.3	52.6 %

Transaction revenue was $148.0 million for the year ended December 31, 2021, compared to $89.6 million for the year ended December 31, 2020, an increase of $58.4 million or 65.2%. The increase in transaction revenue was primarily driven by growth in transaction payment volumes from both our existing clients and new clients added during the year ended December 31, 2021. We experienced strong growth in payment volume across all regions during the period. Total payment volume increased 76.0% during the year ended December 31, 2021 to $13.2 billion. Our marketing services revenue remained consistent in the year ended December 31, 2021, compared to the year ended December 31, 2020.

Platform and usage-based fee revenue was $53.1 million for the year ended December 31, 2021, compared to $42.2 million for the year ended December 31, 2020, an increase of $10.9 million or 25.8%. The increase in platform and usage-based fee revenue was driven by the full year of revenue from Simplee, increased usage by our clients and new clients signed during the year ended December 31, 2021.

Payment Processing Services Costs

Payment processing services costs were $70.2 million for the year ended December 31, 2021, compared to $47.8 million for the year ended December 31, 2020, an increase of $22.4 million or 46.9%. The increase in payment processing services costs is correlated with the increase in total payment volume of 76.0% over the same period, and was offset by lower processing costs related to bank, credit card and alternative payment transactions.

Technology and Development

Technology and development expenses were $31.3 million for the year ended December 31, 2021, compared to $24.5 million for the year ended December 31, 2020, an increase of $6.8 million or 27.8%. The increase in technology and development cost was primarily driven by an increase in personnel costs, stock-based compensation expense, software and hosting expenses and amortization expense. Personnel costs were $18.6 million for the year ended December 31, 2021, compared to $16.1 million for the year ended December 31, 2020, an increase of $2.5 million or 15.5%. The increase in personnel costs was primarily driven by an increase in headcount within our technology and development teams. Stock-based compensation expense was $2.5 million for year ended December 31, 2021, compared to $0.9 million for the year ended December 31, 2020, an increase of $1.6 million. The increase in stock-based compensation is attributable to grants awarded to existing and new employees and the additional compensation charges taken in relation to a secondary sale during the period that involved stockholders who were also employees. Software and hosting expenses was $3.9 million for the year ended December 31, 2021, compared to $2.9 million for the year ended December 31, 2021, and increase of $1.0 million. The increase is primarily related to increased hosting fees based on growth in payment volumes and additional software needs based on headcount growth. Amortization of intangible assets was $4.1 million for the year ended December 31, 2021, compared to $3.2 million for the year ended December 31, 2020, an increase of $0.9 million or 28.1%. The increase in amortization expense is attributable to the full year of amortization expense for acquired Simplee intangible assets in 2021 versus a partial year in 2020.

Selling and Marketing Expenses

Selling and marketing expenses were $51.3 million for the year ended December 31, 2021, compared to $32.6 million for the year ended December 31, 2020, an increase of $18.7 million or 57.4%. The increase in selling and marketing expenses was primarily driven by an increase in personnel costs, stock-based compensation, professional fees, and marketing costs. Personnel costs were $31.7 million for the year ended December 31, 2021, compared to $23.1 million for the year ended December 31, 2020, an increase of $8.6 million or 37.2%. The increase in personnel costs was primarily driven by an increase in headcount within our selling and marketing teams and commissions earned on sales during the period. Stock-based compensation was $5.2 million for year ended December 31, 2021, compared to $1.3 million for the year ended December 31, 2020, an increase of $3.9 million. The increase in stock-based compensation is attributable to grants awarded to existing and new employees and the additional compensation charges taken in relation to a secondary sale during the period that involved stockholders who were also employees Professional fee expenses were $4.9 million for the year ended December 31, 2021, compared to $1.5 million for the year ended December 31, 2020, an increase of $3.4 million. The increase in professional fees was due to increases in third party commissions, expenses incurred related to our public offering and consulting fees. Marketing costs were $4.0 million during the year ended December 31, 2021, compared to $2.0 million for the year ended December 31, 2020, an increase of $2.0 million or 100%. The increase in marketing costs was due to increased marketing initiatives and hosted events.

General and Administrative Expenses

General and administrative expenses were $61.6 million for the year ended December 31, 2021, compared to $42.7 million for the year ended December 31, 2020, an increase of $18.9 million or 44.3%. The increase in general and administrative expenses was primarily driven by an increase in stock-based compensation, personnel costs, professional fees, general and administrative and other costs offset by a change in the fair value of contingent consideration and acquisition related expenses. Stock-based compensation was $11.3 million for year ended December 31, 2021, compared to $1.7 million for the year ended December 31, 2020, an increase of $9.6 million. The increase in stock-compensation is attributable to grants awarded to existing and new employees, and the additional compensation charges taken in relation to a secondary sale during the period that involved stockholders who were also employees. Personnel costs were $23.9 million for the year ended December 31, 2021, compared to $19.6 million for the year ended December 31, 2020, an increase of $4.3 million or 21.9% primarily due to increased headcount. Professional fees were $7.1 million for the year ended December 31, 2021, compared to $4.2 million for the year ended December 31, 2020, an increase of $2.9 million or 69.0%. The increase in professional fees was due to increased legal and audit fees. General and administrative costs were $3.8 million for the year ended December 31, 2021, compared to $1.0 million for the year ended December 31, 2020, an increase of $2.8 million. The increase in general and administrative costs was primarily due to increased insurance costs as a public company. Other costs were $3.0 million for the year ended December 31, 2021, compared to $2.0 million for the year ended December 31, 2020, an increase of $1.1 million or 55.0%. The increase in other costs is primarily due to indirect taxes recorded during the period and increased hedging fees related to increase in total payment volume. The fair value change of contingent consideration was $2.2 million for the year ended December 31, 2021 compared to $5.4 million for the year ended December 31, 2020, a decrease of $3.2 million. Acquisition related expenses were $0.5 million for the year ended December 31, 2021 compared to $1.5 million for the year ended December 31, 2020, a decrease of $1.0 million.

Interest Expense

Interest expense was $2.0 million for the year ended December 31, 2021, compared to $2.5 million for the year ended December 31, 2020, a decrease of 0.5 million or 20.%. During July 2021, we entered into a Revolving Credit Facility with three banks for a total commitment of $50.0 million. We drew $25.9 million on the Revolving Credit Facility and used the proceeds to early prepay our existing LSA of $25.0 million, which resulted in a new interest rate per year.

Change in Fair Value of Preferred Stock Warrant Liability

Change in fair value of preferred stock warrant liability was $10.8 million for the year ended December 31, 2021, compared to $0.7 million for the year ended December 31, 2020, an increase of $10.1 million. The increase in preferred stock warrant liability was the result of an increase in the value of our preferred stock. Upon the completion of the IPO, all preferred stock warrants were either fully exercised or converted to warrants to purchase common stock. As a result, we no longer recognize the change in fair value of preferred stock warrant liability in our consolidated statements of operations and comprehensive loss.

Other Income (Expense), net

Other income (expense), net, was $0.1 million for the year ended December 31, 2021, compared to $0.7 million for the year ended December 31, 2020, a decrease of $0.6 million or 85.7%. Gains from the remeasurement of foreign currency transactions into their functional currencies were $0.1 million for the year ended December 31, 2021, compared to $0.6 million for the year ended December 31, 2020, a decrease of $0.5 million or 83.3%. The decrease was the result of the changes in foreign exchange rates against the U.S. Dollar, our financial reporting currency.

Provision for (Benefit From) Income Taxes

Provision for income taxes was $2.2 million during the year ended December 31, 2021, compared to a tax benefit of $ 7.2 million during the year ended December 31, 2020, an increase of 9.4 million. During the year ended December 31, 2021, we recorded an income tax expense of $2.2 million, which was primarily attributable to income taxes related to our profitable foreign subsidiaries and U.S. state taxes. During the year ended December 31, 2020, we recorded an income tax benefit of $7.2 million, which was primarily attributable to a non-recurring benefit of $8.4 million relating to the release of a portion of our valuation allowance. This release was due to taxable temporary differences recorded as part of the Simplee acquisition which were a source of income to realize certain pre-existing federal and state deferred tax assets. Our effective tax rate was 8.3% for the year ended December 31, 2021, compared to 39.3% for the year ended December 31, 2020.

Comparison of results for the years ended December 31, 2020 and 2019

The following table sets forth our consolidated statements of operations for periods presented:

(Dollars In Millions)	Year Ended December 31, 2020	2019	$ Change	% Change
Revenue	$ 131.8	$ 94.9	$ 36.9	38.9 %
Payment processing services costs	47.8	36.7	11.1	30.2 %
Technology and development	24.5	15.0	9.5	63.3 %
Selling and marketing	32.6	26.6	6.0	22.6 %
General and administrative	42.7	34.1	8.6	25.2 %
Total costs and operating expenses	147.6	112.4	35.2	31.3 %
Loss from operations	(15.8)	(17.5)	1.7	(9.7)%
Interest expense	(2.5)	(2.5)	—	—
Change in fair value of preferred stock warrant liability	(0.7)	(0.1)	(0.6)	600.0 %
Other income (expense), net	0.7	0.5	0.2	40.0 %
Total other expenses, net	(2.5)	(2.1)	(0.4)	19.0 %
Loss before income taxes	(18.3)	(19.6)	1.3	(6.6)%
Provision for (benefit from) income taxes	(7.2)	0.5	(7.7)	(1540.0)%
Net loss	(11.1)	(20.1)	9.0	(44.8)%
Foreign currency translation adjustment	(0.3)	0.1	(0.4)	(400.0)%
Comprehensive income (loss)	$ (11.4)	$ (20.0)	$ 8.6	(43.0)%

Revenue

Revenue was $131.8 million for the year ended December 31, 2020, compared to $94.9 million for the year ended December 31, 2019, an increase of $36.9 million or 38.9%. Revenue is comprised of transaction revenue and platform and usage-based fee revenue as follows:

(Dollars In Millions)	Year Ended December 31, 2020	2019	$ Change	% Change
Transaction revenue	$ 89.6	$ 86.6	$ 3.0	3.5 %
Platform and usage-based fee revenue	42.2	8.3	33.9	408.4 %
Revenue	$ 131.8	$ 94.9	$ 36.9	38.9 %

Transaction revenue was $89.6 million for the year ended December 31, 2020, compared to $86.6 million for the year ended December 31, 2019, an increase of $3.0 million or 3.5%. Although total payment volume from transactions included in transaction revenue were unchanged for the year ended December 31, 2020, as compared to the year ended December 31, 2019, the increase in transaction revenue was primarily driven by an increase in the relative percentage of our total payment volume originating in regions where we generate higher transaction revenue. This increase was offset by a $4.1 million or 74.5% decrease in marketing services revenue. Our marketing services revenue declined as a result of our payment partners using fewer of our marketing services for the year ended December 31, 2020, as compared to the year ended December 31, 2019.

Platform and usage-based fee revenue was $42.2 million for the year ended December 31, 2020, compared to $8.3 million for the year ended December 31, 2019, an increase of $33.9 million or 408.4%. The increase in platform and usage-based fee revenue was driven primarily by the Simplee acquisition contributing $34.1 million for the year ended December 31, 2020, of which $14.6 million was related to ancillary printing and mailing services.

Payment Processing Services Costs

Payment processing services costs were $47.8 million for the year ended December 31, 2020, compared to $36.7 million for the year ended December 31, 2019, an increase of $11.1 million or 30.2%. The increase in payment processing services costs is correlated with the increase in total payment volume of 30.5%, offset by lower processing costs incurred related to bank, credit card and alternative payment transactions.

Technology and Development

Technology and development expenses were $24.5 million for the year ended December 31, 2020, compared to $15.0 million for the year ended December 31, 2019, an increase of $9.5 million or 63.3%. The increase in technology and development cost was primarily driven by an increase in personnel cost and an increase in amortization expense. Personnel costs were $16.1 million for the year ended December 31, 2020, compared to $9.3 million for the year ended December 31, 2019, an increase of $6.8 million or 73.1%. The increase in personnel costs was primarily driven by an increase in headcount within our technology and development teams. Amortization of intangible assets was $3.2 million for the year ended December 31, 2020, compared to $1.8 million for the year ended December 31, 2019, an increase of

$1.4 million or 77.8%. The increase in amortization expense was the result of the acquisition of Simplee which added $10.5 million of acquired developed technology in connection with this acquisition, which has a weighted-average amortization period of eight years.

Selling and Marketing Expenses

Selling and marketing expenses were $32.6 million for the year ended December 31, 2020, compared to $26.6 million for the year ended December 31, 2019, an increase of $6.0 million or 22.6%. The increase in selling and marketing expenses was primarily driven by an increase in personnel costs and an increase in amortization expenses, offset by a decrease in travel related expenses. Personnel costs were $23.1 million for the year ended December 31, 2020, compared to $18.5 million for the year ended December 31, 2019, an increase of $4.6 million or 24.9%. The increase in personnel costs was primarily driven by an increase in headcount within our selling and marketing teams. Amortization of intangibles was $2.7 million for the year ended December 31, 2020, compared to $0.4 million for the year ended December 31, 2019, an increase of $ 2.3 million or 575.0%. The increase in amortization expense was the result of the acquisition of Simplee which added $48.3 million of acquired customer relationships, which have a weighted-average amortization period of 12 years. These increases were offset by reductions in travel-related expenses of $1.9 million due to COVID-19.

General and Administrative Expenses

General and administrative expenses were $42.7 million for the year ended December 31, 2020, compared to $34.1 million for the year ended December 31, 2019, an increase of $8.6 million or 25.2%. The increase in general and administrative expenses was primarily driven by the change in the fair value of contingent consideration, an increase personnel costs and an increase in professional services fees. The change in the fair value of contingent consideration related to acquisitions was $5.4 million for the year ended December 31, 2020, compared to $ 0.7 million in 2019, an increase of $4.7 million or 671.4%. Personnel costs were $ 19.6 million for the year ended December 31, 2020, compared to $16.6 million for the year ended December 31, 2019, an increase of $3.0 million or 18.1%. The increase in personnel costs was primarily driven by retention bonuses offered to Simplee employees as a result of our acquisition of Simplee. Professional fees were $4.2 million for the year ended December 31, 2020, compared to $3.8 million for the year ended December 31, 2019, an increase of $0.4 million or 10.5%. This increase was also attributable to our acquisition of Simplee. These increases were offset by a reduction in various other expenses due to COVID-19.

Interest Expense

Interest expense was $2.5 million for each of the years ended December 31, 2020 and December 31, 2019. During March 2020, we refinanced our LSA which resulted in $4.2 million in net proceeds, and a new interest rate per year.

Change in Fair Value of Preferred Stock Warrant Liability

Change in fair value of preferred stock warrant liability was $0.7 million for the year ended December 31, 2020, compared to $0.1 million for the year ended December 31, 2019, an increase of $0.6 million. The increase in preferred stock warrant liability was the result of an increase in the value of our preferred stock.

Other Income (Expense), net

Other income (expense), net, was $0.7 million for the year ended December 31, 2020, compared to $0.5 million for the year ended December 31, 2019, an increase of $ 0.2 million or 40.0%. Interest income was $0.1 million for the year ended December 31, 2020, compared to $0.6 million for the year ended December 31, 2019, a decrease of $0.5 million or 83.0% The decrease was attributable to lower interest rates on deposits, and a change in our investment policy due to the uncertainty caused by COVID-19. Gains from the remeasurement of foreign currency transactions into their functional currencies were $0.6 million for the year ended December 31, 2020, compared to losses of $0.1 million for the year ended December 31, 2019, an increase of $0.7 million. The increase was the result of the changes in foreign exchange rates against the U.S. Dollar, our financial reporting currency.

Provision for (Benefit From) Income Taxes

Provision for (benefit from) income taxes was ($ 7.2) million during the year ended December 31, 2020, compared to $0.5 million for the year ended December 31, 2019, an improvement of ($7.7) million or 1,540%. During the year ended December 31, 2020, we recorded an income tax benefit of $7.2 million, which was primarily attributable to a non-recurring benefit of $ 8.4 million relating to the release of a portion of our valuation allowance. This release was due to taxable temporary differences recorded as part of the Simplee acquisition which are a source of income to realize certain pre-existing federal and state deferred tax assets. Our effective tax rate was 39.3% for the year ended December 31, 2020, compared to (3.0%) for the year ended December 31, 2019.

Liquidity and Capital Resources

Since inception, we have financed operations primarily through proceeds received from sales of equity securities, credit facilities and payments received from our clients as further detailed below.

In May 2021, we completed our IPO which resulted in aggregate net proceeds of $263.8 million, after underwriting discounts of $19.4 million and issuance costs of $4.9 million. As of December 31, 2021, our principal source of liquidity is cash of $389.4 million.

We believe that our existing cash will be sufficient to support our working capital and material cash requirements for at least the next 12 months. Our future capital requirements will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from clients, the expansion of sales and marketing activities, the timing and extent of spending to support development efforts, the price at which we are able to purchase public cloud capacity, expenses associated with our international expansion, the introduction of platform enhancements, and the continuing market adoption of our platform. In the future, we may enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required to seek additional equity or debt financing. In the event that we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations, and financial condition.

Contractual Obligations

Contractual obligations consist of outstanding indebtedness under the Revolving Credit Facility and operating leases that relate to real estate for our primary facilities.

The following table summarizes our contractual obligations as of December 31, 2021:

	Payments Due by Year				
(In Thousands)	**Total**	**Less Than 1 Year**	**1 to 3 Years**	**4 to 5 Years**	**More Than 5 Years**
Operating lease obligations	$ 4,020	$ 1,848	$ 2,140	$ 32	—
Debt obligations	25,939	—	25,939	—	—
Total	$ 29,959	$ 1,848	$ 28,079	$ 32	—

The following table sets forth summary cash flow information for the periods presented.

	Year Ended December 31,		
(In Millions)	**2021**	**2020**	**2019**
Net cash provided by (used in) operating activities	$ 17.1	$ (14.2)	$ 4.1
Net cash used in investing activities	(62.9)	(81.5)	(3.7)
Net cash provided by (used in) financing activities	327.5	119.0	(3.9)
Effect of exchange rate changes on cash and cash equivalents	(1.4)	(0.3)	—
Net increase (decrease) in cash, cash equivalents and restricted cash.	$ 280.3	$ 23.0	$ (3.5)

Operating Activities

Net cash provided by (used in) operating activities consists of net loss adjusted for certain non-cash items and changes in other assets and liabilities.

During 2021, cash provided by operating activities of $17.1 million was primarily the result of net loss of $28.1 million adjusted for non-cash expenses of $41.8 million, which primarily include stock-based compensation expense of $18.9 million, change in fair value of preferred stock warrant liability of $10.8 million, depreciation and amortization of $9.0 million, the revaluation of contingent consideration of $2.3 million, non-cash interest expense of $0.3 million, amortization of deferred contract costs of $0.2 million, bad debt expense of $0.2 million and deferred tax provision of $0.1 million, benefited by changes in operating assets and liabilities of $3.5 million.

During 2020, cash used in operating activities of $14.2 million was primarily the result of net loss of $11.1 million adjusted for non-cash expenses of $9.0 million, which primarily include depreciation and amortization of $6.8 million, stock-based compensation expense of $3.8 million, revaluation of contingent consideration of $5.4 million and the change in fair value of preferred stock warrant liability of $0.7 million, offset by $8.5 million related to deferred taxes and $12.1 million related to changes in our operating assets and liabilities.

During 2019, cash provided by operating activities of $4.1 million was primarily the result of net loss of $20.1 million adjusted for non-cash expenses of $8.0 million, which primarily include depreciation and amortization of $3.7 million, stock-based compensation expense of $2.9 million, revaluation of contingent consideration of $0.7 million, and change in fair value of preferred stock warrant liability of $0.1 million, benefited by changes in operating assets and liabilities of $16.2 million.

Investing Activities

During 2021, cash used in investing activities of $62.9 million was the result of our acquisition of WPM for a purchase price of $56.1 million in cash, purchase of property and equipment for $6.7 million and asset acquisition of $0.1 million.

During 2020, cash used in investing activities of $81.5 million was the result of our acquisition of Simplee for a purchase price of $79.4 million in cash, and $2.1 million related to purchases of computer equipment and software.

During 2019, cash used in investing activities of $3.7 million was the result of leasehold improvements and purchases of computer equipment and software costs.

Financing Activities

During 2021, cash provided by financing activities of $327.5 million was primarily driven by the net proceeds received from our IPO of $263.8 million, net proceeds received from our sale of preferred stock of $59.7 million and proceeds from the exercise of stock options and warrants of $6.9 million, net proceeds from borrowings under our Revolving Credit facility of $25.9 million, offset by the payoff of our previously existing term loan of $25.0 million, payments for contingent consideration of $3.8 million related to our acquisition of Simplee and $0.4 million related to issuance costs associated with our revolving credit facility.

During 2020, cash provided by financing activities of $119.0 million was the result of our sale of preferred stock for aggregate proceeds of $119.8 million and proceeds from the exercise of stock options of $0.8 million, primarily offset by payments for contingent consideration of $1.3 million related to our acquisition of OnPlan Holdings, LLC during 2018.

During 2019, cash used in financing activities of $3.9 million was the result of proceeds from issuance of long-term debt of $10.0 million and proceeds from the exercise of stock options of $0.5 million, primarily offset by payments for contingent and deferred consideration of $14.1 million related to our acquisition of OnPlan Holdings, LLC during 2018.

As of December 31, 2021, we had $25.9 million of outstanding indebtedness under the Revolving Credit Facility. The proceeds of the Revolving Credit Facility were used to pay off the existing loan of $25.0 million. The Revolving Credit Facility consists of ABR loans or Eurodollar Borrowings, at our option. ABR loans bear interest at the ABR plus the applicable rate. Eurodollar Borrowings bear interest at the Adjusted LIBO Rate plus the applicable rate. The ABR rate is based on the greatest of (a) the Prime Rate (b) the Federal Funds Effective Rate plus 1/2 of 1% and (c) the Adjusted LIBO Rate for a one-month Interest Period plus 1%. The adjusted LIBO rate is based on (a) the LIBO Rate multiplied by (b) the Statutory Reserve Rate. The applicable rate is based upon our liquidity as of the most recent consolidated financial information and ranges from 0.75% to 2.25%. The Revolving Credit Facility incurs a commitment fee ranging from 0.25% to 0.35% based upon our liquidity as of the most recent consolidated financial information assessed on the average undrawn portion of the available commitment. We have access to an additional $24.1 million of additional funds under the Revolving Credit Facility to draw in the future.

As of December 31, 2020, we had $25.0 million of outstanding indebtedness under the LSA. The proceeds of the Term Loan were used to purchase OnPlan Holdings, LLC. The LSA was interest only until May 2023 and bore annual interest at a rate equal to the greater of (i) 5.25% above the prime rate of (ii) 8.50%. Refer to *Note 10 - Debt* for additional details related to the LSA.

Critical Accounting Policies

Our consolidated financial statements have been prepared in accordance with GAAP. The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported revenue generated, and reported expenses incurred during the reporting periods. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Our significant accounting policies are described in *Note 1 - Business Overview and Summary of Significant Accounting Policies* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. We believe that the following critical accounting policies are most important to the judgments and estimates used in the preparation of our consolidated financial statements.

Intangible Assets

Intangible assets consist of acquired developed technology, customer relationships, trade names and associated trademarks and noncompete agreements. Intangible assets are recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired, and reported net of accumulated amortization, separately from goodwill.

We estimate the fair value of acquired developed technology using the relief-from-royalty method, a form of the income approach, which estimates the cost savings that accrue to the owner of an intangible asset who would otherwise have to pay royalties or license fees on revenues earned through the use of the asset. The royalty rate used is based on an analysis of empirical, market-derived royalty rates for similar technology. The fair value of customer relationships is estimated using the multi-period excess earnings method under the income approach, which represents the total income to be generated by the asset. Under this method, the value of an intangible asset is equal to the present value of the incremental after-tax cash flows attributable solely to the intangible asset. We value noncompete agreements using the with and without method. This method compares our projected discounted cash flows in two distinct scenarios: first, we assume that the covenant not-to-compete is in-place and, second, we assume that the covenant not-to-compete is not in-place. A probability adjustment factor is then applied to the difference between the two scenarios to determine the fair value of the noncompete agreement. We value trade names and trademarks using the relief from royalty method. The relief-from-royalty method determines the present value of the economic royalty savings associated with the ownership or possession of the trade name or trademark based on an estimated royalty rate applied to the cash flows to be generated by the business. The estimated royalty rate is determined based on the assessment of a reasonable royalty rate that a third party would negotiate in an arm’s-length license agreement for the use of the trade name or trademark.

The useful lives for developed technology are determined based on expectations regarding the evolution of existing technology and future investments. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses and customer attrition associated with the assets. The useful lives of definite-lived trademarks and trade names are based on our plans to phase out the trademarks and trade names in the applicable markets. The useful lives for noncompete agreements are determined based on the term of the related agreements.

Intangible assets are amortized using a method that reflects the pattern in which the economic benefits of the intangible asset are expected to be realized over their estimated useful lives ranging from one to twelve years. No significant residual value is estimated for intangible assets.

The estimated fair values of these intangible assets reflect various assumptions including discount rates, revenue growth rates, operating margins, terminal values, useful lives and other prospective financial information.

The judgments made in determining the estimated fair value of intangibles as well as the estimated lives, can materially impact net income or loss in periods subsequent to the acquisition through depreciation and amortization, and in certain instances through impairment charges, if the assets become impaired in the future.

Contingent Consideration

Contingent consideration in business combinations is recognized at fair value on the acquisition date.

In connection with the acquisition of WPM, we entered into an agreement to make certain earn-out payments based on the achievement of certain platform integration objectives as well as the achievement of minimum payment volume targets. The platform integration objectives are payable upon completion, and the payment volume targets are payable based on the results of the 15 month and subsequent 12 month periods after acquisition. The fair value of the contingent consideration related to the payment volume targets was determined using an option pricing model and the fair value of the contingent consideration related to the platform integration objectives was determined using a scenario based method that reflects our expectation about the probability of payment based on facts and circumstances that existed at the acquisition closing date. The option pricing model includes significant unobservable inputs such as expectations regarding payment volume, a market price of risk adjustment for revenue and revenue volatility. The scenario based method includes significant unobservable inputs such as the probability of completing certain platform integrations. Increases or decreases in any of the probabilities of success in which the platform integration objectives are expected to be achieved would result in higher or lower fair value measurement, respectively. Increases or decreases in expectations regarding the level at which payment volume are expected to be achieved would result in a higher or lower fair value measurement, respectively. Increases or decreases in the market price of risk adjustment of revenue would result in a decrease or increase in the fair value measurement, respectively. Increases or decreases in the revenue volatility would result in a decrease or increase in the fair value measurement, respectively.

In connection with the acquisition of Simplee, we entered into an agreement to make certain earn-out payments based on the achievement of applicable objectives as well as the achievement of certain revenue targets established for the years ended December 31, 2020 and 2021. The earn-outs related to the Simplee acquisition were payable at the one-year and two-year acquisition anniversary dates based on the prior year calendar revenue results. The fair value of the contingent consideration was determined using an option pricing model that reflects our expectation about the probability of payment based on facts and circumstances that existed at the acquisition closing date. The option pricing model includes significant unobservable inputs such as a discount rate that equals risk-free rate plus a spread to reflect the credit risk as estimated by our cost of debt, the probability of achieving established revenue, the probability of retaining key employees and the probability of completing certain platform integrations. Increases or decreases in any of the probabilities of success in which volume targets are expected to be achieved would result in a higher or lower liability, respectively. Increases or decreases in the discount rate would result in a lower or higher liability, respectively.

Subsequent to the acquisition date, at each reporting date, the contingent consideration is remeasured and changes in the fair value resulting from a change in the underlying inputs are recognized in general and administrative expense in the consolidated statements of operations and comprehensive loss until the contingent consideration is settled. The maximum amount we would be required to pay related to WPM and Simplee acquisitions is $7.9 million and $20.0 million, respectively. The fair value of the contingent consideration at December 31, 2021 and 2020 was $11.3 and $12.5 million, respectively.

Valuation of Warrants to Purchase Preferred Stock

Prior to our IPO, we classified warrants to purchase shares of our convertible preferred stock as liabilities on our balance sheets as these were free standing instruments that may have required us to transfer assets upon exercise. The warrant liability associated with these warrants was recorded at fair value on the issuance date of each warrant and was subsequently marked to market each reporting period based on changes in the warrants' fair value calculated using the Black-Scholes model. Inputs used in the fair value calculation included exercise price, risk-free interest rate, expected dividend yield, remaining contractual term and expected volatility. We determined the fair value per share of the underlying preferred stock by taking into consideration the most recent sales of our convertible preferred stock, results obtained from third-party valuations and additional factors that we deemed relevant. We were a private company and lacked company-specific historical and implied volatility information of our stock. Therefore, we estimated expected stock volatility based on the historical volatility of publicly traded peer companies for a term equal to the remaining contractual term of the warrants. The risk-free interest rate was determined by reference to the U.S. Treasury yield curve for time periods approximately equal to the remaining contractual term of the warrants. We estimated a 0% dividend yield based on the fact that we have never paid or declared dividends. Following our IPO, the preferred stock warrants were either fully exercised or converted to warrants to purchase common stock. As of December 31, 2021, there were no preferred stock warrants outstanding.

The table below quantifies the weighted average of the most significant inputs used for the warrants valuation:

	Year Ended December 31,	
	2020	2019
Fair value of preferred stock	$ 6.48	$ 4.67
Risk-free interest rate	0.7 %	1.8 %
Expected volatility	42.5 %	44.0 %
Expected dividend yield	—	—
Remaining contractual term (in years)	4	5

Changes in fair value of the warrants were recognized on the consolidated statements of operations and comprehensive loss. There were no warrants to purchase preferred stock issued during the year ended on December 31, 2021 and 2020.

Revenue Recognition

We derive revenue from transactions and platform and usage-based fees.

Transaction Revenue

Our transaction revenue is derived from fees charged for payment processing services provided to educational institutions, healthcare entities and other commercial entities. Our services relate to facilitating payments from individuals, such as students and patients, and organizations to clients. Fees charged for payment processing services consists of a rate applied to the monetary value of the payment and can vary based on the payment method, currency pair conversion the transaction is settling in, as well as the geographic region in which the client and the client’s customer resides. Fees received are recorded as revenue in the consolidated statements of operations and comprehensive loss upon completion of the payment processing transaction. We do not recognize the underlying amount of the transaction being settled between client and client’s customer, as revenue or cost of revenue in the consolidated statements of operations and comprehensive loss, as we are not the responsible party for fulfilling the obligation between the client and client’s customer. Therefore, revenue is only recognized for the fee for which we are entitled for processing the payment.

We also earn revenue from fees charged to credit card service providers for marketing arrangements in which we perform certain marketing activities to increase the awareness of the credit card provider and promote certain methods of payment. Consideration under these arrangements include fixed fees and variable fees based on a percentage of transactions processed during the duration of the marketing program.

The money can be wired directly from the client’s customer to us, however, in certain situations when the client’s customer lives in a country where we do not have an active bank account, we use third-party service providers to collect wired funds before remitting the funds to us. The third-party service provider invoices us on a recurring basis with a fee for each payment processed and deposited into our bank account. The fee paid to third-party service providers as well as any foreign exchange banking fees paid by us are reflected in the payment processing service costs line in the consolidated statements of operations and comprehensive loss.

Platform and Usage-Based Fee Revenue

Our platform and usage-based fee revenue is derived from fees earned for utilizing our platform to collect accounts receivables on behalf of our clients from their customers, fees collected on payment plans established by a client for obligations due by a client’s customer, subscription fees and fees related to printing and mailing statements. Fees charged consist of a fixed fee and a variable fee determined based on volume of transaction processed through our platform.

Performance Obligations

We use significant judgement on determining the performance obligations in the arrangement based on considerations such as whether the client can benefit from each service on its own or together with other resources that are readily available from third parties or from us and whether each service is distinct in the context of the arrangement, whereby the transfer of the service is separately identifiable from other promises in the contract. In addition, we consider whether the arrangements contain a series of distinct services that are substantially the same and whether they have the same pattern of transfer.

Substantially all of our arrangements represent a single promise to provide continuous access to our platform to perform a series of activities such as payment processing services, cash collection optimization services, marketing, printing and mailing services, on an as-needed basis. As each day of providing these services is substantially the same and the client simultaneously receives and consumes the benefits as services are provided, these services are viewed as a single performance obligation comprised of a series of distinct daily services. We satisfy the performance obligation as these services are provided. Revenue is recognized in the month the service is complete.

For those arrangements that include fixed consideration, the fixed component is recognized ratably over the service period while variable consideration is recognized in the period earned.

We consider implementation service an activity to fulfill a contract, rather than a distinct performance obligation as the client does not obtain benefits from the implementation service alone. We charge an immaterial amount for implementation services.

Variable Consideration

Our contracts contain variable consideration as the amount we expect to receive in a contract is based on the occurrence or non-occurrence of future events, such as processing services performed as a transaction-based pricing arrangement. The variable consideration relates specifically to our effort to transfer each distinct daily service, as such we allocate the variable consideration earned to the distinct day in which those activities are performed and we recognize these fees as revenue in period earned, at which point the variable amount is known and it does not require estimation.

Other Revenue Recognition Policies

We incur costs in processing payments which may include banking, credit card processing, foreign currency translation and partner fees. These fees are direct costs incurred in providing payment processing services. The determination of whether we are a principal to a transaction (gross revenue) or an agent (net revenue) can require considerable judgment. Changes in judgments with respect to these assumptions and estimates could impact the amount of revenue recognized. Since we control the payment processing service, we are responsible for completing the payment, bear primary responsibility for the fulfillment of the payment service, and have full discretion in determining the fee charged, we act as a principal. As such, we recognize payment processing fee charged on a gross basis.

Stock-Based Compensation

We determine stock-based compensation expense associated with stock options based on the estimated grant date fair value method using the Black-Scholes option-pricing model. We recognize these compensation costs on a straight-line basis over the requisite service period of the award, which is generally the option vesting term of four years. We account for forfeitures as they occur.

The Black-Scholes option-pricing model requires the use of highly subjective assumptions which determine the fair value of stock-based awards. These assumptions include:

Expected term—The expected term represents the period that stock-based awards are expected to be outstanding. The expected term for option grants is determined using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards.

Expected volatility—Since we are a recent public company with limited trading history for our common stock, the expected volatility is estimated based on the average volatility for comparable publicly traded companies over a period equal to the expected term of the stock option grants. The comparable companies are chosen based on their similar size, stage in the lifecycle or area of specialty.

Risk-free interest rate—The risk-free interest rate is based on the U.S. Treasury zero coupon issues in effect at the time of grant for periods corresponding with the expected term of the option.

Expected dividend yield—We have never paid dividends on our common stock and non-voting common stock and have no plans to pay dividends on our common stock.

Common Stock Valuation—Given the absence of an active market for our common stock and non-voting common stock prior to our IPO, the fair value of the shares of common stock underlying our share-based awards was estimated on each grant date by our board of directors with input from management and contemporaneous third-party valuations. These third-party valuations were performed in accordance with the guidance outlined by the American Institute of Certified Public Accountants 2013 Practice Aid, Valuation of Privately-Held-Company Equity Securities Issued as Compensation using either an option-pricing method, or OPM, or a hybrid method, both of which used market approaches and income approaches to estimate our enterprise value. The hybrid method is a probability-weighted expected return method, or PWERM, where the equity value in one or more of the scenarios is calculated using an OPM. The PWERM is a scenario-based methodology that estimates the fair value of common stock based upon an analysis of future values for a company, assuming various outcomes. The common stock value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available as well as the rights of each class of stock. The future value of the common stock under each outcome is discounted back to the valuation date at an appropriate risk-adjusted discount rate and probability weighted to arrive at an indication of value for the common stock. A discount for lack of marketability of the common stock is then applied to arrive at an indication of value for the common stock. The OPM treats common stock and redeemable convertible preferred stock as call options on an equity value, with exercise prices based on the liquidation preference of our redeemable convertible preferred stock. Under this method, our common stock has value only if the funds available for distribution to stockholders exceed the value of the liquidation preference at the time of a liquidity event, such as a merger or sale, assuming we have funds available to make a liquidation preference meaningful and collectible by the stockholders. The common stock is considered to be a call option with a claim at an exercise price equal to the remaining value immediately after the redeemable convertible preferred stock is liquidated.

In addition to considering the results of third-party valuations, our board of directors exercised reasonable judgment and considered various objective and subjective factors to determine the fair value of our common stock as of the date of each grant, including:

- our actual operating results and financial performance;
- conditions in the industry and economy in general;
- the rights, preferences and privileges of our redeemable convertible preferred stock and convertible preferred stock relative to those of our common stock;
- the likelihood of achieving a liquidity event for the holders of our common stock, such as an IPO or a sale of our company, given prevailing market conditions;
- equity market conditions affecting comparable public companies and the market performance of comparable publicly traded companies;
- the U.S. and global capital market conditions; and
- the lack of marketability of our common stock and the results of independent third-party valuations.

The assumptions underlying these valuations represented management’s best estimate, which involved inherent uncertainties and the application of management’s judgment. As a result, if we had used significantly different assumptions or estimates, the fair value of our common stock and our stock-based compensation expense could have been materially different.

Following our IPO, our board of directors no longer estimate the fair value of our common stock in connection with granted stock options and other granted equity awards as the fair value of our common stock is determined based on the quoted market price of our common stock.

Emerging Growth Company Status

The JOBS Act permits an “emerging growth company” such as us to take advantage of an extended transition period to comply with new or revised accounting standards applicable to public companies until those standards would otherwise apply to nonpublic companies. We have elected to use this extended transition period for complying with new or revised accounting standards that have different effective dates for public and private companies until the earlier of the date we (i) are no longer an emerging growth company or (ii) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, we will not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies, and our financial statements may not be comparable to other public companies that comply with new or revised accounting pronouncements as of public company effective dates. We may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for nonpublic companies.

We will cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.07 billion or more, (ii) December 31, 2026, (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile. See "Risk Factors - Risks Related to Ownership of Our Common Stock - We are an emerging growth company," and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

Recent Accounting Pronouncements

See *Note 1 - Business Overview and Summary of Significant Accounting Policies* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for recently adopted accounting pronouncements and recently issued accounting pronouncements not yet adopted as of December 31, 2021.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the United States and globally, and we are exposed to market risks in the ordinary course of our business, including foreign currency fluctuations and the effects of interest rate changes. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Risk

Our Revolving Credit Facility consists of ABR loans or Eurodollar Borrowings, at our option. ABR loans bear interest at the ABR plus applicable rate. Eurodollar Borrowings bear interest at the Adjusted LIBO Rate plus the applicable rate. The ABR rate is based on the greatest of (a) the Prime Rate (b) the Federal Funds Effective Rate plus 1/2 of 1% and (c) the Adjusted LIBO Rate for a one-month Interest Period plus 1%. The adjusted LIBO rate is based on (a) the LIBO Rate multiplied by (b) the Statutory Reserve Rate. The applicable rate is based upon our liquidity as of the most recent consolidated financial information and ranges from 0.75% to 2.25%. The Revolving Credit Facility incurs a commitment fee ranging from 0.25% to 0.35% based upon our liquidity as of the most recent consolidated financial information assessed on the average undrawn portion of the available commitment. As of December 31, 2021, $25.9 million was outstanding under our Revolving Credit Facility. An immediate 10% increase or decrease in interest rates would not have a material effect on our financial position, results of operations or cash flows.

Prior to our Revolving Credit Facility, we incurred borrowings under the LSA which accrued interest at a floating per annum rate equal to the greater of (i) 5.25% above the prime rate; or (ii) 8.50%. As of December 31, 2020, $24.3 million was outstanding under the LSA.

Foreign Currency Risk

For our cross-border payments, we have short term foreign currency exchange exposure, typically between one and four days. Our cross-border payment service allows our client’s customers to use their local currency to pay our clients. When a client’s customer books a cross-border payment in the customer’s local currency, we provide an amount to be paid to the client in that local currency based on the foreign exchange rate then in effect. The client’s customer then has a certain amount of time to complete payment—one to four days—that may differ depending on the payment method selected. When our client’s customer makes the payment and we process these funds to our clients through our global payment network, the actual exchange rate may differ from the exchange rate that was initially used to calculate the amount payable by the client’s customer due to foreign exchange rate fluctuations. The amount our client’s customers pay in their local currency is not adjusted for changes in foreign exchange rates between booking the transaction and the date the funds are paid and converted. If the value of the currency used by the client’s customer weakens relative to the currency in which funds are remitted to our clients we may be required to cover the shortfall in remitted funds. This could have an unfavorable effect on our cash flows and operating results. We have been leveraging our in-house currency hedging algorithms since 2014, including entering into non-deliverable forward foreign currency contracts, to mitigate the volatility related to fluctuations in the foreign exchange rates. As a result, to date foreign currency fluctuations with respect to our cross-border payments have not resulted in a materially unfavorable effect on our operating results, financial position or cash flows. In addition, our reporting currency is the U.S. Dollar. The financial statements of our foreign subsidiaries are translated from local currency into U.S. Dollars using the exchange rate at the balance sheet date for assets and liabilities, and the average exchange rate in effect during the period for revenue and expenses. Our functional currency and the functional currency of our subsidiaries, with the exception of our UK subsidiary, is the U.S. Dollar. The functional currency for our UK subsidiary is considered to be the local currency and, accordingly, translation adjustments for this entity are included as a component of accumulated other comprehensive loss in our consolidated balance sheets. Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recognized as other income (expense), net in the consolidated statements of operations and comprehensive loss. We do not believe a 10% increase or decrease in current exchange rates would have a material impact on our operating results, financial position or cash flows.

Item 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors of Flywire Corporation

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Flywire Corporation and its subsidiaries (the “Company”) as of December 31, 2021 and 2020, and the related consolidated statements of operations and comprehensive loss, of convertible preferred stock, redeemable convertible preferred stock and stockholders’ equity (deficit), and of cash flows for each of the three years in the period ended December 31, 2021, including the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits of these consolidated financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts, U.S.A.
March 29, 2022

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

FLYWIRE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 385,360	$ 104,052
Restricted cash	4,000	5,000
Accounts receivable, net of allowance for doubtful accounts of $106 and $481, respectively	12,968	11,573
Unbilled receivables	3,340	1,698
Funds receivable from payment partners	28,286	22,481
Prepaid expenses and other current assets	9,834	3,754
Total current assets	443,788	148,558
Property and equipment, net	9,442	5,101
Intangible assets, net	93,598	68,211
Goodwill	85,841	44,650
Other assets	7,176	4,922
Total assets	$ 639,845	$ 271,442
Liabilities, Convertible Preferred Stock, Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable	$ 10,242	$ 5,436
Funds payable to clients	71,302	59,986
Accrued expenses and other current liabilities	22,726	14,991
Deferred revenue	5,488	1,227
Contingent consideration	7,719	6,740
Total current liabilities	117,477	88,380
Deferred tax liabilities	8,401	481
Contingent consideration, net of current portion	3,590	5,760
Preferred stock warrant liability	—	1,932
Long-term debt	25,939	24,352
Other liabilities	2,237	2,129
Total liabilities	157,644	123,034
Commitments and contingencies (Note 16)		
Convertible preferred stock (Series A, B, B1, B1-NV, C and D), $0.0001 par value; 0 and 62,915,394 shares authorized at December 31, 2021 and 2020, respectively; 0 and 54,208,461 shares issued and outstanding at December 31, 2021 and 2020, respectively; liquidation preference of $0 and $110,716 at December 31, 2021 and 2020, respectively	—	110,401
Redeemable convertible preferred stock (Series E-1, E-2, F1 and F-2), $0.0001 par value; 0 and 16,023,132 shares authorized at December 31, 2021 and 2020, respectively; 0 and 11,239,920 shares issued and outstanding at December 31, 2021 and 2020, respectively; liquidation preference of $0 and $150,000 at December 31, 2021 and 2020, respectively	—	119,769

FLYWIRE CORPORATION
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share amounts)

	December 31, 2021	December 31, 2020
Stockholders’ equity (deficit):		
Preferred stock, $0.0001 par value; 10,000,000 and 0 shares authorized as of December 31, 2021 and 2020, respectively; and none issued and outstanding as of December 31, 2021 and 2020, respectively	—	—
Voting common stock, $0.0001 par value; 2,000,000,000 and 146,898,270 shares authorized as of December 31, 2021 and 2020, respectively; 102,771,899 shares issued and 100,454,177 shares outstanding as of December 31, 2021; 22,240,872 shares issued and 19,923,150 shares outstanding as of December 31, 2020	10	2
Non-voting common stock, $0.0001 par value; 10,000,000 and 0 shares authorized as of December 31, 2021 and 2020, respectively; 5,988,378 and 0 issued and outstanding as of December 31, 2021 and 2020, respectively	1	—
Treasury stock, 2,317,722 shares as of December 31, 2021 and 2020, held at cost	(748)	(748)
Additional paid-in capital	609,194	16,970
Accumulated other comprehensive loss	(399)	(214)
Accumulated deficit	(125,857)	(97,772)
Total stockholders’ equity (deficit)	482,201	(81,762)
Total liabilities, convertible preferred stock, redeemable convertible preferred stock and stockholders’ equity (deficit)	$ 639,845	$ 271,442

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

FLYWIRE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Amounts in thousands, except share and per share amounts)

	Year Ended December 31,		
	2021	2020	2019
Revenue	$ 201,149	$ 131,783	$ 94,918
Costs and operating expenses:			
Payment processing services costs	70,191	47,805	36,726
Technology and development	31,295	24,501	15,008
Selling and marketing	51,297	32,612	26,606
General and administrative	61,623	42,680	34,035
Total costs and operating expenses	214,406	147,598	112,375
Loss from operations	$ (13,257)	$ (15,815)	$ (17,457)
Other income (expense):			
Interest expense	(2,021)	(2,533)	(2,459)
Change in fair value of preferred stock warrant liability	(10,758)	(625)	(127)
Other income (expense), net	109	697	477
Total other expenses, net	(12,670)	(2,461)	(2,109)
Loss before provision for (benefit from) income taxes	(25,927)	(18,276)	(19,566)
Provision for (benefit from) income taxes	2,158	(7,169)	550
Net loss	$ (28,085)	$ (11,107)	$ (20,116)
Foreign currency translation adjustment	(185)	(316)	66
Comprehensive loss	$ (28,270)	$ (11,423)	$ (20,050)
Net loss attributable to common stockholders - basic and diluted	$ (28,098)	$ (11,121)	$ (20,116)
Net loss per share attributable to common stockholders - basic and diluted	$ (0.39)	$ (0.60)	$ (1.25)
Weighted average common shares outstanding - basic and diluted	71,168,054	18,389,898	16,067,088

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

FLYWIRE CORPORATION
CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED STOCK, REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT) (Amounts in thousands, except share and per share amounts)

	Convertible Preferred Stock		Redeemable Convertible Preferred Stock		Voting 'Common Stock		Non-Voting 'Common Stock		Treasury Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated (Deficit)	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount				
Balances at December 31, 2018	54,208,461	$ 110,401	—	—	19,788,243	$ 1	—	—	(2,227,722)	$ (453)	$ 8,630	$ 36	$ (66,549)	$ (58,335)
Issuance of common stock upon exercise of stock options	—	—	—	—	705,903	1	—	—	—	—	452	—		453
Repurchase of common stock	—	—	—	—	—	—	—	—	(90,000)	(295)	—	—	—	(295)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	66	—	66
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	2,949	—	—	2,949
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(20,116)	(20,116)
Balances at December 31, 2019	54,208,461	$ 110,401	—	—	20,494,146	$ 2	—	—	(2,317,722)	$ (748)	12,031	$ 102	$ (86,665)	$ (75,278)
Issuance of common stock upon the exercise of stock options	—	—	—	—	1,852,695	— *	—	—	—	—	773	—	—	773
Issuance of common stock warrants	—	—	—	—		—	—	—	—	—	336	—	—	336
Forfeiture of unvested restricted stock awards	—	—	—	—	(105,969)	— *	—	—	—	—	—	—	—	—
Issuance of Series E redeemable convertible preferred stock, net of issuance costs of $245	—	—	11,239,920	119,755	—	—	—	—	—	—	—	—	—	—
Accretion of redeemable convertible preferred stock	—	—	—	14	—	—	—	—	—	—	(14)	—	—	(14)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	(316)	—	(316)
Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	3,844	—	—	3,844
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(11,107)	(11,107)
Balances at December 31, 2020	54,208,461	$ 110,401	11,239,920	$ 119,769	22,240,872	$ 2	—	—	(2,317,722)	$ (748)	$ 16,970	$ (214)	$ (97,772)	$ (81,762)
Issuance of common stock upon exercise of stock options, net of shares withheld	—	—	—	—	5,893,600	1	—	—	—	—	6,582	—	—	6,583
Issuance of Series F-1 redeemable convertible preferred stock, net of issuance costs of $265	—	—	2,571,936	59,735	—	—	—	—	—	—	—	—	—	—
Exercise of common stock warrants	—	—	—	—	417,021	—	—	—	—	—	294	—	—	294
Accretion of redeemable convertible preferred stock	—	—	—	13	—	—	—	—	—	—	(13)	—	—	(13)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	—	(185)	—	(185)

Stock-based compensation expense	—	—	—	—	—	—	—	—	—	—	18,928	—	—	18,928
Issuance of common stock in connection with IPO, net of underwriting discounts and commissions	—	—	—	—	12,006,000	1	—	—	—	—	268,693	—	—	268,694
Costs incurred in connection with IPO	—	—	—	—	—	—	—	—	—	—	(4,860)	—	—	(4,860)
Issuance of Series C preferred stock upon net exercise of Series C preferred stock warrants	182,467	6,417	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of convertible preferred stock upon IPO	(54,390,928)	(116,818)	—	—	54,390,928	5	—	—	—	—	116,813	—	—	116,818
Conversion of redeemable convertible preferred stock upon IPO	—	—	(13,811,856)	(179,517)	7,823,478	1	5,988,378	1	—	—	179,515	—	—	179,517
Reclassification of warrant liability to additional paid-in capital upon IPO	—	—	—	—	—	—	—	—	—	—	6,272	—	—	6,272
Net loss	—	—	—	—	—	—	—	—	—	—	—	—	(28,085)	(28,085)
Balances at December 31, 2021	—	—	—	—	102,771,899	$ 10	5,988,378	$ 1	(2,317,722)	$ (748)	$ 609,194	$ (399)	$ (125,857)	$ 482,201

* amount is less than $1 thousand

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

FLYWIRE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31, 2021	2020	2019
Cash flows from operating activities:			
Net loss	$ (28,085)	$ (11,107)	$ (20,116)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Depreciation and amortization	8,998	6,794	3,730
Stock-based compensation expense	18,928	3,844	2,949
Amortization of deferred contract costs	245	414	—
Change in fair value of preferred stock warrant liability	10,758	625	127
Change in fair value of contingent consideration	2,263	5,400	660
Deferred tax provision	146	(8,535)	(11)
Bad debt expense	165	237	253
Non-cash interest expense	252	227	308
Changes in operating assets and liabilities, net of acquisitions:			
Accounts receivable	(587)	(1,555)	(431)
Unbilled receivables	(1,642)	(401)	(1,055)
Funds receivable from payment partners	(5,805)	(6,033)	1,223
Prepaid expenses and other current assets	(7,854)	(3,840)	(410)
Funds payable to clients	11,316	(5,279)	13,314
Accounts payable, accrued expenses and other current liabilities	11,230	5,669	2,250
Contingent consideration	(3,212)	(693)	—
Other liabilities	174	83	444
Deferred revenue	(159)	(73)	838
Net cash provided by (used in) operating activities	17,131	(14,223)	4,073
Cash flows from investing activities:			
Purchases of property and equipment	(6,684)	(2,141)	(3,748)
Acquisitions of businesses, net of cash acquired	(56,111)	(79,401)	—
Asset acquisition, net of cash acquired	(119)	—	—
Net cash used in investing activities	(62,914)	(81,542)	(3,748)
Cash flows from financing activities:			
Proceeds from initial public offering, net of underwriting discount and commissions	268,694	—	—
Payment of costs related to initial public offering	(4,860)	—	—
Proceeds from issuance of long-term debt	25,939	4,167	10,000
Payment of long-term debt issuance costs	(418)	(172)	—
Repayment of long-term debt	(25,000)	(4,167)	—
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	59,735	119,755	—
Repurchase of common stock	—	—	(295)
Proceeds from exercise of warrants	294	—	—
Contingent consideration paid for acquisitions	(3,800)	(1,307)	(12,423)
Deferred consideration paid for acquisitions	—	—	(1,650)
Proceeds from exercise of stock options	6,928	773	453
Net cash provided by (used in) financing activities	327,512	119,049	(3,915)
Effect of exchange rates changes on cash and cash equivalents	(1,421)	(259)	15
Net increase (decrease) in cash, cash equivalents and restricted cash	280,308	23,025	(3,575)
Cash, cash equivalents and restricted cash, beginning of year	$ 109,052	$ 86,027	$ 89,602
Cash, cash equivalents and restricted cash, end of year	$ 389,360	$ 109,052	$ 86,027

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

FLYWIRE CORPORATION
CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)

	Year Ended December 31,		
	2021	2020	2019
Supplemental disclosures of cash flow and noncash information			
Cash paid during the period for interest	1,600	2,098	1,851
Accretion of redeemable convertible preferred stock	(13)	(14)	—
Issuance of common stock warrants	—	336	—
Reconciliation of cash, cash equivalents and restricted cash			
Cash and cash equivalents	$ 385,360	$ 104,052	$ 86,027
Restricted cash	4,000	5,000	—
Cash, cash equivalents and restricted cash	$ 389,360	$ 109,052	$ 86,027

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

1. Business Overview and Summary of Significant Accounting Policies

Flywire Corporation (we, our, Flywire or the Company) was incorporated under the laws of the State of Delaware in July 2009 as peerTransfer Corporation. In 2016, the Company changed its name to Flywire Corporation. The Company is headquartered in Boston, Massachusetts and has a global footprint in 11 countries across 5 continents.

Flywire provides a secure global payments platform, offering its clients an innovative and streamlined process to receive reconciled domestic and international payments in a more cost effective and efficient manner. The Company's solutions are built on three core elements: (i) a next-gen payments platform; (ii) a proprietary global payment network; and (iii) vertical-specific software backed by its deep industry expertise.

Initial Public Offering

On May 28, 2021, in connection with the Company's initial public offering (IPO), the Company filed an amended and restated certificate of incorporation, which became effective on that date. The amended and restated certificate of incorporation authorized the issuance of 2,000,000,000 shares of voting common stock, 10,000,000 shares of non-voting common stock and 10,000,000 shares of preferred stock. Each class of stock has a par value of $0.0001 per share.

On May 28, 2021, the Company completed its IPO, in which the Company issued and sold 12,006,000 shares of voting common stock at a public offering price of $24.00 per share, which included 1,566,000 shares of voting common stock issued pursuant to the exercise in full of the underwriters' option to purchase additional shares. The Company received $263.8 million in net proceeds from the IPO, after deducting underwriting discounts and commissions of $19.4 million and other offering costs of $4.9 million.

Immediately prior to the closing of the IPO, all shares of the Company's outstanding convertible preferred stock and redeemable convertible preferred stock, including 182,467 shares of preferred stock issued upon exercise of a warrant immediately prior to the closing of the IPO, were converted into 62,214,406 shares of voting common stock and 5,988,378 shares of non-voting common stock. Prior to the closing of the IPO, the Company had warrants to purchase 190,500 shares of its convertible preferred stock outstanding, such warrants were converted immediately prior to the closing of the IPO into warrants to purchase 190,500 shares of the Company's voting common stock and the associated preferred stock warrant liabilities were remeasured to its fair value of $6.3 million and reclassified to additional paid-in capital.

Prior to the IPO, deferred offering costs, which consist of legal, accounting, consulting and other direct fees and costs relating to the IPO, were capitalized in other long-term assets. Upon the completion of the IPO, these costs were offset against the proceeds from the IPO and recorded as a reduction to additional paid-in capital.

Stock Split

In May 2021, the Company filed an amendment to its amended and restated certificate of incorporation to effect a 3-for-1 forward stock split of its common stock, convertible preferred stock and redeemable convertible preferred stock. In connection with the forward stock split, each issued and outstanding share of common stock, automatically and without action on the part of the holders, became three shares of common stock, each issued and outstanding share of convertible preferred stock, automatically and without action on the part of the holders, became three shares of convertible preferred stock and each issued and outstanding share of redeemable convertible preferred stock, automatically and without action on the part of the holders, became three shares of redeemable convertible preferred stock. The par value per share of common stock, convertible preferred stock and redeemable convertible preferred stock was not adjusted. All references to the convertible preferred stock, redeemable convertible preferred stock, common stock, treasury stock, options to purchase common stock, restricted stock awards, warrants to purchase convertible preferred stock, warrants to purchase common stock, per share amounts and related information contained in the consolidated financial statements have been retroactively adjusted to reflect the effect of the stock split for all periods presented.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries and have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). Intercompany accounts and transactions have been eliminated upon consolidation.

Segment Information

The Company has a single operating 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. See *Note 2 - Revenue and Recognition* for information regarding the Company's revenue by geographic area.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported and disclosed in the consolidated financial statements and the accompanying notes. Significant estimates and assumptions reflected in these financial statements include, but are not limited to, the valuation of common stock and the preferred stock warrant liability prior to the Company's IPO, stock-based compensation, impairment assessment of goodwill, intangibles and other long-lived assets, the valuation of acquired intangible assets and their useful lives, and the valuation of contingent consideration. The Company bases its estimates on historical experience, known trends and other market-specific or other relevant factors that it believes to be reasonable under the circumstances. On an ongoing basis, the Company evaluates its estimates as there are changes in circumstances, facts and experience. Changes in estimates are recorded in the period in which they become known. Actual results may differ from those estimates or assumptions.

Impact of COVID-19

On March 11, 2020, the World Health Organization (WHO) declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic. The unprecedented and rapid spread of COVID-19 as well as the shelter-in-place orders, promotion of social distancing measures, restrictions to businesses deemed non-essential, and travel restrictions implemented throughout the United States and globally significantly impacted the verticals in which the Company has been predominantly focused over the last decade, including payment volumes, sales cycles and time to implementation in those verticals. However, during this period the Company had not experienced any significant client attrition and our net dollar-based retention rate remained strong.

In response to the COVID-19 pandemic, the Company executed a reduction in force in May of 2020, cut corporate bonus programs, eliminated corporate travel and reduced professional service and other fees. Further, the Company implemented remote working capabilities and measures focused on the safety of employees. For the year ended December 31, 2021, the Company observed recoveries in total payment volume and revenue. The growth in both total payment volume and revenue was a result of economies re-opening. Additionally, the Company has resumed hiring across all departments to meet growth and public company challenges. The Company does not currently foresee the need to take additional actions; however, as variants or sub-variants of COVID-19 emerge, the Company continues to evaluate the nature and extent of these potential impacts to the Company's business, consolidated financial statements, and liquidity.

Impact of the Conflict between Russia and Ukraine

The Company does not have any operations, including long-lived assets, in Ukraine or Russia, nor do Clients receive material payments from payers in these regions. As of the issuance date of these consolidated financial statements, management is not aware of any and does not foresee material impact to future revenue or operations. However, the Company notes Ukraine is a major engineering hub and the conflict may create a global challenge in outsourcing or hiring engineering talent.

Out-of-period Adjustment

During the fourth quarter of 2021, the Company identified immaterial errors related to direct and indirect taxes in its historical financial statements. The cumulative effect of the errors generated in the fiscal year 2017 through the third quarter of 2021 was corrected during the fourth quarter of 2021, resulting in an increase to net loss for the fiscal year 2021 of $1.0 million. The Company concluded that the errors were not material to any prior period consolidated financial statements and the correction of the errors was not material to the consolidated financial statements for the year ended December 31, 2021.

Concentrations of Credit Risk, Financial Instruments and Significant Clients

Financial instruments that potentially subject the Company to concentration of credit risk consists principally of cash, cash equivalents, accounts receivable and funds receivable from payment partners. The Company maintains its cash and cash equivalents with financial institutions that management believes are of high credit quality. To manage credit risk related to accounts receivable, the Company evaluates credit worthiness of its clients and maintains allowances, to the extent necessary, for potential credit losses based upon the aging of its accounts receivable balances and known collection issues. The Company did not experience any material credit losses during the years ended December 31, 2021, 2020 and 2019.

The Company has corporate deposit balances with financial institutions which exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of $250,000. As part of the cash management process, the Company performs periodic reviews of the financial institution credit standing.

Accounts receivable are derived from revenue earned from clients located in the U.S. and internationally. Significant clients are those that represent 10% or more of accounts receivable, net as set forth in the following table:

	December 31,	
	2021	2020
Client A	36 %	19 %
Client B	12 %	10 %

Funds receivable from payment partners consist primarily of cash held by the Company’s global payment processing partners that have not yet remitted to the Company. Significant partners are those that represent 10% or more of funds receivable from payment partners as set forth in the following table:

	December 31,	
	2021	2020
Partner A	*	24 %
Partner B	14 %	12 %
Partner C	15 %	12 %
Partner D	12 %	*
Partner E	21 %	*

* Less than 10% of total balance.

During the years ended December 31, 2021, 2020 and 2019, no client accounted for 10% or more of revenue.

During the year ended December 31, 2021, revenue from clients located outside of the United States in the aggregate accounted for 34.6% of the Company’s total revenues, with the United Kingdom accounting for 13.8% and Canada accounting for 13.9%. No other countries accounted for greater than 10% of revenues for the year ended December 31, 2021.

During the year ended December 31, 2020, revenue from clients located outside of the United States in the aggregate accounted for 25.7% of the Company’s total revenues, with the United Kingdom accounting for 13.8% and Canada accounting for 9.1%. No other countries accounted for greater than 10% of revenues for the year ended December 31, 2020.

During the year ended December 31, 2019, revenue from clients located outside of the United States in the aggregate accounted for 28.5% of the Company’s total revenues, with the United Kingdom accounting for 16.4% and Canada accounting for 9.5%. No other countries accounted for greater than 10% of revenues for the year ended December 31, 2019.

Summary of Significant Accounting Policies

Cash Equivalents and Restricted Cash

Cash equivalents consist of short-term, highly liquid investments with stated maturities of three months or less from the date of purchase.

Restricted cash consists of amounts required to be maintained to cover certain banks' or clients' credit risk exposure related to facilitating payments for the Company. As of December 31, 2021 and 2020, the Company had $4.0 million and $5.0 million of restricted cash, respectively.

Allowance for Doubtful Accounts

Accounts receivable represent customer obligations that are unconditional. Accounts receivable are presented net of an estimated allowance for doubtful accounts for amounts that may not be collectible. The Company's accounts receivable do not bear interest and generally does not require collateral or other security to support related receivables. The Company establishes an allowance for doubtful accounts for estimated losses expected from amounts that may not be collectible, through a provision for bad debt. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis and is based on the credit risk of specific customers, past collection history and management's evaluation of accounts receivable. Account balances are written off after all means of collection are exhausted and the potential for nonrecovery is determined to be probable. Adjustments to the allowance for doubtful accounts are recorded within general and administrative expenses in the consolidated statements of operations and comprehensive loss.

Property and Equipment, net

Property and equipment consist primarily of computer equipment and software, internal use software, furniture and fixtures and leasehold improvements. Property and equipment are stated at historical cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets, which is between three to five years for computer equipment and software, five years for internal use software, three years for furniture and fixtures, and the lesser of the useful life or remaining non-cancelable term of the lease for leasehold improvements. Costs of maintenance and repairs that do not improve or extend the lives of the respective assets are expensed as incurred. Upon retirement or sale, the cost and related accumulated depreciation are removed from the consolidated balance sheets and the resulting gain or loss is reflected in loss from operations in the consolidated statements of operations and comprehensive loss.

Impairment of Long-Lived Assets

The Company continually evaluates the recoverability of long-lived asset (asset group) when events and changes in circumstances indicate that the carrying amount of the long-lived asset group may not be fully recoverable. Factors the Company considers in deciding when to perform an impairment review include significant underperformance of the business in relation to expectations, significant negative industry or economic trends and significant changes or planned changes in the use of the assets. When indicators of impairment are present, the Company compares forecasts of undiscounted future cash flows expected to result from the use and eventual disposition of the long-lived asset group to its carrying value. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of an asset group are less than its carrying amount. There were no impairments recorded for the Company's long-lived assets during any of the periods presented.

Intangible Assets, net

Intangible assets consist of acquired customer relationships, developed technology, trade names and associated trademarks and noncompete agreements. Intangible assets are recognized at fair value using generally accepted valuation methods deemed appropriate for the type of intangible asset acquired, and reported net of accumulated amortization, separately from goodwill.

The Company estimates the fair value of acquired intangible assets under the income approach using the relief-from-royalty method (for developed technology, trade name and trademarks) or using the multi-period excess earnings method (for customer relationships). The relief-from-royalty method estimates the cost savings that accrue to the owner of an intangible asset who would otherwise have to pay royalties or a license fee on revenues earned through the use of the asset. The estimated royalty rate is determined based on the assessment of a reasonable royalty rate that a third party would negotiate in an arm's-length license agreement for the use of the technology, trade name or trademark. The multi-period excess earnings method estimates the present value of the incremental after-tax cash flows solely attributable to the intangible asset. The estimated fair values of these intangible assets reflect various assumptions including discount rates, revenue growth rates, operating margins, terminal values and other prospective financial information.

Intangible assets are amortized using a method that reflects the pattern in which the economic benefits of the intangible asset are expected to be realized over their estimated useful lives ranging from one to twelve years. The useful lives for developed technology are determined based on expectations regarding the evolution of existing technology and future investments. The useful lives for customer-related intangible assets are determined based primarily on forecasted cash flows, which include estimates for the revenues, expenses and customer attrition associated with the assets. The useful lives of definite-lived trademarks and trade names are based on the Company’s plans to phase out the trademarks and trade names in the applicable markets.

No significant residual value is estimated for intangible assets.

Software Developed for Internal Use

The Company capitalizes costs related to internal-use software during the application development stage including third-party consulting costs and compensation expenses related to employees who devote time to the development of the projects. The Company records software development costs in property and equipment. Costs incurred in the preliminary stages of development activities and post implementation activities are expensed in the period incurred and are included in technology and development expense in the consolidated statements of operations and comprehensive loss. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality. Once the additional functionality is available for general use, capitalization ceases and the asset begins being amortized. The Company periodically assesses whether triggering events are present to review internal-use software for impairment. Unforeseen circumstances in software development, such as a significant change in the manner in which the software is intended to be used, obsolescence or a significant reduction in revenues due to attrition, could require us to implement alternative plans with respect to a particular effort, which could result in the impairment of previously capitalized software development costs. The Company capitalized $5.6 million and $1.8 million in costs related to internal use software during the years ended December 31, 2021 and 2020. Software developed for internal use is amortized straight-line over its estimated useful life of five years.

Goodwill

The Company tests goodwill for impairment on an annual basis on the first day of the fourth quarter or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The Company’s goodwill impairment test is performed at the enterprise level given it is the sole reporting unit. Events that could indicate goodwill impairment and trigger an interim impairment assessment include, but are not limited to, market conditions, economic conditions, entity-specific financial performance and other events such as significant adverse change in legal factors, business climate, operational performance of the business or key personnel, and an adverse action or assessment by a regulator. Goodwill is tested for impairment by first performing a qualitative assessment to determine whether it is more likely than not that the fair value of the reporting unit is less than its carrying value. If the reporting unit does not pass the qualitative assessment, then the reporting unit’s carrying value is compared to its fair value, including goodwill. Goodwill is considered impaired if the carrying value of the reporting unit exceeds its fair value. The fair value of the reporting unit is estimated using a combination of income and market approaches. The discounted cash flow method, a form of the income approach, uses expected future operating results and a market participant discount rate. The market approach uses comparable company prices and other relevant information generated by market transactions (either publicly traded entities or mergers and acquisitions) to develop pricing metrics to be applied to historical and expected future operating results of the reporting unit. Failure to achieve these expected results, changes in the discount rate or market pricing metrics, may cause a future impairment of goodwill.

Business Combinations

In determining whether an acquisition should be accounted for as a business combination or an asset acquisition, the Company first determines whether substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets, the set is not considered a business acquisition. If substantially all of the fair value of the gross assets acquired is not concentrated in a single identifiable asset or group of similar identifiable assets, the Company further evaluates whether the integrated set of assets and activities include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. If so, the Company concludes that the integrated set of assets and activities is a business acquisition.

The Company accounts for business acquisitions using the acquisition method of accounting. In accordance with this method, assets acquired and liabilities assumed are recorded at their respective fair values at the acquisition date. The fair value of the consideration paid, including contingent consideration, is assigned to the assets acquired and liabilities assumed based on their respective fair values. Goodwill represents the excess of the purchase price over the estimated fair values of the assets acquired and liabilities assumed.

Determining the fair value of assets acquired and liabilities assumed is judgmental in nature and can involve the use of significant estimates and assumptions. Fair value and useful life determinations are based on, among other factors, estimates of future expected cash flows, revenue growth rates, operating margins and appropriate discount rates used in computing present values. These estimates may materially impact the net income or loss in periods subsequent to acquisition through depreciation and amortization, and in certain instances through impairment charges, if assets become impaired in the future. Additionally, actual results may vary from these estimates that may result in adjustments to goodwill and acquisition date fair values of assets and liabilities during a measurement period or upon a final determination of asset and liability fair values, whichever comes first. Adjustments to fair values of assets and liabilities made after the end of the measurement period are recorded within operating results.

Contingent consideration in business combinations is recognized at fair value on the acquisition date. Subsequent to the acquisition date, at each reporting date, the contingent consideration is remeasured and changes in the fair value resulting from changes in the underlying inputs are recognized in general and administrative expense in the consolidated statements of operations and comprehensive loss until the contingent consideration is settled.

The fair value of the contingent consideration in the Company's consolidated balance sheets was determined using an option pricing model that reflects the Company’s expectations about the probability of payment, based on facts and circumstances that existed at the acquisition closing date. The option pricing model includes unobservable inputs such as a discount rate that equals risk-free rate plus a spread to reflect the credit risk as estimated by the Company’s cost of debt, the probability of achieving established revenue targets and the probability of retaining key customers. See *Note 4 - Fair Value Measurements* for inputs used to fair value contingent consideration.

Transaction costs related to business combinations are expensed as incurred and are included in general and administrative expense in consolidated statements of operations and comprehensive loss.

Asset Acquisition

The Company measures and recognizes asset acquisitions that are not deemed to be business combinations based on the cost to acquire the assets, which includes transaction costs. Goodwill is not recognized in asset acquisitions.

Contingent consideration in asset acquisitions payable in the form of cash is recognized when payment becomes probable and reasonably estimable, unless the contingent consideration meets the definition of a derivative, in which case the amount becomes part of the asset acquisition cost when acquired. Upon recognition of the contingent consideration payment, the amount is included in the cost of the acquired asset or group of assets.

Fair Value Measurements

Certain assets and liabilities are carried at fair value under U.S. GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the principal or most advantageous market for the asset or liability. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

Level 1 - Quoted prices in active markets for identical assets or liabilities.

Level 2 - Observable inputs (other than Level 1 quoted prices), such as quoted prices in active markets for similar assets or liabilities, quoted prices in markets that are not active for identical or similar assets or liabilities, or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to determining the fair value of the assets or liabilities, including pricing models, discounted cash flow methodologies and similar techniques.

The carrying amounts of the Company’s long-term debt approximates the fair value as it bears interest at a rate approximating a market interest rate (Level 2 inputs)

. The Company’s cash equivalents are carried at fair value (Level 1) as determined according to the fair value hierarchy described above. The carrying values of accounts receivable, funds receivable from payment partners, unbilled receivables, prepaid expenses, accounts payable, funds payable to customers and accrued expenses and other current liabilities approximate their respective fair values due to the short-term nature of these assets and liabilities. The Company’s contingent consideration are carried at fair value, determined using Level 3 inputs in the fair value hierarchy.

Preferred Stock Warrant Liability

In connection with the Company's financing arrangements, the Company issued warrants to purchase convertible preferred stock to a lender. The warrants to purchase preferred stock provided for net share settlement under which the maximum number of shares that could be issued represented the total amount of shares under the warrant agreements. These warrants were classified as liabilities on the Company's consolidated balance sheets as these were free standing instruments that could require us to transfer an asset upon exercise. The warrant liability associated with these warrants was recorded at fair value on the issuance date of the warrants and was marked to market each reporting period based on changes in the warrants’ fair value calculated using the Black-Scholes model. The preferred stock warrants were converted immediately prior to the closing of the IPO into warrants to purchase shares of the Company’s voting common stock and the associated preferred stock warrant liabilities were remeasured to its fair value and reclassified to additional paid-in capital. As of December 31, 2021, there were no preferred stock warrants outstanding.

Common Stock Warrants

The Company issued warrants to purchase common stock in conjunction with the refinancing of its long-term debt during the year ended December 31, 2020. The warrants were classified as equity based on the specific terms of the warrant agreement. The warrants were recorded at fair value upon issuance, as a discount to debt in the consolidated balance sheets and were not required to be remeasured after the issuance date, see *Note 12 - Stockholders*’ *Equity (Deficit)*. There were no common stock warrants outstanding as of December 31, 2021.

Foreign Currency Translation and Transactions

The Company’s reporting currency is the U.S. Dollar. The financial statements of the Company’s foreign subsidiaries are translated from local currency into U.S. dollars using the exchange rate at the balance sheet date for assets and liabilities, and the average exchange rate in effect during the period for revenue and expenses. The functional currency of the Company and its subsidiaries, with the exception of its UK subsidiary, is the U.S. Dollar. The functional currency for the UK subsidiary is considered to be the local currency and, accordingly, translation adjustments for this entity are included as a component of accumulated other comprehensive loss in the Company’s consolidated balance sheets. Gains and losses from the remeasurement of foreign currency transactions into the functional currency are recognized as other income (expense), net in the consolidated statements of operations and comprehensive loss and were not material for the periods presented.

Derivative Instruments and Hedging

The Company generates revenues and incurs expenses by processing payments in foreign currencies. Changes in the value of foreign currencies could impact the Company’s consolidated statements of operations and comprehensive loss. To mitigate the volatility related to fluctuations in the foreign exchange rates, the Company enters into non-deliverable forward foreign currency contracts.

The Company’s foreign currency forward contracts economically hedge certain risk but are not designated as hedges for financial reporting purposes, and accordingly, all changes in the fair value of these derivative instruments are recorded as unrealized foreign currency transaction gains or losses and are included in the consolidated statements of operations and comprehensive loss as a component of payment processing services costs. The Company records all derivative instruments in the consolidated balance sheet at their fair values in prepaid expenses and other current assets and accrued expenses and other current liabilities.

Deferred Offering Costs

The Company capitalizes certain legal, accounting and other third-party fees that are directly associated with in-process equity financings as deferred offering costs until such financings are consummated. After consummation of the IPO, these costs were recorded in stockholder’s equity as a reduction of the additional paid-in capital generated as a result of the IPO. There were no deferred offering costs as of December 31, 2021.

Revenue Recognition

Revenue is recognized when a customer obtains control of the promised goods or services, in an amount that reflects the consideration which the entity expects to receive in exchange for those goods or services. In order to achieve this core principle, the Company applies the following five steps:

(i) Identify the contract(s) with a customer.

(ii) Identify the performance obligations in the contract.

(iii) Determine the transaction price.

(iv) Allocate the transaction price to the performance obligations in the contract.

(v) Recognize revenue as the entity satisfies a performance obligation.

The Company derives revenue primarily from transactions and platform and usage-based fees.

Transaction Revenue - relate to fees charged for payment processing services provided to educational institutions, healthcare entities and other commercial entities (each a Client). The Company's services relate to facilitating payments from individuals, such as students and patients, and organizations (Client's Customer) to Clients. Fees charged for payment processing services consist of a rate applied to the monetary value of the payment and can vary based on the currency pair conversion the transaction is settling in, as well as the geographic region in which the Client and the Client's Customer resides. Fees received are recorded as revenue in the consolidated statements of operations and comprehensive loss upon completion of the payment processing transaction. The Company does not recognize the underlying amount of the transaction being settled between the Client and the Client's Customer as revenue in the consolidated statements of operations and comprehensive loss, as the Company is not the responsible party for fulfilling the obligation between the Client and the Client's Customer. Therefore, revenue is only recognized for the fee to which the Company is entitled for processing the payment.

The money can be wired directly from the Client's Customer to the Company; however, in certain situations when the Client's Customer resides in a country where the Company does not have an active bank account, the Company uses third-party service providers (Partners) to collect wired funds before remitting the funds to the Company. On a recurring basis, the Partner invoices the Company a fee for each payment processed and deposited into the Company's bank account. The fee paid to Partners as well as any foreign exchange banking fees paid by the Company are reflected in the payment processing services costs line in the consolidated statements of operations and comprehensive loss.

Once a Partner receives funds from a Client's Customer, the Company has the right to receive those funds from the Partner. The funds are not remitted to the Company immediately. When the Partner receives funds from the Client's Customer, the Company records a receivable, which is included in funds receivables from payment partners, and a corresponding liability, included in funds payable to customers, in the consolidated balance sheets. The amounts are generally collected or paid within one to 30 days. Partners report to the Company the funds received from the Client's Customer on a daily basis. Revenue in transactions where Partners are involved is not recognized until the payment is remitted to Clients.

The Company also earns revenue from fees charged to credit card service providers for marketing arrangements in which the Company performs certain marketing activities to increase the awareness of the credit card provider and promote certain methods of payment. Consideration under these arrangements include fixed fees and variable fees based on a percentage of transactions processed during the duration of the marketing program. Marketing services provided leverages the Company's existing network and transaction processing platform; therefore, these arrangements are considered part of the Company's ordinary business activities.

In certain circumstances, the Company provides marketing services to financial institutions that are considered both a Client (for marketing services) and a service provider (for processing payments). Each one of these services are negotiated separately, each agreement is for distinct service and they are priced at fair value; therefore, fees included in the marketing arrangements are accounted for as revenue, while fees paid by the Company are accounted for as payment processing services cost.

Platform and usage-based fee revenue - relate to fees earned for utilizing the Company's platform to collect their accounts receivable from Client's Customers, fees collected on payment plans established by the Client for obligations due by Client's Customer, subscription fees and fees related to printing and mailing statements. Fees charged consist of a fixed fee and a variable fee determined based on volume of transactions processed through the Company's platform.

Performance Obligations

Substantially all of the Company's arrangements represent a single promise to provide continuous access to the Company's platform to perform payment processing services, cash collection optimization services, marketing, printing and mailing services, on an as-needed basis.

As each day of providing these services is substantially the same and the Client simultaneously receives and consumes the benefits as services are provided, these services are viewed as a single performance obligation comprised of a series of distinct daily services. The Company satisfies its performance obligation as these services are provided. Revenue is recognized in the month the service is complete.

For those arrangements that include fixed consideration, the fixed component is recognized ratably over the service period while variable consideration is recognized in the period earned.

The Company considers implementation services as an activity to fulfill a contract, rather than a distinct performance obligation as the Client does not obtain benefits from the implementation service alone. The Company charges an immaterial amount for implementation services.

Variable Consideration

The Company's contracts contain variable consideration as the amount the Company expects to receive in a contract is based on the occurrence or non-occurrence of future events, such as processing services performed as a transaction-based pricing arrangement. The variable consideration relates specifically to the Company's effort to transfer each distinct daily service, as such the Company allocates the variable consideration earned to the distinct day in which those activities are performed and it recognizes these fees as revenue in period earned, at which point the variable amount is known and it does not require estimation.

Payment Terms

The Company's payment terms vary by type of Client, Client's Customer and services offered and ranges between one and 60 days. Typically, the Company charges either a fixed fee, a fixed fee per transaction or percentage of transaction value or a combination of both.

The Company does not assess whether a significant financing component exists if the period between performance obligations under the contract and payment is one year or less. None of the Company's contracts contain a significant financing component as of December 31, 2021, 2020 and 2019.

Other Revenue Recognition Policies

The Company incurs costs in processing payments which may include banking, credit card processing, foreign currency translation, partner fees, printing and mailing fees. These fees are direct costs of the Company in providing payment processing services. Since the Company controls the payment processing service, it is responsible for completing the payment, bears primary responsibility for the fulfillment of the payment service, and it has full discretion in determining the fee charged, the Company is acting as a principal. As such, the Company recognizes fees charged to its Clients on a gross basis.

Remaining Performance Obligations

The Company does not disclose the value of remaining performance obligations for (i) contracts with an original contract term of one year or less, (ii) contracts for which the Company recognizes revenue at the amount to which it has the right to invoice when that amount corresponds directly with the value of services performed, and (iii) variable consideration allocated entirely to a wholly unsatisfied performance obligation or to a wholly unsatisfied distinct service that forms part of a single performance obligation. The Company does not have material remaining performance obligations associated with contracts with terms greater than one year.

See *Note 2 - Revenue and Recognition* for additional information on revenue recognition.

Payment Processing Services Costs

Payment processing services costs consist of costs incurred to process payment transactions which include banking and credit card processing fees, foreign currency translation costs, partner fees personnel-related expenses for the Company's employees who facilitate these payments and personnel related expenses for the Company's employees who provide implementation services to its clients.

Technology and Development

Technology and development includes (a) costs incurred in connection with the development of the Company's transaction processing and payments platform, new solutions, and the improvement of existing solutions, including the amortization of software and website development costs incurred in developing transaction processing and payments platform, which are capitalized, and acquired developed technology, (b) site operations and other infrastructure costs incurred to support the transaction processing and payments platform, (c) amortization related to capitalized cost to fulfill a contract, (d) personnel-related expenses, including salaries, stock based compensation and other expenses, (e) hardware and software engineering, consultant services and other costs associated with the Company's technology platform and products, (f) research materials and facilities and (g) depreciation and maintenance expense.

Selling and Marketing

Selling and marketing expenses consist of personnel-related expenses, including stock-based compensation expense, sales commissions, amortization of acquired customer relationship intangible assets, marketing program expenses, travel-related expenses and costs to market and promote the Company's solutions through advertisements, marketing events, partnership arrangements, and direct customer acquisition.

General and Administrative

General and administrative expenses consist of personnel-related expenses, including stock-based compensation expense for finance, risk management, legal and compliance, human resources and IT functions, costs incurred for external professional services, as well as rent, and facility and insurance costs.

Advertising Costs

Advertising costs are expensed as incurred and are included in selling and marketing expenses in the consolidated statements of operations and comprehensive loss. Advertising expenses were $3.2 million, $1.3 million and $2.5 million for the years ended December 31, 2021, 2020 and 2019, respectively.

Stock-Based Compensation

The Company recognizes compensation cost for all stock-based compensation awards made to employees. The Company determines compensation expense associated with restricted stock awards and restricted stock units based on the fair value of common stock on the date of grant. The Company determines compensation expense associated with stock options based on grant date fair value method using the Black-Scholes valuation model.

Determining the fair value of each stock option grant requires judgements and estimates. Such estimates include the exercise price, option term, volatility, risk free rate and expected dividend yield. Any changes to those estimates may have a significant impact on the stock-based compensation expense recorded and could materially impact the Company's results of operations.

The exercise price per share of stock options granted may not be less than the fair market value of the Company's common stock at the date of the grant.

Prior to the Company's IPO, the fair value of shares of common stock was determined by the Company's board of directors, with input from management and the assistance of a third-party valuation specialist. The Company's board of directors exercised judgment in determining the estimated fair value of the Company's common stock on the date of grant based on a number of objective and subjective factors, including the Company's operating and financial performance, external market conditions affecting the Company's industry sector, an analysis of publicly traded peer companies, the prices at which the Company sold shares of convertible preferred stock, the superior rights and preferences of securities senior to the Company's common stock at the time of each grant, and the likelihood of achieving a liquidity event such as an IPO or sale of the Company. Following the Company's IPO, its board of directors no longer estimate the fair value of the Company's common stock in connection with granted stock options and other granted equity awards as the fair value of the Company's common stock is determined based on the quoted market price of the Company's common stock.

Since the Company's IPO occurred in 2021, the Company lacks sufficient Company-specific historical and implied volatility information for its stock; therefore, the Company estimates its expected stock volatility based on the historical volatility of publicly traded peer companies. The expected term of the Company's stock options is determined utilizing the "simplified" method for awards that qualify as "plain-vanilla" options. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the stock-based awards. The risk-free interest rate is determined by reference to the U.S. Treasury yield curve in effect at the time of grant of the award for time periods approximately equal to the expected term of the award. Expected dividend yield is zero based on the fact that the Company does not have a history of declaring or paying cash dividends.

Compensation expense is recognized using a straight-line amortization method over the requisite service period of the award, which is generally the vesting term of four years for stock options, restricted stock awards and restricted stock units. The Company accounts for forfeitures as they occur.

The Company classifies stock-based compensation expense in its consolidated statements of operations and comprehensive loss in the same manner in which the award recipient's payroll costs are classified.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial statement and the tax basis of assets and liabilities, as measured by enacted tax rates anticipated to be in effect when these differences are expected to reverse.

The measurement of deferred tax assets is reduced by a valuation allowance if, based upon available evidence, it is more-likely-than-not that some or all of the deferred tax assets will not be realized. The Company classifies deferred tax assets and liabilities as noncurrent within the consolidated balance sheets.

The Company accounts for uncertain tax positions using a two-step process to determine the amount of tax benefit to be recognized. First, the tax position is evaluated to determine the likelihood that it will be sustained upon external examination. If the tax position is deemed "more-likely-than-not" to be sustained, the tax position is then assessed to determine the amount of benefit to recognize in the financial statements. The amount of the benefit that may be recognized is the largest amount that has a greater than 50% likelihood of being realized upon ultimate settlement. Interest and penalties related to uncertain tax positions are recognized in the provision for income taxes.

The Company accounts for the earnings of its foreign subsidiaries, if any, as permanently reinvested and therefore does not provide for U.S. income taxes that could result from the distribution of those earnings to the U.S. parent.

The Company is open to future tax examinations from 2016 to the present; however, carryforward attributes that were generated prior to 2016 may still be adjusted upon examination by federal, state or local tax authorities to the extent they will be used in a future period. In 2021, the U.S. Internal Revenue Service commenced a corporate income tax audit with respect to the 2018 calendar year, which is still open.

Comprehensive Loss

Comprehensive loss includes net loss as well as other changes in stockholders' equity (deficit) that result from transactions and economic events other than those with stockholders. The comprehensive loss for the Company equals its net loss plus changes in foreign currency translation for all periods presented.

Net Income (Loss) per Share

The Company follows the two-class method when computing net income (loss) per share as the Company has issued shares that meet the definition of participating securities. Prior to the automatic conversion of all of its convertible preferred stock and redeemable convertible preferred stock into voting and non-voting common stock upon the completion of the IPO, the Company considered all series of its preferred stock and unvested common stock to be participating securities as the holders of such stock had the right to receive nonforfeitable dividends on a pari passu basis in the event that a dividend was paid on common stock. Under the two-class method, the net income (loss) attributable to common stockholders was not allocated to the convertible preferred stock or the redeemable convertible preferred stock as the preferred stockholders did not have a contractual obligation to share in the Company's losses.

Basic net income (loss) per share attributable to common stockholders is computed by dividing the net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. Diluted net income (loss) attributable to common stockholders is computed by adjusting net income (loss) attributable to common stockholders to reallocate undistributed earnings based on the potential impact of dilutive securities. Diluted net income (loss) per share attributable to common stockholders is computed by dividing the diluted net income (loss) attributable to common stockholders by the weighted-average number of common shares outstanding, including all potentially dilutive common shares, if the effect of such shares is dilutive.

In periods in which the Company reports a net loss attributable to common stockholders, diluted net loss per share attributable to common stockholders is the same as basic net loss per share attributable to common stockholders, since dilutive common shares are not assumed to have been issued if their effect is anti-dilutive. The Company reported a net loss attributable to common stockholders for the years ended December 31, 2021, 2020 and 2019; accordingly, basic net loss per share attributable to common stockholders is the same as diluted net loss per share attributable to common stockholders.

The rights, including the liquidation and dividend rights, of the voting and non-voting common stock are identical, except with respect to voting rights. As the liquidation and dividend rights are identical, the undistributed earnings are allocated on a proportionate basis to each class of common stock and the resulting basic and diluted net loss per share attributable to common stockholders are, therefore, the same for both voting and non-voting common stock on both individual and combined basis.

Emerging Growth Company Status

The Company qualifies as emerging growth company as defined in the Jumpstart Our Business Startups Act of 2012 and has elected to opt in to the extended transition related to complying with new or revised accounting standards, which means that when a standard is issued or revised and it has different application dates for public and nonpublic companies, the Company will adopt the new or revised standard at the time nonpublic companies adopt the new or revised standard and will do so until such time that the Company either (i) irrevocably elects to opt out of such extended transition period or (ii) no longer qualifies as an emerging growth company. The Company may choose to early adopt any new or revised accounting standards whenever such early adoption is permitted for nonpublic companies.

Accounting Pronouncements Adopted

During 2021, the Company adopted the following Accounting Standards Updates (ASU) issued by the Financial Accounting Standards Board (FASB):

ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers:* ASU 2021-08 amends ASC 805 to add contract assets and contract liabilities to the list of exceptions to the recognition and measurement principles that apply to business combinations and to require that an entity (acquirer) recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. Under the new guidance, contract assets and contract liabilities will be accounted as if the acquirer entered into the original contract at the same time and same date as the acquiree. This is a shift from existing guidance, which required the acquirer to recognize contract assets and contract liabilities at their fair value as of the acquisition date. Early adoption of ASU 2021-08 is permitted, including adoption in an interim period. An entity that early adopts in an interim period should apply the amendments (i) retrospectively to all business combinations for which the acquisition date occurs on or after the beginning of the fiscal year that includes the interim period of early application and (ii) prospectively to all business combinations that occur on or after the date of initial application. The Company early adopted ASU 2021-08 as of October 1, 2021. The adoption of this standard did not have a material impact on Flywire's consolidated financial statements and disclosures.

Accounting Pronouncements Not Yet Adopted as of December 31, 2021

ASU 2016-02, *Leases (Topic 842)* and subsequent related ASUs: The new lease standard sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract (i.e., lessees and lessors). The standard requires lessees to apply a dual approach, classifying leases as either finance or operating leases based on the principle of whether the lease is effectively a financed purchase by the lessee. This classification determines whether lease expense is recognized based on an effective interest method or on a straight-line basis over the term of the lease. In addition, a lessee is required to record (i) a right-of-use (ROU) asset and a lease liability on its balance sheet for all leases with accounting lease terms of more than 12 months regardless of whether it is an operating or financing lease and (ii) lease expense for operating leases and amortization and interest expense for financing leases. Leases with a term of 12 months or less may be accounted for similar to the prior guidance for operating leases. In 2018, the FASB issued ASU 2018-11, which added an optional transition method under the new lease standard that allows companies to adopt the standard as of the beginning of the year of adoption as opposed to the earliest comparative period presented.

Flywire adopted ASU 2016-02 and subsequent related ASUs as of January 1, 2022. The Company elected the modified retrospective transition option which allows for application of Topic 842 at the adoption date. Therefore, comparative prior period financial information was not adjusted and will continue to be reported under the previous accounting guidance of ASC 840, *Leases*. No cumulative-effect adjustment to the opening accumulated deficit balance as of as of January 1, 2022 was necessary as a result of adopting the new standard. The Company elected the “package of practical expedients” permitted under the transition guidance which allowed the Company not to reassess (i) whether any expired or existing contracts are, or contain, leases, (ii) the lease classification for any expired or existing leases and (iii) initial direct costs for any existing leases. The Company elected the practical expedient not to separate lease and non-lease components. The Company also elected the short-term lease recognition exemption and will not recognize ROU assets or lease liabilities for leases with a term less than 12 months. ROU assets and lease liabilities are recognized at the lease commencement date based on the estimated present value of lease payments over the lease term. As the implicit rate of the leases is not determinable, the Company uses an incremental borrowing rate in determining the present value of the lease payments. The lease expense associated with operating leases is recognized on a straight-line basis over the lease term, consistent with the expense recognition prior to adoption. Variable lease payments for maintenance, property taxes and other operating expenses are recognized as expense in the period in which the obligation for the payment is incurred. As a result of the adoption, the Company recognized ROU assets in the approximate range of $5.1 million to $5.6 million in Other Assets and a corresponding lease liability in the approximate range of $5.7 million to $6.2 million in Other liabilities as of January 1, 2022. The ROU assets were adjusted per Topic 842 transition guidance for the existing deferred rent balance.

ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes:* ASU simplifies the accounting for income taxes by removing certain exceptions for intra period tax allocations and deferred tax liabilities for equity method investments and adds guidance on whether a step-up in tax basis of goodwill relates to a business combination or a separate transaction. The Company adopted this guidance as of January 1, 2022. The adoption of this standard did not have a material impact on Flywire's consolidated financial statements and disclosures.

ASU 2021-04, *Earnings Per Share (Topic 260), Debt - Modifications and Extinguishments (Subtopic 470-50), Compensation - Stock Compensation (Topic 718), and Derivatives and Hedging - Contracts in Entity’s Own Equity (Subtopic 815-40):* ASU 2021-04 requires issuers to account for modifications or exchanges of freestanding equity-classified written call options (e.g., warrants) that remain equity classified after the modification or exchange based on the substance of the modification or exchange (e.g., a financing transaction to raise equity versus one to raise debt). The Company adopted this guidance as of January 1, 2022. The adoption of this standard did not have any impact on Flywire's consolidated financial statements and disclosures as the Company currently does not have any freestanding equity-classified written call options within the scope of this rule.

ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* and subsequent related ASUs: ASU 2016-13 replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. ASU 2016-13 is effective for the Company on January 1, 2023, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

ASU 2020-06, *Debt - Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging -Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity:* ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock as well as amends the derivatives scope exception for contracts in an entity’s own equity. ASU 2020-06 is effective for the Company on January 1, 2024, with early adoption permitted. The Company is currently evaluating the impact of this standard on its consolidated financial statements and disclosures.

2. Revenue and Recognition

The following tables present revenue disaggregated by geographical area and major solutions. The categorization of revenue by geographical location is determined based on location of where the Client resides.

(in thousands)	Year Ended December 31, 2021	2020	2019
Primary geographical markets			
United States	$ 131,675	$ 97,768	$ 67,896
Canada	27,945	11,956	9,043
United Kingdom	27,735	18,217	15,532
Other countries [(1)]	13,794	3,842	2,447
Total revenue	**$ 201,149**	**$ 131,783**	**$ 94,918**
Major solutions			
Transactions	$ 147,994	$ 89,607	$ 86,580
Platform and usage-based fees	53,155	42,176	8,338
Total revenue	**$ 201,149**	**$ 131,783**	**$ 94,918**

(1) No single country included in the other countries category generated 10% or more of total revenue.

Contract Balances from Contracts with Customers

The timing of revenue recognition, billing and cash collection results in billed receivables, unbilled receivables and deferred revenue on the consolidated balance sheet.

When fees are received prior to transferring services to the client under the terms of a contract, deferred revenue, which is a contract liability, is recorded. Contract liabilities are recognized as revenue when services are performed and all other revenue recognition criteria have been met.

In certain instances, the Company delivers services in advance of billing. In this case the Company recognizes unbilled receivables which is not a contract asset as the Company has an unconditional right for payment.

The following table provides information about accounts receivable, unbilled receivables and deferred revenue from contracts with customers (in thousands):

	Year Ended December 31, 2021	2020
Accounts receivable, net of allowances	$ 12,968	$ 11,573
Unbilled Receivables	3,340	1,698
Deferred revenue—current	5,488	1,227
Deferred revenue—non-current	185	108

For the year ended December 31, 2021, the Company recognized $0.7 million in revenue from amounts that were included in deferred revenue as of December 31, 2020.

For the year ended December 31, 2020, the Company recognized $1.3 million in revenue from amounts that were included in deferred revenue as of December 31, 2019.

Contract Costs

Incremental costs for obtaining contracts that are deemed recoverable are capitalized as contract costs and are included in other assets in the consolidated balance sheets. Such costs result from the payment of sales incentives and totaled $0.4 million and less than $0.1 million as of December 31, 2021 and 2020, respectively. There was no cost qualifying for capitalization during the year ended December 31, 2019. Capitalized sales incentives are amortized over the period of benefits, which the Company has determined to be three years. The amortization is included in selling and marketing expense line in the consolidated statements of operations and comprehensive loss, and totaled less than $0.1 million and $0 for the years ended December 31, 2021 and 2020, respectively.

Costs to fulfill a contract are capitalized when they relate directly to an existing contract or specific anticipated contract, generate or enhance resources that will be used to fulfill performance obligations and are recoverable. Such costs primarily represent set-up and implementation costs, which include any direct cost incurred at inception of a contract. The Company capitalized $1.4 million and $1.5 million of costs in 2021 and 2020, respectively within other assets on the consolidated balance sheets. There was no cost qualifying for capitalization during the year ended December 31, 2019. These capitalized costs are amortized on a straight-line basis over the expected contract life, which generally is five years, starting on go-live date. The amortization is included in technology and development expense line in the consolidated statements of operations and comprehensive loss, and totaled $0.2 million and $0.4 million for the years ended December 31, 2021 and 2020, respectively.

There was no impairment of capitalized contract costs during the years ended December 31, 2021, 2020 and 2019.

3. Allowance for doubtful accounts

Changes in the allowance for doubtful accounts for the years ended December 31, 2021, 2020 and 2019 were as follows (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Allowance for doubtful accounts at the beginning of the year	$ (481)	$ (298)	$ (200)
Provisions	(165)	(237)	(253)
Write-offs, net of recoveries	540	54	155
Allowance for doubtful accounts at the end of the year	$ (106)	$ (481)	$ (298)

4. Fair Value Measurements

The following tables present the Company's fair value hierarchy for its financial assets and liabilities that are measured at fair value on a recurring basis (in thousands):

	Fair Value Measurements as of December 31, 2021 Using:			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Foreign exchange contracts	$ —	$ —	$ 43	$ 43
	$ —	$ —	$ 43	$ 43
Financial Liabilities:				
Contingent consideration	$ —	$ —	$ 11,309	$ 11,309
	$ —	$ —	$ 11,309	$ 11,309

	Fair Value Measurements as of December 31, 2020 Using:			
	Level 1	Level 2	Level 3	Total
Financial Assets:				
Foreign exchange contracts	$ —	$ —	$ 54	$ 54
	$ —	$ —	$ 54	$ 54
Financial Liabilities:				
Preferred stock warrant liability	$ —	$ —	$ 1,932	$ 1,932
Contingent consideration	—	—	12,500	12,500
	$ —	$ —	$ 14,432	$ 14,432

During the years ended December 31, 2021 and 2020, there were no transfers between Level 1, Level 2 or Level 3.

Preferred stock warrant liability

Immediately prior to the completion of the IPO, 182,467 preferred stock warrants were exercised for Series C convertible preferred stock in a cashless net exercise. The preferred stock warrants were re-measured to their fair value of $6.4 million on the date of the exercise. The fair value of the warrants was reclassified to convertible preferred stock. Upon the completion of the IPO all of the outstanding convertible preferred stock were converted to common stock.

Upon the completion of the IPO, the Company's unexercised preferred stock warrants were converted into common stock warrants and the associated preferred stock warrant liabilities were re-measured to their fair value of $6.3 million and reclassified to additional paid-in capital.

The fair value measurement of the preferred stock warrant liability was determined using significant inputs not observable in the market, which represent a Level 3 measurement within the fair value hierarchy. The Company estimated the fair value of the liability using the Black-Scholes option-pricing model and any change in fair value was recognized as either gain or loss and included in the consolidated statements of operations and comprehensive loss.

Contingent consideration

The following table presents the unobservable inputs incorporated into the valuation of contingent consideration related to Simplee acquisition:

	Year Ended December 31,	
	2021	2020
Discount rate	5.7 %	10.0 %
Probability of successful achievement*	0% - 100%	71% - 100%
Performance period	0.25 Years	2 Years

* Probability of successful achievement was set at different targets based on the Company's best estimates on achieving them.

Increases or decreases in any of the probabilities of success in which revenue targets are expected to be achieved would result in a higher or lower fair value measurement, respectively. Increases or decreases in the discount rate would result in a lower or higher fair value measurement, respectively.

The following table presents the unobservable inputs incorporated into the valuation of contingent consideration related to WPM acquisition:

	Year Ended December 31, 2021
Market price of risk adjustment for revenue	4.2 %
Revenue volatility	21.6 %
Probability of successful achievement*	29% - 100%
Performance period	2.25 Years

* Probability of successful achievement was set at different targets based on the Company's best estimates on achieving them.

Increases or decreases in expectations regarding the level at which payment volume are expected to be achieved would result in a higher or lower fair value measurement, respectively. Increases or decreases in the market price of risk adjustment of revenue would result in a decrease or increase in the fair value measurement, respectively. Increases or decreases in the revenue volatility would result in a decrease or increase in the fair value measurement, respectively.

The following table summarizes the changes in the carrying value of the contingent consideration for the years ended December 31, 2021, 2020 and 2019 (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Beginning balance	$ 12,500	$ 2,000	$ 13,763
Additions	3,519	7,100	—
Change in fair value	2,263	5,400	660
Contingent consideration paid	(7,012)	(2,000)*	(12,423)
Foreign currency translation adjustment	39	—	—
Ending balance	$ 11,309	$ 12,500	$ 2,000

* Amounts of $0.7 million paid in excess of fair value initially recorded in purchase accounting were classified as operating cash flows in the Consolidated Statements of Cash Flows.

5. Derivative Instruments

As part of the Company's foreign currency risk management program, the Company uses foreign currency forward contracts to mitigate the volatility related to fluctuations in the foreign exchange rates. These foreign currency forward contracts are not designated as hedging instruments. Derivative transactions such as foreign currency forward contracts are measured in terms of the notional amount; however, this amount is not recorded on the consolidated balance sheets and is not, when viewed in isolation, a meaningful measure of the risk profile of the derivative instruments. The notional amount is generally not exchanged but is used only as the underlying basis on which the value of foreign exchange payments under these contracts is determined. As of December 31, 2021 and 2020, respectively, the Company had 8,653 and 3,647 open foreign exchange contracts. As of December 31, 2021 and 2020, the Company had foreign currency forward contracts outstanding with a notional amount of $27.9 million and $11.8 million, respectively.

The Company records all derivative instruments in the consolidated balance sheets at their fair values. For the years ended December 31, 2021 and 2020, the Company recorded an asset of less than $0.1 million and $0.1 million related to outstanding foreign exchange contracts. The Company recognized a loss of $0.8 million, $0.5 million and $0.1 million during the years ended December 31, 2021, 2020 and 2019, respectively, which was included in the general and administrative line within the consolidated statements of operations and comprehensive loss.

6. Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following as of the dates presented (in thousands):

	Year Ended December 31,	
	2021	2020
Accrued employee compensation and related taxes	$ 13,854	$ 9,371
Accrued vendor liabilities	1,763	2,542
Accrued income and other non-employee related taxes	2,652	1,027
Accrued professional services	1,307	937
Other accrued expenses and current liabilities	3,150	1,114
	$ 22,726	$ 14,991

7. Property and Equipment, net

Property and equipment, net consisted of the following as of the dates presented (dollars in thousands):

	Estimated Useful Life *(Years)*	December 31, 2021	December 31, 2020
Computer equipment and software	3 - 5	$ 2,211	$ 1,465
Internal-use software	5	7,414	1,779
Furniture and fixtures	3	953	687
Leasehold improvements	Shorter of lease term or useful life	4,995	3,989
		15,573	7,920
Less: Accumulated depreciation and amortization		(6,131)	(2,819)
		$ 9,442	$ 5,101

Depreciation and amortization expense was $2.3 million, $1.9 million and $1.2 million for the years ended December 31, 2021, 2020 and 2019, respectively.

During the year ended December 31, 2020 the Company wrote off $2.6 million of property and equipment with accumulated depreciation of $2.5 million, as the assets were determined to no longer have any future economic benefits.

As of December 31, 2021 and 2020, the carrying value of internal-used software was $6.5 million and $ 1.7 million, respectively. Amortization expense related to internal-used software was $0.8 million, $0.1 million and $0 for the years ended December 31, 2021, 2020 and 2019, respectively.

Geographic Information

The following table summarizes the Company’s property and equipment, net based on geography (in thousands):

	December 31,	
	2021	2020
Long-lived assets:		
U.S.	$ 8,232	$ 4,485
U.K.	189	220
Other countries	1,021	396
	$ 9,442	$ 5,101

8. Business Combinations

2021 Business Acquisition

WPM

On December 14, 2021, Flywire completed its acquisition of WPM Group Ltd. (WPM), a leading software provider that enables seamless and secure payment experiences for universities and colleges across the U.K. The acquisition of WPM was intended to build on Flywire's existing education payments business and is expected to further accelerate the Company's market share in the U.K. education sector. The acquisition of WPM has been accounted for as a business combination.

Pursuant to the terms of the agreement, the Company acquired all outstanding equity of WPM for estimated total purchase consideration of $59.6 million, which consists of (in thousands):

Cash consideration, net of cash acquired	$	56,111
Estimated fair value of contingent consideration		3,499
Total purchase consideration, net of cash acquired	$	59,610

Contingent consideration represents additional payments that the Company may be required to make in the future in the form of restricted stock units, which totals up to $7.9 million depending on the Company's achievement of specified minimum payment volume targets and integration targets established for the years ended December 31, 2022 and 2023. A portion of the contingent consideration is also tied to continuing employment of certain key employees; accordingly, $2.0 million has been excluded from the purchase price. Therefore, total consideration included in the purchase price totals up to $5.9 million. During the years ended December 31, 2021, the Company expensed less than $0.1 million in personnel costs associated with the contingent consideration. These personnel costs are included in the Company's consolidated statements of operations and comprehensive loss and a liability is recorded in accrued expenses and other current liabilities on the consolidated balance sheet. Contingent consideration related to minimum payment volume targets is payable at 15 months and 27 months after acquisition date based on the 15 months and subsequent 12 months result. Contingent consideration related to integration targets is payable upon completion, which is expected in the second quarter 2022. The contingent consideration related to continuing employment of certain key employees is payable at the two-year acquisition anniversary date.

The Company incurred $0.6 million in transaction costs related to the WPM acquisition for the year ended December 31, 2021.

Except for deferred revenue, which has been recognized in accordance with ASU 2021-08 - see *Note 1 - Business Overview and Summary of Significant Accounting Policies* for more details, the following table summarizes the allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed (in thousands):

Cash	$	2,101
Accounts receivable		973
Prepaid expenses and other assets		209
Property and equipment, net		5
Goodwill		40,389
Identifiable intangible assets		31,301
Total assets acquired		74,978
Deferred tax liabilities		7,776
Deferred revenue		4,525
Accounts payable		51
Accrued expenses		915
Total liabilities assumed		13,267
Net assets acquired		61,711
Less: cash acquired		2,101
Net assets, less cash acquired	$	59,610

Goodwill arising from the acquisition of $40.4 million was attributable to the assembled workforce of WPM and the synergies expected to arise from the acquisition. The Company expects that no goodwill from this acquisition will be deductible for income tax purposes.

The following table reflects the estimated fair values of the identified intangible assets of WPM and their respective weighted-average estimated amortization periods.

	Estimated Fair Values (in thousands)	Weighted-Average Estimated Amortization Periods (years)
Developed technology	$ 1,400	4
Customer relationships	29,901	15
	$ 31,301	

The results of WPM have been included in the consolidated financial statements since the date of the acquisition. WPM's consolidated revenue included in the consolidated financial statements since the acquisition date was $0.3 million. The Company has not disclosed net income or loss since the acquisition date as the business was fully integrated into the consolidated Company's operations and therefore it was impracticable to determine this amount. The Company has not disclosed unaudited pro forma financial information that shows the results of the Company's operations for the years ended December 31, 2020 and 2021 as if the acquisition had occurred on January 1, 2020 as the historical results of WPM are not material to the Company's consolidated financial statements in any period presented.

2020 Business Acquisition

Simplificare Inc.

On February 13, 2020, the Company completed its acquisition of Simplificare Inc. (Simplee), a provider of healthcare payment and collections software. The acquisition of Simplee was intended to further expand the capabilities of the Company and to acquire additional customers in the healthcare market. The acquisition of Simplee has been accounted for as a business combination.

Pursuant to the terms of the agreement, the Company acquired all outstanding equity of Simplee for estimated total purchase consideration of $86.5 million, which consists of (in thousands):

Cash consideration, net of cash acquired	$ 79,401
Estimated fair value of contingent consideration	7,100
Total purchase consideration, net of cash acquired	$ 86,501

Contingent consideration represents additional payments that the Company may be required to make in the future, which totals up to $20.0 million depending on the Company reaching certain revenue and integration targets established for the years ended December 31, 2020 and 2021, as well as retaining key clients. A portion of the contingent consideration is also tied to continuing employment of certain key employees; accordingly, $2.1 million has been excluded from the purchase price allocation. During the years ended December 31, 2021 and 2020, the Company expensed $1.4 million and $1.1 million, respectively in personnel costs associated with the contingent consideration. These personnel costs are included in the Company's consolidated statements of operations and comprehensive loss and a liability is recorded in accrued expenses and other current liabilities on the consolidated balance sheet. The contingent consideration was payable at the one-year and two-year acquisition anniversary dates based on the prior year results.

The Company incurred $1.9 million in transaction costs related to the Simplee acquisition, of which $1.5 million was incurred during the year ended December 31, 2020 and $0.4 million was incurred during the year ended December 31, 2019. No costs were incurred during the year ended December 31, 2021. Additionally, the Company incurred $2.7 million and $3.4 million of retention costs during the years ended December 31, 2021 and 2020 to compensate employees of Simplee for future services. These amounts were included in personnel costs in the Company's consolidated statements of operations and comprehensive loss.

The following table summarizes the allocation of the purchase consideration to the fair value of the assets acquired and liabilities assumed (in thousands):

Cash	$	2,190
Accounts receivable		8,555
Prepaid expenses and other assets		1,578
Property and equipment, net		107
Deferred tax assets		6,587
Goodwill		31,696
Identifiable intangible assets		58,800
Total assets acquired		109,513
Deferred tax liabilities		15,092
Accounts payable		2,267
Accrued expenses and other liabilities		3,463
Total liabilities assumed		20,822
Net assets acquired		88,691
Less: cash acquired		2,190
Net assets, less cash acquired	$	86,501

Goodwill arising from the acquisition of $31.7 million was attributable to the workforce of Simplee and the synergies expected to arise from the acquisition. The Company expects that no goodwill from this acquisition will be deductible for income tax purposes.

The following table reflects the estimated fair values of the identified intangible assets of Simplee and their respective weighted-average estimated amortization periods.

		Estimated Fair Values	Weighted-Average Estimated Amortization Periods
		(in thousands)	(years)
Developed technology	$	10,500	8
Customer relationships		48,300	12
	$	58,800	

The results of Simplee have been included in the consolidated financial statements since the date of the acquisition. Simplee’s consolidated revenue included in the consolidated financial statements since the acquisition date was $34.1 million. The Company has not disclosed net income or loss since the acquisition date as the business was fully integrated into the consolidated Company’s operations and therefore it was impracticable to determine this amount.

Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information shows the results of the Company’s operations for the years ended December 31, 2019 and 2020 as if the acquisition had occurred on January 1, 2019. The unaudited pro forma financial information is presented for information purposes only and is not necessarily indicative of what would have occurred if the acquisition had occurred as of that date. The unaudited pro forma information is also not intended to be a projection of future results due to the integration of the acquired operations of Simplee. The unaudited pro forma information reflects the effects of applying the Company’s accounting policies and certain pro forma adjustments to the combined historical financial information of the Company and Simplee. The pro forma adjustments include:

- incremental amortization expense associated with the estimated fair value of identified intangible assets and property and equipment;
- revenue and cost of revenue adjustments as a result of the reduction in deferred revenue and the cost related to their estimated fair value;
- incremental employee compensation expense for Simplee employees; and

- the estimated tax impact of the above items.

In addition, the pro forma net loss attributable to the Company includes recognition of transaction costs related to the acquisition in net loss as of the beginning of the earliest period presented. Accordingly, pro forma net loss attributable to the Company for the year ended December 31, 2019 includes $1.9 million of transaction costs.

	Year Ended December 31, 2020		Year Ended December 31, 2019	
	Actual	Pro Forma	Actual	Pro Forma
	(in thousands)			
Revenue	$ 131,783	$ 136,269	$ 94,918	$ 120,516
Net Loss	$ (11,107)	$ (13,444)	$ (20,116)	$ (20,343)

9. Goodwill and Acquired Intangible Assets

Goodwill

The following table summarizes the changes in the carrying amount of goodwill for the years ended December 31, 2021 and 2020 (in thousands):

	Year Ended December 31,	
	2021	2020
Beginning balance	$ 44,650	$ 12,924
Goodwill related to Simplee acquisition	—	31,696
Goodwill related to WPM acquisition	40,389	—
Foreign currency translation adjustment	802	30
Ending balance	$ 85,841	$ 44,650

No goodwill impairment was recorded during the years ended December 31, 2021, 2020 and 2019.

Acquired Intangible Assets

Acquired intangible assets subject to amortization consisted of the following (in thousands):

	December 31, 2021			
	Gross Carrying Value*	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Developed Technology	$ 26,600	$ (10,635)	$ 15,965	5.11
Customer Relationships	82,887	(5,356)	77,531	11.89
Trade Name/Trademark	511	(511)	—	—
Non-Compete Agreement	469	(367)	102	1.15
	$ 110,467	$ (16,869)	$ 93,598	

* Includes $0.6 million of foreign currency translation adjustments and $0.1 million in acquired developed technology assets

	December 31, 2020			
	Gross Carrying Value*	Accumulated Amortization	Net Carrying Amount	Weighted Average Remaining Life (Years)
Developed Technology	$ 25,063	$ (6,595)	$ 18,468	6.13
Customer Relationships	52,312	(2,772)	49,540	10.88
Trade Name/Trademark	511	(504)	7	0.04
Non-Compete Agreement	469	(273)	196	2.05
	$ 78,355	$ (10,144)	$ 68,211	

* Includes less than $0.1 million of foreign currency translation adjustments

Amortization expense for the years ended December 31, 2021, 2020 and 2019 was $6.7 million, $4.9 million and $2.5 million, respectively.

As of December 31, 2021, the estimated annual amortization expense of intangible assets for each of the next five years and thereafter is expected to be as follows (in thousands):

	Estimated Amortization Expense
2022	$ 8,690
2023	9,478
2024	9,660
2025	9,255
2026	7,443
Thereafter	49,072
	$ 93,598

10. Debt

Revolving Credit Syndication Loan

On July 29, 2021, the Company entered into a three-year senior secured revolving credit syndication loan (the Revolving Credit Facility) with three banks for a total commitment of $50.0 million. The Revolving Credit Facility includes a $5.0 million letter of credit sub-facility and a $5.0 million swingline sub-facility, with available borrowings under the Revolving Credit Facility reduced by the amount of any letters of credit and swingline borrowings outstanding from time to time. The Revolving Credit Facility is guaranteed by Flywire's material domestic subsidiaries. One of the lenders in the syndicate was the existing debt holder under the Loan and Security Agreement (the LSA) entered into in 2018 and amended in 2020.

The Revolving Credit Facility consists of Alternate Base Rate (ABR) loans or Eurodollar Borrowings, at the Company's option. ABR loans bear interest at the ABR plus the applicable rate. Eurodollar Borrowings bear interest at the Adjusted LIBO Rate plus the applicable rate. The ABR rate is based on the greatest of (a) the Prime Rate (b) the Federal Funds Effective Rate plus 1/2 of 1% and (c) the Adjusted LIBO Rate for a one-month Interest Period plus 1%. The adjusted LIBO rate is based on (a) the LIBO Rate multiplied by (b) the Statutory Reserve Rate. The applicable rate is based upon the Company's liquidity as of the most recent consolidated financial information and ranges from 0.75% to 2.25%. The Revolving Credit Facility incurs a commitment fee ranging from 0.25% to 0.35% based upon the Company's liquidity as of the most recent consolidated financial information assessed on the average undrawn portion of the available commitment.

The Revolving Credit Facility contains customary affirmative and negative covenants and restrictions typical for a financing of this type that, among other things, require the Company to satisfy certain financial covenants and restrict the Company's ability to incur additional debt, pay dividends and make distributions, make certain investments and acquisitions, repurchase its stock and prepay certain indebtedness, create liens, enter into agreements with affiliates, modify the nature of its business, enter into sale-leaseback transactions, transfer and sell material assets and merge or consolidate. Non-compliance with one or more of the covenants and restrictions could result in the full or partial principal balance of the Revolving Credit Facility becoming immediately due and payable and termination of the commitments. The Company was in compliance with all covenants associated with the Revolving Credit Facility as of December 31, 2021.

On July 29, 2021, the Company drew $25.9 million on the Revolving Credit Facility and used the proceeds to early prepay the LSA $25.0 million term loan. In connection with the transaction, the Company incurred $0.4 million in prepayment costs and $0.3 million in debt issuance costs. Debt issuance costs related to new lenders in the syndication are amortized on a straight-line basis over the term of the Revolving Credit Facility. Debt issuance costs related to the existing lender in the syndication were expensed. The exchange of the LSA term loan with the Revolving Credit Facility from the same lender was accounted for as a modification. Prior to the closing of the Revolving Credit Facility, debt issuance costs and debt discounts were amortized to interest expense using the effective interest method over the repayment term of the debt and were presented as an offset to the outstanding debt balance on the Consolidated Balance Sheets. Upon the closing of the Revolving Credit Facility, debt issuance costs and debt discount are amortized on a straight-line basis over the contractual term of the agreement and are presented as a component of other assets on the Company's Consolidated Balance Sheets.

As of December 31, 2021, the Company had $25.9 million outstanding under the Revolving Credit Facility.

For the year ended December 31, 2021, the Company recorded interest expense of $2.0 million, including amortization of debt issuance cost and debt discount of $0.3 million. For the year ended December 31, 2020, the Company recorded interest expense of $2.5 million, including amortization of debt issuance cost and debt discount of $0.2 million. In 2019, the Company recorded interest expense of $2.5 million, including amortization of debt issuance cost and debt discount of $0.3 million.

The components of the Company's outstanding debt consisted of the following (in thousands):

	Year Ended December 31,	
	2021	2020
Long term debt	$ 25,939	$ 25,000
Less unamortized debt discount	—	(430)
Less unamortized debt issuance costs	—	(218)
Long term debt, net	$ 25,939	$ 24,352

Loan and Security Agreement

On January 16, 2018, the Company entered into the LSA with a financial institution for a $25.0 million loan with interest at a rate of 8.5% per annum. The proceeds of the LSA were used to fund the acquisition of OnPlan. The LSA could be drawn down in three tranches. The first tranche of $15.0 million was drawn in January 2018, while the remaining two tranches were drawn in February 2019 and August 2019 for $5.0 million each. The LSA maturity date was January 22, 2022. The Company was obligated to make monthly interest payments on the loan. The LSA was interest only until either August 1, 2019 or February 1, 2020 pending on achieving certain revenue and margin targets. The Company incurred debt issuance costs of $0.2 million in connection with the issuance of the LSA. These issuance costs were amortized to interest expense, using the effective interest method, over the term of the loan.

On December 31, 2018, the Company achieved the required targets, and deemed that the principal payments would not commence until February 1, 2020.

On April 25, 2020, the Company entered into a Joinder and First Amendment to the LSA for administrative matters.

On May 18, 2020, the Company entered into a Joinder and Second Amendment to the LSA to refinance the LSA. As part of the amendment, the financial institution re-advanced $4.2 million of principal paid on the loan through May 1, 2020. The final maturity date of the LSA was extended to May 2025. The new stated interest rate was at a floating per annum rate equal to the greater of (i) 5.25% above the prime rate; or (ii) 8.50%. The LSA was interest only until May 2023. Beginning on June 1, 2023, the Company would make 24 equal principal payments. The Company incurred $0.2 million in commitment fees from the financial institution to close the refinancing. These commitment fees were recorded as a reduction to the loan balance on the balance sheet.

On June 2, 2020, December 9, 2020 and May 19, 2021, the Company entered into a Third, Fourth and Fifth Amendments, respectively, to the LSA for administrative matters.

All amendments were accounted for as debt modifications.

On July 29, 2021, the Company drew $25.9 million on its new Revolving Credit Facility and used the proceeds to early prepay the $25.0 million LSA. In connection with the transaction, the Company incurred $0.4 million of prepayment costs.

11. Convertible Preferred Stock and Redeemable Convertible Preferred Stock

Prior to the IPO, the Company issued Series A convertible preferred stock (the Series A Preferred Stock), Series B convertible preferred stock (the Series B Preferred Stock), Series B1-NV convertible preferred stock (the Series B1-NV Preferred Stock), Series B1 convertible preferred stock (the Series B1 Preferred Stock), Series C convertible preferred stock (the Series C Preferred Stock), Series D convertible preferred stock (the Series D Preferred Stock), Series E-1 redeemable convertible preferred stock and Series E-2 redeemable convertible preferred stock (the Series E Preferred Stock). The Series A Preferred Stock, the Series B Preferred Stock, the Series B1-NV Preferred Stock, the Series B1 Preferred Stock, the Series C Preferred Stock, the Series D Preferred Stock, and the Series E Preferred Stock are collectively referred to as the Preferred Stock. The Series B, B1, and B1-NV are collectively referred to as Senior Preferred Stock.

In February 2020, the Company issued and sold 11,239,920 shares of Series E Preferred Stock at $10.67623 per share for total gross proceeds of $120.0 million. The Company incurred issuance costs in connection with this transaction of $0.2 million. In conjunction with the sale of the Series E Preferred Stock, the Company amended its certificate of incorporation to increase shares authorized for issuance to a total of 78,938,526 shares of Preferred Stock with a par value of $0.0001 per share.

Upon issuance of each class of Preferred Stock, the Company assessed the embedded conversion and liquidation features of the securities and determined that such features did not require the Company to separately account for these features. The Company also concluded that no beneficial conversion feature existed on the issuance date of each class of Preferred Stock.

Immediately prior to the closing of the IPO, all shares of the Company's outstanding convertible preferred stock and redeemable convertible preferred stock, including 182,467 shares of preferred stock issued upon exercise of a warrant immediately prior to the closing of the IPO, were converted into 68,202,784 shares of common stock. As of December 31, 2021, there were no convertible preferred stock and redeemable convertible preferred stock outstanding.

At December 31, 2020, convertible preferred stock and redeemable convertible preferred stock consisted of the following:

	December 31, 2020				
(in thousands, except share data)	**Preferred Stock Authorized**	**Preferred Stock Issued and Outstanding**	**Carrying Value**	**Liquidation Preference**	**Common Stock Issuable Upon Conversion**
Series A Preferred Stock	14,475,186	14,475,186	$ 14,807	$ 14,843	14,475,186
Series B Preferred Stock	9,917,487	9,917,487	9,163	9,199	9,917,487
Series B1-NV Preferred Stock	8,325,933	1,145,526	1,174	1,174	1,145,526
Series B1 Preferred Stock	8,325,933	7,180,407	7,326	7,357	7,180,407
Series C Preferred Stock	15,245,853	14,864,853	28,072	28,143	14,864,853
Series D Preferred Stock	6,625,002	6,625,002	49,859	50,000	6,625,002
Series E-1 Preferred Stock	7,124,862	5,251,542	55,960	70,080	5,251,542
Series E-2 Preferred Stock	8,898,270	5,988,378	63,809	79,920	5,988,378
	78,938,526	65,448,381	$ 230,170	$ 260,716	65,448,381

Significant rights and preferences of the above convertible preferred stock and redeemable convertible preferred stock prior to its conversion into shares of common stock were as follows:

Voting

The holders of the Preferred Stock were entitled to vote, together with the holders of common stock, on all matters submitted to stockholders for a vote. Each holder of Preferred Stock was entitled to the number of votes equal to the number of whole shares of common stock into which each Preferred Stock was convertible at the time of such vote. The holders of Preferred Stock would vote together with the holders of common stock as a single class, except for the election of the board of directors. For such election, the holders of Preferred Stock would vote exclusively as a separate class to elect three directors. The holders of Class A common stock would vote exclusively to elect one director. The remainder of the directors of the Company would be elected by the holders of common stock and Preferred Stock voting as a single class and were entitled to elect three directors.

Except as may have been otherwise required under Delaware General Corporation Law, holders of the Series B1-NV Preferred Stock and the Series E-2 Preferred Stock would have no right to vote in respect of such shares.

Conversion

Each share of Preferred Stock was convertible, at the option of the holder, at any time after the date of issuance of such share, into such number of fully paid and nonassessable shares of common stock.

The conversion ratio of each series of Preferred Stock was determined by dividing the applicable Original Issue Price of each series by the applicable Conversion Price of each series in effect on the date the certificate was surrendered for conversion. The Original Issue Price per share was $ 0.6580 for Series A Preferred Stock, $0.6580 for Series B Preferred Stock, $0.7507 for Series B1 Preferred Stock and Series B1 -NV Preferred Stock, $1.480 for Series C Preferred Stock, $7.54717 for Series D Preferred Stock, and $10.67623 for Series E Preferred Stock, each subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization and other adjustments. The Conversion Price per share was $0.6580 for Series A Preferred Stock, $0.6580 for Series B Preferred Stock, $0.7507 for Series B1 Preferred Stock and Series B1-NV Preferred Stock, $1.480 for Series C Preferred Stock, $7.54717 for Series D Preferred Stock, and $10.67623 for Series E Preferred Stock.

Mandatory Conversion

Each share of Preferred Stock would be automatically converted into shares of the Company's common stock, at the then effective conversion price upon the closing of the sale of shares of common stock at a price to the public of at least $14.9468 per share, subject to appropriate adjustment for stock splits, stock dividends, combinations and other similar recapitalizations affecting such shares, in a firm commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, with net proceeds to the Company of at least $50 million.

Immediately prior to the closing of the IPO, all shares of the Company's outstanding convertible preferred stock and redeemable convertible preferred stock were converted into shares of common stock.

Liquidation

Series A Preferred Stock

In the event of a voluntary or involuntary liquidation, dissolution, or winding up of the Company (a Liquidation Event), the holders of the Series A Preferred Stock then outstanding would be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment was made to the holders of the common stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series A Preferred Stock Original Issue Price, plus any dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon or (ii) such amount per share as would have been payable had all shares of Series A Preferred Stock been converted into common stock immediately prior to the Liquidation Event.

If upon any such Liquidation Event, the assets of the Company available for distribution to its stockholders were insufficient to pay in full the holders of shares of Series A Preferred Stock, the holders of shares of Series A Preferred Stock would share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Senior Preferred Stock (Series B, B1 and B1-NV)

In the event of a Liquidation Event, the holders of the Senior Preferred Stock then outstanding would be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment was made to the holders of (i) Series A Preferred Stock or (ii) common stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the applicable Preferred Stock Original Issue Price, plus any dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon or (ii) such amount per share as would have been payable had all shares of Senior Preferred Stock been converted into common stock immediately prior to the Liquidation Event.

If upon any such Liquidation Event, the assets of the Company available for distribution to its stockholders were insufficient to pay in full the holders of shares of Senior Preferred Stock, the holders of shares of Senior Preferred Stock would share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Series C Preferred Stock

In the event of a Liquidation Event, the holders of the Series C Preferred Stock then outstanding would be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment was made to the holders of (i) Senior Preferred Stock (ii) Series A Preferred Stock or (iii) common stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series C Preferred Stock Original Issue Price, plus any dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon or (ii) such amount per share as would have been payable had all shares of Series C Preferred Stock been converted into common stock immediately prior to the Liquidation Event.

If upon any such Liquidation Event, the assets of the Company available for distribution to its stockholders were insufficient to pay in full the holders of shares of Series C Preferred Stock, the holders of shares of Series C Preferred Stock would share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Series D Preferred Stock

In the event of a Liquidation Event, the holders of the Series D Preferred Stock then outstanding would be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment was made to the holders of (i) Series C Preferred Stock (ii) Senior Preferred Stock (iii) Series A Preferred Stock or (iv) common stock by reason of their ownership thereof, an amount per share equal to the greater of (i) the Series D Preferred Stock Original Issue Price, plus any dividends accrued but unpaid thereon, whether or not declared, together with any other dividends declared but unpaid thereon or (ii) such amount per share as would have been payable had all shares of Series D Preferred Stock been converted into common stock immediately prior the Liquidation Event.

If upon any such Liquidation Event, the assets of the Company available for distribution to its stockholders were insufficient to pay in full the holders of shares of Series D Preferred Stock, the holders of shares of Series D Preferred Stock would share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Series E Preferred Stock (Series E-1 and E-2)

In the event of a Liquidation Event, the holders of the Series E Preferred Stock then outstanding would be entitled to be paid out of the assets of the Company available for distribution to its stockholders before any payment was made to the holders of (i) Series D Preferred Stock, (ii) Series C Preferred Stock, (iii) Senior Preferred Stock, (iv) Series A Preferred Stock, (v) Common Stock, or (vi) any other class or series of capital stock of the Corporation, in each case by reason of their ownership thereof, an amount per share equal to the greater of (a) (i) 125% of the Series E Preferred Stock Original Issue Price, plus any dividends declared but unpaid thereon (if the Liquidation Event or any deemed liquidation event was consummated before the second anniversary of the Series E original issue date) and (ii) Series E Original Issue Price, plus any dividends declared but unpaid (if the Liquidation Event or any deemed liquidation event was consummated on or after the second anniversary of the Series E original issue date) or (b) such amount per share as would have been payable had all shares of Series E Preferred Stock been converted into common stock immediately prior to the Liquidation Event, if the Liquidation Event or any deemed liquidation event was consummated before the second anniversary of the Series E original issue date.

If upon any such Liquidation Event, the assets of the Company available for distribution to its stockholders were insufficient to pay in full the holders of shares of Series E Preferred Stock, the holders of shares of Series E Preferred Stock would share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

Dividends

In July 2018, coinciding with the issuance of Series D Preferred Stock, the certificate of incorporation was amended to eliminate the future accrual of dividends. Holders of Series A Preferred Stock, Senior Preferred Stock and Series C Preferred Stock were entitled to accrue dividends through the Series D Preferred Stock issuance date of July 5, 2018 (the Preferred Stock Dividends) out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend to shareholders of common stock. The Preferred Stock Dividends were cumulative and accrued, day to day through the Series D Preferred Stock issuance date, at a rate per annum of 8% per share on such shares of Preferred Stock, subject to appropriate adjustment in the event of any stock dividend, stock split, combination, or other similar recapitalization with respect to the Preferred Stock. The holders of Series D Preferred Stock and Series E Preferred Stock were not entitled to accrue dividends. The Preferred Stock Dividends were terminated in connection with the conversion of the Company's Preferred Stock in its IPO.

Accumulated dividends were as follows (in thousands):

		December 31, 2020
Series A Preferred Stock	$	5,318
Series B Preferred Stock		1,967
Series B1-NV Preferred Stock		314
Series B1 Preferred Stock		2,673
Series C Preferred Stock		6,143
Series D Preferred Stock		—
Series E Preferred Stock		—
		16,415

No dividends were declared or paid by the Company during the years ended December 31, 2021, 2020 and 2019.

Redemption

Series A, B, B1 B1-NV, C and D of Preferred Stock did not contain any date-certain redemption features. At any time on or after the fifteenth anniversary of the Series E Preferred Stock issue date, any holder of Series E Preferred Stock could elect to have all outstanding shares of Series E Preferred Stock redeemed. The redemption price for each share of Series E Preferred Stock would be the original issue price per share, plus any declared but unpaid dividends. All classes of the Company's Preferred Stock were contingently redeemable upon a deemed liquidation event.

Classification of Convertible Preferred Stock

The Preferred Stock was contingently redeemable upon certain deemed liquidation events outside of the Company's control such as a dissolution, winding up of the Company, merger or consolidation, or other disposition of all or substantially all the assets of the Company. Accordingly, all shares of convertible preferred stock were presented outside of permanent equity in mezzanine equity on the consolidated balance sheets.

The Company recorded the convertible preferred stock at fair value on the dates of issuance, net of issuance costs. Shares of convertible preferred stock were not redeemable. The Company did not adjust the carrying values of the convertible preferred stock to the deemed liquidation values of such shares since a liquidation event was not probable at the balance sheet date. Subsequent adjustments to increase or decrease the carrying values to the ultimate liquidation values would be made only if, and when, it became probable that such a liquidation event would occur.

Classification and Accretion of Redeemable Convertible Preferred Stock

The Company classified redeemable convertible preferred stock outside of stockholders' equity (deficit) because the shares contained certain redemption features that were not solely within the control of the Company. Costs incurred in connection with the issuance of each series of redeemable convertible preferred stock were recorded as a reduction of gross proceeds from issuance. The Company recorded periodic accretion to the carrying values of its outstanding redeemable convertible preferred stock such that the carrying value of the redeemable convertible preferred stock would be equal to the original issuance cost at the earliest date of redemption. Adjustments to the carrying values of the redeemable convertible preferred stock to record this accretion at each reporting date were considered a deemed dividend, which adjusted additional paid-in capital and increased or decreased net loss attributable to common stockholders in computing basic and diluted net loss per share.

12. Stockholders' Equity (Deficit)

Preferred Stock

In connection with the IPO, the Company's amended and restated certificate of incorporation became effective, which authorized the issuance of 10,000,000 shares of undesignated preferred stock with a par value of $0.0001 per share with rights and preferences, including voting rights, designated from time to time by the board of directors.

Common Stock

In connection with the IPO, the Company's current amended and restated certificate of incorporation authorized the issuance of 2,000,000,000 shares of voting common stock with a par value of $0.0001 per share and 10,000,000 shares of non-voting common stock with a par value of $0.0001 per share. The voting and non-voting shares are identical, except that holders of voting common stock are entitled to one vote for each share on each matter properly submitted to the Company's stockholders for their vote, while holders of non-voting common stock are not entitled to vote on such matters. Holders of voting common stock and non-voting common stock are entitled to receive any dividends as may be declared from time to time by the board of directors. As of December 31, 2021 and 2020, no cash dividends have been declared or paid.

As of December 31, 2021, the Company had reserved shares of common stock for future issuance as follows:

		Year Ended December 31, 2021
Issued and outstanding stock options	$	14,855,292
Issued and outstanding restricted stock units and awards		213,121
Available issuance under stock options and restricted stock units		9,420,270
Available issuance under employee stock purchase plan		1,639,810
	$	26,128,493

Warrants to Purchase Convertible Preferred Stock

In connection with the January 2018 LSA, the Company issued warrants to purchase 381,000 shares of Series C Convertible Preferred Stock. Prior to the closing of the IPO, the Company had warrants to purchase 190,500 shares of its convertible preferred stock outstanding. Such warrants were converted immediately prior to the closing of the IPO into warrants to purchase 190,500 shares of the Company's voting common stock and the associated preferred stock warrant liabilities were remeasured to its fair value of $6.3 million and reclassified to additional paid-in capital.

Warrants to purchase convertible preferred stock were exercised or net settled for voting common stock after the IPO. As of December 31, 2021, there were no preferred stock warrants outstanding. As of December 31, 2020 warrants to purchase the following classes of preferred stock were outstanding:

Series of Preferred Stock	Issuance Date	Number of Preferred Shares Issuable under Warrant		Weight Average Exercise Price	Remaining Contractual Term (In Years)		Fair Value of Warrants (In Thousands)
Series C	January 16, 2018	381,000	$	1.48	4.0	$	1,932

As a result of changes in the fair value of these preferred stock warrants, the Company recorded other expense of $0.6 million and $0.1 million for the years ended December 31, 2020 and 2019, respectively.

The following table provides a roll forward of the aggregate fair value of the Company's preferred stock warrants for the year ended December 31, 2020 (in thousands):

		Year Ended December 31, 2020
Balance at beginning of period	$	1,307
Changes in fair value		625
Balance at end of period	$	1,932

Common Stock Warrants

As of December 31, 2021, there were no common stock warrants outstanding. The following table summarizes information about the Company's outstanding common stock warrants as of December 31, 2020:

	Date								
	Issued	Expiration		Strike Price	Total Warrants Outstanding and Exercisable		Exercise Price		Weighted Average Exercise Price
LSA Warrants	August-12	August-22	$	0.17	75,000	$	0.17	$	0.17
LSA Warrants	May-20	May-30	$	3.95	189,171	$	3.95	$	3.95

On May 18, 2020, in connection with the Company's refinancing of the LSA, the Company issued warrants to purchase 189,171 shares of common stock at $3.95 per share that were classified as equity. The initial fair value of the warrants was $0.4 million. The fair value of the warrants was determined using the Black Scholes model on the date of issuance using the assumptions as presented below:

	Year Ended December 31, 2020
Risk-free interest rate	0.73 %
Expected dividend yield	0 %
Expected volatility	38.5 %
Remaining contractual term (years)	10

13. Stock-Based Compensation

Equity Incentive Plan

In April 2021, the Company's board of directors adopted, and in May 2021 its stockholders approved the 2021 Equity Incentive Plan (the 2021 Plan), which became effective in connection with the IPO.

The Company's 2018 Equity Incentive Plan (the 2018 Plan), which was adopted in 2018, was terminated concurrent to the effective date of the 2021 Plan. The Company's 2009 Equity Incentive Plan, which was adopted in 2009 and amended and restated in 2011 (as amended and restated, the 2009 Plan), was terminated upon the adoption of the 2018 Plan. There were no equity-based awards granted under the 2018 Plan and the 2009 Plan after their termination; however, all outstanding awards under the 2018 Plan and the 2009 Plan continue to remain subject to the terms of the respective Equity Incentive Plan until such awards are exercised or until they terminate or expire by their terms. The 2021 Plan, 2018 Plan and 2009 Plan are collectively referred to as the "Equity Incentive Plans".

The 2021 Plan provides for the grant of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock awards, restricted stock units, performance awards and other forms of equity compensation (collectively, equity awards). A total of 9,201,156 shares of the Company's common stock have been reserved for issuance under the 2021 Plan in addition to (i) any annual automatic evergreen increases in the number of shares of common stock reserved for issuance under the 2021 Plan and (ii) upon the expiration, forfeiture, cancellation, or reacquisition of any stock-based awards granted under the 2009 Plan or 2018 Plan, an equal number of shares of voting common stock will become available under the 2021 Plan.

The total number of shares of voting common stock available for issuance under the Equity Incentive Plans was 11,060,080 shares as of December 31, 2021.

Stock Options

Stock options granted under the 2009 Plan, 2018 Plan and the 2021 Plan generally vest based on continued service over four-year period and expire within ten years from the date of grant. Any options that are canceled or forfeited before expiration become available for future grants.

The following presents a summary of stock option activity since December 31, 2020:

	Number of Shares	Weighted-Average Exercise Price Per Share	Weighted-Average Remaining Contractual Term (In Years)	Aggregate Intrinsic Value (In Thousands)
Outstanding as of December 31, 2020	16,708,803	$ 2.02	6.64	$ 32,174
Granted	4,434,200	12.59		
Exercised	(5,910,974)	1.23		
Cancelled	(376,737)	5.81		
Outstanding as of December 31, 2021	14,855,292	$ 5.40	7.06	$ 487,264
Exercisable as of December 31, 2021	7,532,727	2.00	5.51	$ 271,626
Vested or expected to vest as of December 31, 2021	6,895,301	8.79	8.63	$ 203,680

The aggregate intrinsic value was calculated as the difference between exercise price of the underlying awards and the closing price of the Company's common stock at December 31, 2021. The aggregate intrinsic value of stock options exercised during the years ended December 31, 2021, 2020 and 2019 was $217.7 million, $6.6 million and $1.9 million, respectively.

The weighted average grant-date fair value of stock options granted during the years ended December 31, 2021, 2020 and 2019 was $12.59, $3.95, and $3.30 per share, respectively.

The Company received cash proceeds from the exercise of common stock options of $6.9 million, $0.8 million, and $0.5 million during the years ended December 31, 2021, 2020 and 2019, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. The table below quantifies the weighted average of the most significant inputs to determine the fair value of stock options granted.

	Year Ended December 31,		
	2021	2020	2019
Risk-free interest rate	0.87%	0.47%	2.10%
Expected dividend yield	0%	0%	0%
Expected volatility	42.6%	42.0%	39.8%
Expected terms (in years)	6	6	6

As of December 31, 2021, there was $30.2 million of total unrecognized expense related to unvested stock options, which is expected to be recognized over a weighted-average period of 3.10 years.

Restricted Stock Awards and Restricted Stock Units

During 2018, the Company granted restricted stock awards to employees under the 2018 Plan. The restricted stock awards vest ratably over a four-year period from the date of grant. The fair value of each restricted stock awards on the date of grant is the estimated fair value of the common stock on the date of grant.

During 2021, the Company granted restricted stock units to employees and nonemployee board members under the 2021 Plan. The fair value of the restricted stock units was estimated based upon the market closing price of the Company's common stock on the date of the grant. The restricted stock units vest over the requisite service period, which range between one and four years from the date of the grant, subject to the continued employment of the employees and services of the nonemployee board members.

The following table summarizes the restricted stock activity for the year ended December 31, 2021:

	Number of Shares	Weighted-Average Grant Date Fair Value	Aggregate Fair Value (In Thousands)
Unvested as of December 31, 2020	671,517	$ 0.98	
Granted	161,470	36.31	$ 5,863
Vested	(619,866)	0.98	$ 607
Cancelled	—	—	
Unvested as of December 31, 2021	213,121	$ 28.00	

As of December 31, 2021, there was $5.1 million of total unrecognized compensation expense related to unvested restricted stock awards and restricted stock units, which is expected to be recognized over a weighted-average period of 3.89 years.

Stock Based Compensation Costs

The following table summarizes the stock-based compensation expense for stock options, restricted stock awards and restricted stock units granted to employees and nonemployee board members that was recorded in the Company's consolidated statements of operations and comprehensive loss (in thousands):

	Year Ended December 31,		
	2021	2020	2019
Technology and development	2,510	766	640
Selling and marketing	5,161	1,275	905
General and administrative	11,257	1,803	1,404
Total stock-based compensation expense	$ 18,928	$ 3,844	$ 2,949

During the year ended December 31, 2019, the Company repurchased 90,000 shares of common stock for $0.3 million. The repurchase was approved by the Company's board of directors.

In February 2021, certain of the Company's existing investors acquired 1,205,118 outstanding shares of common stock from employees of the Company for a purchase price greater than the fair value of the common stock at the time of the transaction. As a result, the Company recorded $8.4 million of stock-based compensation expense during the year ended December 31, 2021. The amount recorded as stock-based compensation represents the difference between the price paid and the estimated fair value at the date of the transaction.

2021 Employee Stock Purchase Plan

In April 2021, the Company's board of directors adopted, and in May 2021 its stockholders approved, the 2021 Employee Stock Purchase Plan (the 2021 ESPP), which became effective in connection with the IPO. The 2021 ESPP authorizes the issuance of shares of voting common stock pursuant to purchase rights granted to employees. A total of 1,639,810 shares of the Company's voting common stock have been reserved for future issuance under the 2021 ESPP, in addition to any annual automatic evergreen increases in the number of shares of common stock reserved for future issuance under the 2021 ESPP. The price at which voting common stock is purchased under the 2021 ESPP is equal to 85% of the fair market value of a share of the Company's voting common stock on the first or last day of the offering period, whichever is lower. Eligible employees can contribute up to 15% of their eligible compensation. Offering periods are generally 6 months long.

The ESPP enrollment period started on December 15, 2021 and ended on December 31, 2021. The first offering period commenced on January 1, 2022 and will end on June 30, 2022.

14. Net Loss per Share

Basic and diluted net loss per share attributable to common stockholders was calculated as follows (in thousands, except share and per share amounts):

	Year Ended December 31,		
	2021	2020	2019
Numerator:			
Net loss	$ (28,085)	$ (11,107)	$ (20,116)
Accretion of preferred stock to redemption value	(13)	(14)	—
Net loss attributable to common stockholders - basic and diluted	$ (28,098)	$ (11,121)	$ (20,116)
Denominator:			
Weighted average common shares outstanding - basic and diluted	71,168,054	18,389,898	16,067,088
Net loss per share attributable to common stockholders - basic and diluted	$ (0.39)	$ (0.60)	$ (1.25)

For periods in which the Company is in a loss position, basic net loss per share attributable to common stockholders is the same as diluted net loss per share attributable to common stockholders. Outstanding potentially dilutive securities, which were excluded from the diluted net loss per share calculations because they would have been antidilutive were as follows as of the dates presented:

	Year Ended December 31,		
	2021	2020	2019
Warrants for the purchase of common stock	—	264,171	75,000
Warrants for the purchase of convertible preferred stock (as converted into common stock)		381,000	381,000
Redeemable convertible preferred stock (as converted into common stock)	—	11,239,920	—
Convertible preferred stock (as converted into common stock)	—	54,208,461	54,208,461
Unvested restricted stock awards	213,121	671,517	1,512,141
Stock options to purchase common stock (as converted to common stock)	14,855,292	16,708,803	16,650,192
	15,068,413	83,473,872	72,826,794

15. Income Taxes

The following table presents the components of loss before provision for income taxes (in thousands):

	Year Ended December 31, 2021	2020	2019
United States	$ (29,186)	$ (21,033)	$ (21,338)
Foreign	3,259	2,757	1,772
	$ (25,927)	$ (18,276)	$ (19,566)

The following table summarizes the components of the Company's provision for (benefit from) income taxes (in thousands):

	Year Ended December 31, 2021	2020	2019
Current			
United States:			
Federal	$ —	$ —	$ —
State	198	48	—
Foreign	1,814	1,318	561
Total current provision for income taxes	$ 2,012	$ 1,366	$ 561
Deferred			
United States:			
Federal	$ 15	$ (5,104)	$ 23
State	95	(3,243)	55
Foreign	36	(188)	(89)
Total deferred income tax provision (benefit)	146	(8,535)	(11)
Total income tax provision (benefit)	$ 2,158	$ (7,169)	$ 550

A reconciliation of the U.S. federal statutory income tax rate to the Company's effective income tax rate is as follows:

	Year Ended December 31, 2021	2020	2019
Federal statutory income tax rate	21.0 %	21.0 %	21.0 %
State income taxes, net of federal benefit	5.0	2.8	5.3
Permanent differences	—	(1.0)	(0.7)
Fair value of contingent consideration	(1.8)	(6.2)	—
Non-deductible transaction costs	—	(1.7)	—
Equity-based compensation	10.5	(4.0)	(2.3)
Change in fair value of preferred stock warrant liability	(8.7)	(0.7)	(0.1)
Excess executive compensation	(6.7)	—	—
Change in uncertain tax position	(2.2)	—	—
Change in valuation allowance	(24.7)	31.3	(24.1)
Other	(0.7)	(2.2)	(2.1)
Effective income tax rate	(8.3%)	39.3 %	(3.0)%

During the year ended December 31, 2021, the Company recorded an income tax provision of $2.2 million, which is primarily attributable to income related to profitable foreign activity and U.S. state taxes.

During the year ended December 31, 2020, the Company recorded an income tax benefit of $7.2 million, which is primarily attributable to a non-recurring benefit of $8.4 million relating to the release of a portion of the Company's valuation allowance. This release was due to taxable temporary differences recorded as part of the Simplee acquisition which are a source of income to realize certain pre-existing federal and state deferred tax assets.

During the year ended December 31, 2019, the Company recorded an income tax provision of $0.6 million, which is primarily attributable to income related to profitable foreign activity.

The Company's deferred tax assets and liabilities consisted of the following components (in thousands):

	Year Ended December, 31	
	2021	2020
Deferred tax assets:		
Net operating loss carryforwards	$ 32,722	$ 29,598
Property and equipment	428	316
Accrued Expenses	666	254
Equity-based compensation	1,120	134
Interest limitation carryforward	1,978	1,403
Other temporary differences	257	203
Total deferred tax assets	37,171	31,908
Deferred tax asset valuation allowance	(23,864)	(17,485)
	$ 13,307	$ 14,423
Deferred tax liabilities:		
Intangible assets	(19,783)	(13,559)
Goodwill	(858)	(626)
Deferred contract costs	(778)	(307)
Other temporary differences	(118)	(195)
Total deferred tax liabilities	(21,537)	(14,687)
Net deferred tax liabilities	$ (8,230)	$ (264)

As of December 31, 2021, the Company had gross federal and state net operating loss (NOL) carryforwards of $123.6 million and $164.9 million, respectively, out of which $58.2 million of federal NOL carryforwards and $161.9 million of state NOL carryforwards begin to expire in 2030 and 2022, respectively. Additionally, $65.4 million of federal NOL carryforwards and $3.0 million of state NOL carryforwards have indefinite lives. The gross federal NOL of $123.6 million has been reduced by $1.4 million, as of December 31, 2021, due to netting of unrecognized tax benefits. As of December 31, 2021, the Company generated gross foreign NOL carryforwards of $0.8 million which begin to expire in 2025. The federal, state and foreign NOL carryforwards may be available to reduce future federal, state and foreign taxable income, respectively. Additionally, as of December 31, 2021, the Company had a gross interest limitation carryforward of $7.4 million.

Ownership changes, as defined under Internal Revenue Code Section 382, and similar state provisions may limit the amount of federal and state NOL carryforwards that can be utilized annually to offset future federal and state taxable income. Generally, an ownership change occurs when the ownership percentage of 5% or greater stockholders increases by more than 50% over a three-year period. Accordingly, the purchase of the Company's stock in amounts greater than specified levels could limit the Company's ability to utilize federal and state NOL carryforwards for tax purposes. The Company is in the process of completing a Section 382 study and preliminary indications show there will be no limitations in using federal and state NOL carryforwards.

In assessing the realizability of its deferred tax assets, the Company considered whether it was more likely than not that some portion or all of the deferred tax assets would not be realized. The realization of deferred tax assets depends upon the generation of future taxable income. The Company has evaluated the positive and negative evidence bearing upon the realizability and determined that it is more likely than not that the Company will not realize the benefits of the deferred tax assets, and as a result, a valuation allowance has been established against federal, state and certain foreign deferred tax assets as of December 31, 2021 and 2020.

During the year ended December 31, 2021, the Company recorded an increase in the valuation allowance of $6.4 million, which is primarily related to generating losses in the U.S. As of December 31, 2020, the Company recorded a net decrease in the valuation allowance of $3.1 million related primarily to a valuation allowance release with respect to the Simplee acquisition offset by a valuation allowance increase with respect to NOL carryforwards. During the year ended December 31, 2019, the Company recorded an increase in the valuation allowance of $4.8 million. Changes in the valuation allowance are summarized as follows (in thousands):

	Year Ended December, 31		
	2021	2020	2019
Valuation allowance at beginning of year	$ (17,485)	$ (20,554)	$ (15,757)
Change recorded to income tax (provision) benefit as part of operations	(6,379)	(2,745)	(4,797)
Change recorded to income tax (provision) benefit due to acquisition of Simplee	—	8,464	—
Current year (increase)/decrease established through goodwill due to acquisition of Simplee	—	(2,650)	—
Valuation allowance at end of year	$ (23,864)	$ (17,485)	$ (20,554)

The Company permanently reinvests the earnings of its foreign subsidiaries, and, therefore, does not provide for taxes that could result from the distribution of those earnings to the U.S. As of December 31, 2021, the amount of unrecognized deferred taxes on these earnings are not material.

As of December 31, 2021, 2020 and 2019, the Company accrued $0.9 million, $0 and $0 related to uncertain tax positions, respectively, which includes potential tax benefits of $0.6 million, $0 and $0, respectively, that, when recognized, would impact the effective tax rate. As of December 31, 2021, $0.3 million of the reserve is reflected as a reduction to deferred taxes and the remaining balance is recorded as a component of other liabilities in the consolidated balance sheet.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Year Ended December, 31		
	2021	2020	2019
Balance at beginning of year	$ —	$ —	$ —
Settlements with taxing authorities	—	—	—
Increases related to tax positions taken during prior years	502	—	—
Increases related to tax positions taken during the current year	387	—	—
Balance at end of year	$ 889	$ —	$ —

The Company files income tax returns as prescribed by the tax laws of the jurisdiction in which it operates. In the normal course of its business, the Company is subject to examination by federal, state and foreign jurisdictions, where applicable. The Company is open to future tax examinations from 2016 to the present; however, carryforward attributes that were generated prior to 2016 may still be adjusted upon examination by federal, state or local tax authorities to the extent they will be used in a future period. In 2021, the U.S. Internal Revenue Service commenced a corporate income tax audit with respect to the 2018 calendar year, which is still open.

16. Commitments and Contingencies

Operating Leases

The Company leases certain real estate for its primary facilities under operating leases that expire at various dates between one and five years. These leases contain renewal options, and require the Company to pay operating costs, including property taxes, insurance, and maintenance. The terms of these lease agreements include free rent periods and annual rent increases. Accordingly, the Company records a deferred rent liability related to the free rent periods and periodic rent increases. Rent expense is recognized on a straight-line basis over the term of the lease.

In March 2021, the Company entered into a lease agreement for 680 square feet of office space in Tel Aviv, Israel. The term of the lease commenced on March 15, 2021 and continues until March 25, 2023. The Company has the option to extend the lease for an additional two-year term at market-based rates. The base rent payments commenced in March 2021. The Company is obligated to pay its portion of building operating and tax expenses.

In May 2021, the Company executed lease extensions on previously rented office space in Cluj, Romania and Singapore. Both extensions commence on May 15, 2021. The Cluj extension continues until March 31, 2024 and the Singapore extension continues until November 14, 2021. The Company is obligated to pay its portion of building operating and tax expenses under both agreements.

In July 2021, the Company extended the Singapore office lease through November 30, 2022.

In connection with the WPM transaction, the Company acquired one lease agreement for an office building. The lease has a contractual term of 5 years beginning on August 1, 2021 and ending on July 31, 2026.

Future minimum lease payments for noncancelable operating leases as of December 31, 2021 are as follows (in thousands):

Years Ending December 31,		
2022	$	1,848
2023		1,567
2024		500
2025		73
2026		32
	$	4,020

Rent expense for the years ended December 31, 2021, 2020 and 2019 was $ 2.2 million, $2.3 million and $2.2 million, respectively.

Legal proceedings

The Company is subject to various legal proceedings and claims, the outcomes of which are subject to significant uncertainty. The Company records an accrual for legal contingencies when it has determined that it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated. In making such determinations, the Company evaluates, among other things, the degree of probability of an unfavorable outcome and, when it is probable that a liability has been incurred, the ability to make a reasonable estimate of the loss. If the occurrence of liability is probable, the Company will disclose the nature of the contingency, and if estimable, will provide the likely amount of such loss or range of loss.

As of December 31, 2021, the Company was not subject to any currently pending legal matters or claims that could have a material adverse effect on its financial position, results of operations, or cash flows.

Indemnification

In the ordinary course of business, the Company agrees to indemnify certain partners and clients against third party claims asserting infringement of certain intellectual property rights, data privacy breaches, damages caused to property or persons, or other liabilities relating to or arising from the Company’s payment platform or other contractual obligations. In addition, the Company has entered into indemnification agreements with members of its board of directors that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. To date, the Company has not incurred any material costs as a result of such indemnifications. The Company is not currently aware of any indemnification claims and had not accrued any liabilities related to such obligations in its consolidated financial statements as of December 31, 2021 and 2020.

17. Employee Benefit Plan

The Company has established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code. This plan covers all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. Matching contributions to the plan may be made at the discretion of the Company’s board of directors. The Company made contributions of $0.8 million, $0.5 million and 0.4 million to the plan during the years ended December 31, 2021, 2020 and 2019, respectively.

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

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our 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 December 31, 2021. The term “disclosure controls and procedures,” as defined in Rules 13a15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits 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 a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company’s management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2021, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Annual Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of the company's registered public accounting firm due to a transition period established by rules of the SEC for newly public companies. Additionally, our auditors will not be required to opine on the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer an “emerging growth company” as defined in the JOBS Act.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended December 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of the Company’s fiscal year ended December 31, 2021.

Item 11. Executive Compensation

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of the Company’s fiscal year ended December 31, 2021.

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

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of the Company’s fiscal year ended December 31, 2021.

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

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of the Company’s fiscal year ended December 31, 2021.

Item 14. Principal Accounting Fees and Services

The information required under this item is incorporated herein by reference to the Company’s definitive proxy statement pursuant to Regulation 14A, which proxy statement will be filed with the SEC not later than 120 days after the close of the Company’s fiscal year ended December 31, 2021.

PART IV

Item 15. Exhibits, Financial Statement Schedules

The following documents are filed as a part of this Annual Report on Form 10-K:

a) Consolidated Financial Statements

The consolidated financial statements are filed as part of this Annual Report on Form 10-K under “Item 8. Financial Statements and Supplementary Data.”

b) Financial Statement Schedules

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable or because the information required is already included in the financial statements or in the notes to those financial statements.

c) Exhibits

The exhibits listed in the following Exhibit Index are filed, furnished, or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Index

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Flywire Corporation, incorporated by reference to Exhibit 3.1 to the Registrant’s Current Report on Form 8-K filed on June 1, 2021.
3.2	Amended and Restated Bylaws of Flywire Corporation, incorporated by reference to Exhibit 3.2 to the Registrant’s Current Report on Form 8-K filed on June 1, 2021.
4.1*	Description of Securities of Flywire Corporation
4.2	Amended and Restated Investors’ Rights Agreement, dated February 23, 2021, by and among the Registrant and certain security holders of the Registrant, as amended, incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 filed on May 3, 2021.
10.1	Form of Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.2#*	Amended and Restated 2009 Equity Incentive Plan and forms of agreements thereafter.
10.3#	2018 Stock Incentive Plan, as amended, and forms of equity agreements thereunder, incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.4#	2021 Equity Incentive Plan, and forms of equity agreements thereunder, incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.5#	2021 Employee Stock Purchase Plan, and form of subscription agreement, incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.6	Loan and Security Agreement, by and between the Registrant and certain of its subsidiaries and Silicon Valley Bank, dated January 16, 2018, as amended by the Joinder and First Amendment to Loan Security Agreement, dated April 25, 2018; the Joinder and Second Amendment to Loan and Security Agreement, dated May 15, 2020; the Third Amendment to Loan and Security Agreement, dated June 2, 2020; and the Consent and Fourth Amendment to Loan and Security Agreement, dated December 9, 2020, incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.7#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and Michael Massaro, incorporated by reference to Exhibit 10.7 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.

10.8#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and Rob Orgel, incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.9#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and Michael Ellis, incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.10#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and Peter Butterfield, incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.11#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and David King, incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.12#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and Sharon Butler, incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.13#	Employment Agreement, dated as of May 14, 2021, by and between the Registrant and John Talaga, incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.14	Office Lease, dated April 8, 2015, as amended by that certain First Amendment to Office Lease dated April 7, 2016 and that certain Second Amendment to Office Lease dated October 23, 2018, by and between the Registrant and NS 141 Tremont LLC, incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1/A filed on May 18, 2021.
10.15	Credit Agreement, dated as of July 29, 2021, by and among Flywire Corporation, the other Loan Parties party thereto from time to time, the Lenders party thereto from time to time, the Issuing Banks party thereto from time to time, and Citibank, incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed on August 4, 2021.
10.16	Pledge Agreement, dated as of July 29, 2021, by and among Flywire Corporation, the Grantors and the Administrative Agent, incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed on August 4, 2021.
21.1*	List of Subsidiaries of the Registrant.
23.1*	Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH	Inline XBRL Taxonomy Extension Schema Document

101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

# Indicates a management contract or compensatory plan

Item 16. Form 10-K Summary

None.

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.

FLYWIRE CORPORATION

Date: March 29, 2022	By:	/s/ Michael Massaro
		Michael Massaro
		Chief Executive Officer and Director

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Michael Massaro and Michael Ellis, and each of them, as his or her true and lawful attorneys-in-fact, proxies, and agents, each with full power of substitution, for him in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact, proxies, and agents full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact, proxies, and agents, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Michael Massaro Michael Massaro	Chief Executive Officer and Director (Principal Executive Officer)	March 29, 2022
/s/ Michael Ellis Michael Ellis	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2022
/s/ Phillip Riese Phillip Riese	Chairman of the Board of Directors	March 29, 2022
/s/ Yvonne Hao Yvonne Hao	Director	March 29, 2022
/s/ Jo Natauri Jo Natauri	Director	March 29, 2022
/s/ Alex Finkelstein Alex Finkelstein	Director	March 29, 2022
/s/ Matt Harris Matt Harris	Director	March 29, 2022
/s/ Edwin Santos Edwin Santos	Director	March 29, 2022

DESCRIPTION OF REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 13 OF THE SECURITIES EXCHANGE ACT

DESCRIPTION OF VOTING COMMON STOCK

The following description of the voting common stock, par value $0.0001 per share, of Flywire Corporation ("Flywire" or the "Company"), which is the only security of the Company registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), summarizes certain information regarding the voting common stock in the Company's amended and restated certificate of incorporation, as amended ("Restated Certificate of Incorporation"), the Company's amended and restated bylaws ("Bylaws") and applicable provisions of the Delaware general corporate law (the "DGCL"). The summary below is not complete and is subject to, and is qualified in its entirety by express reference to, the provisions of the Restated Certificate of Incorporation and Bylaws, each of which is filed as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part.

Authorized Capital Stock

Under the Restated Certificate of Incorporation, Flywire's authorized capital stock consists of 2,000,000,000 shares of voting common stock, $0.0001 par value per share, 10,000,000 shares of non-voting common stock, $0.0001 par value per share and 10,000,000 shares of preferred stock, $0.0001 par value per share.

Voting Common Stock and Non-voting Common Stock

General. The holders of the Company's common stock and non-voting common stock have identical rights, provided that, (i) except as otherwise expressly provided in the Restated Certificate of Incorporation or as required by applicable law, on any matter that is submitted to a vote by the Company's stockholders, holders of the Company's common stock are entitled to one vote per share of common stock, and holders of non-voting common stock are not entitled to any votes per share of non-voting common stock, including for the election of directors, and (ii) holders of the Company's common stock have no conversion rights, while each share of non-voting common stock automatically converts into common stock on a one-to-one basis without the payment of additional consideration upon the transfer thereof in (i) a widespread public distribution, including pursuant to Rule 144 under the Securities Act of 1933, as amended (the "Securities Act"), (ii) a transfer (including a private placement or a sale pursuant to Rule 144 under the Securities Act) in which no one party acquires the right to purchase 2% or more of any class of voting securities (as such term is used for the purposes of the Bank Holding Company Act of 1956, as amended), (iii) an assignment to a single party (for example, a broker or investment banker) for the purposes of conducting a widespread public distribution, or (iv) to a party who would control more than 50% of the Company's voting securities without giving effect to the shares of non-voting common stock transferred by the holder. Other than in the event of such transfers, shares of non-voting common stock shall not be convertible into any other security.

Flywire Common Stock Outstanding. The outstanding shares of the Company's common stock are duly authorized, validly issued, fully paid and nonassessable. The Company's voting common stock is listed and principally traded on The Nasdaq Global Select Market under the ticker symbol "FLYW."

Voting Rights. The holders of the Company's voting common stock are entitled to one vote per share. Stockholders do not have the ability to cumulate votes for the election of directors. Holders of shares of the Company's non-voting common stock are not entitled to vote on any matters on which stockholders are entitled to vote generally, including the election or removal of directors elected by the Company's stockholders. Accordingly, holders of a majority of the Company's voting common stock entitled to vote at an election of directors may elect all of the directors standing for election. The Restated Certificate of Incorporation and Bylaws provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms. Only one class of directors will be elected at each annual meeting of the Company's stockholders, with the other classes continuing for the remainder of their respective three-year terms.

Dividends. Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of the Company's voting common stock and non-voting common stock are entitled to receive dividends out of funds legally available if the Company's board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that the Company's board of directors may determine.

Liquidation. Upon the Company's dissolution, liquidation or winding-up, the assets legally available for distribution to the Company's stockholders are distributable ratably among the holders of the Company's common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

No Preemptive or Similar Rights.The Company's voting common stock and non-voting common stock is not entitled to preemptive rights and is not subject to conversion, redemption or sinking fund provisions.

Transfer Agent and Registrar. The transfer agent and registrar for the Company's common stock is Computershare Inc.

Preferred Stock

The Company's board of directors is authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series and to fix the designation, powers, preferences and rights of the shares of each series and any associated qualifications, limitations or restrictions. The Company's board of directors also can increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by the Company's stockholders. The Company's board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of the Company and may adversely affect the market price of the Company's voting common stock and the voting and other rights of the holders of common stock.

Certain Anti-Takeover Effects of Delaware Law

Some provisions of Delaware law and the Restated Certificate of Incorporation and Bylaws could make the following transactions more difficult: the Company's acquisition by means of a tender offer; the Company's acquisition by means of a proxy contest or otherwise; or removal of the Company's incumbent officers and directors.

Section 203 of the DGCL is applicable to takeovers of Delaware corporations. Section 203 prevents some Delaware corporations from engaging, under some circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation's assets with any interested stockholder, meaning a stockholder who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation's outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became an interested stockholder;

- upon closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding those shares owned (i) by persons who are directors and also officers and (ii) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

- subsequent to such time that the stockholder became an interested stockholder the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or amended and restated bylaws resulting from a stockholders' amendment approved by at least a majority of the outstanding voting shares. The Company has not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of the Company may be discouraged or prevented.

Certain Provisions of the Company's Restated Certificate of Incorporation and Bylaws

The Restated Certificate of Incorporation and Bylaws contain provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of the Company's management team, including the following:

Board of directors vacancies. The Restated Certificate of Incorporation and Bylaws authorize the Company's board of directors to fill vacant directorships, including newly-created seats. In addition, the number of directors constituting the Company's board of directors will be set only by resolution adopted by a majority vote of the Company's entire board of directors. These provisions will prevent a stockholder from increasing the size of the Company's board of directors and gaining control of the Company's board of directors by filling the resulting vacancies with its own nominees.

- *Classified board*. The Restated Certificate of Incorporation and Bylaws provide that the Company's board of directors is classified into three classes of directors, each of which will hold office for a three-year term. In addition, directors may only be removed from the board of directors for cause and only by the approval of 66 2/3% of the then-outstanding shares of the Company's voting common stock. A third party may be discouraged from making a tender offer or otherwise attempting to obtain control of us as it is more difficult and time consuming for stockholders to replace a majority of the directors on a classified board of directors.

- *Stockholder action; special meeting of stockholders*. The Restated Certificate of Incorporation and Bylaws provide that stockholders are not be able to take action by written consent, and are only be able to take action at annual or special meetings of the Company's stockholders. Stockholders are not be permitted to cumulate their votes for the election of directors. The Restated Certificate of Incorporation and Bylaws further provide that special meetings of the Company's stockholders may be called only by a majority vote of the Company's entire board of directors, the chairman of the Company's board of directors or the Company's chief executive officer.

- *Advance notice requirements for stockholder proposals and director nominations.* The Restated Certificate of Incorporation and Bylaws provide advance notice procedures for stockholders seeking to bring business before the Company's annual meeting of stockholders, or to nominate candidates for election as directors at any meeting of stockholders. The Bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions may preclude the Company's stockholders from bringing matters before the Company's annual meeting of stockholders or from making nominations for directors at the Company's meetings of stockholders.

- *Issuance of undesignated preferred stock*. The Company's board of directors have, the authority, without further action by the holders of common stock, to issue up to 10,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors. The existence of authorized but unissued shares of preferred stock will enable the Company's board of directors to render more difficult or discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Choice of Forum

The Restated Certificate of Incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on the Company's behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the DGCL, the Restated Certificate of Incorporation and Bylaws or any action asserting a claim against us that is governed by the internal affairs doctrine. This provision would not apply to claims brought to enforce a duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction. The Restated Certificate of Incorporation provides further that the federal district courts of the United States will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. These choices of forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with the Company or the Company's directors, officers or other employees and may discourage these types of lawsuits. Furthermore, the enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that a court could find these types of provisions to be inapplicable or unenforceable. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive-forum provisions, and there can be no assurance that such provisions will be enforced by a court in those other jurisdictions. If a court were to find the exclusive-forum provision contained in the Company's amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, the Company may incur additional costs associated with resolving such action in other jurisdictions, which could harm the Company's business.

Exhibit 10.2

PEERTRANSFER CORPORATION

AMENDED AND RESTATED EQUITY INCENTIVE PLAN

1. Purpose and Eligibility. The purpose of this Amended and Restated Equity Incentive Plan (the "Plan") of peerTransfer Corporation, a Delaware corporation (the "Company") is to provide stock options, stock issuances and other equity interests in the Company (each, an "Award") to natural persons that serve as Employees, officers, directors, Consultants and advisors of the Company and its Parents and Subsidiaries. Any person to whom an Award has been granted under the Plan is called a "**Participant**." Additional definitions are contained in Section 11.

2. Administration a. Administration by Board of Directors. The Plan will be administered by the Board of Directors of the Company (the **"Board"**). The Board, in its sole discretion, shall have the authority to grant and amend Awards, to adopt, amend and repeal rules relating to the Plan and to interpret and correct the provisions of the Plan and any Award. The Board shall have authority, subject to the express limitations of the Plan, (i) to construe and determine the respective Award Agreement, Awards and the Plan, (ii) to prescribe, amend and rescind rules and regulations relating to the Plan and any Awards, (iii) to determine the terms and provisions of the respective Award Agreements and Awards, which need not be identical, (iv) to initiate an Option Exchange Program, and (v) to make all other determinations in the judgment of the Board of Directors necessary or desirable for the administration and interpretation of the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Award Agreement or Award in the manner and to the extent it shall deem expedient to carry the Plan, any Award Agreement or Award into effect and it shall be the sole and final judge of such expediency. All decisions by the Board shall be final and binding on all interested persons. Neither the Company nor any member of the Board shall be liable for any action or determination relating to the Plan.

b. Appointment of Committee. To the extent permitted by applicable law, the Board may delegate any or all of its powers under the Plan to one or more committees or subcommittees of the Board (a **"Committee"**). If so delegated, all references in the Plan to the **"Board"** shall mean such Committee or the Board.

3. Stock Available for Awards.

a. Number of Shares. Subject to adjustment under Section 3(b), the aggregate number of shares of Common Stock that may be issued pursuant to the Plan is the Available Shares (as specified on the last page hereof). If any Award expires, or is terminated, surrendered or forfeited, in whole or in part, the unissued Common Stock covered by such Award shall again be available for the grant of Awards under the Plan. If an Award granted under the Plan shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to such Award shall again be available for subsequent Awards under the Plan, and if shares of Common Stock issued pursuant to the Plan are repurchased by, or are surrendered or forfeited to, the Company at no more than the price paid for such shares, such shares of Common Stock shall again be available for the grant of Awards under the Plan. Shares issued under the Plan may consist in whole or in part of authorized but unissued shares or treasury shares.

b. Adjustment to Common Stock. Subject to Section 7, in the event of any stock split, reverse stock split, stock dividend, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, combination, exchange of shares, liquidation, spin-off, split-up, or other similar change in capitalization or similar event, (i) the number and class of Available Shares and the per-Participant share limit, (ii) the number and class of securities, vesting schedule and exercise price per share subject to each outstanding Option, (iii) the repurchase price per security subject to repurchase, and (iv) the terms of each other outstanding Award shall be adjusted by the Company (or substituted Awards may be made, if applicable) to the extent the Board shall determine, in good faith, that such an adjustment (or substitution) is appropriate. Any such adjustment to outstanding Awards will be effected in a manner that precludes the enlargement of rights and benefits under such Awards.

4. Stock Options.

a. General. The Board may grant options to purchase Common Stock (each, an "**Option**") and determine the number of shares of Common Stock to be covered by each Option, the exercise price of each Option and the conditions and limitations applicable to the exercise of each Option and the shares of Common Stock issued upon the exercise of each Option, including, but not limited to, vesting provisions, repurchase provisions and restrictions relating to applicable federal or state securities laws. Each Option will be evidenced by an Award Agreement, consisting of a Notice of Stock Option Award and Stock Option Award Terms (collectively, an "**Award Agreement**").

b. Incentive Stock Options. An Option that the Board intends to be an incentive stock option (an "**Incentive Stock Option**") as defined in Section 422 of the Code, as amended, or any successor statute ("**Section 422**"), shall be granted only to an employee of the

Company and shall be subject to and shall be construed consistently with the requirements of Section 422 and regulations thereunder. The Board and the Company shall have no liability if an Option or any part thereof that is intended to be an Incentive Stock Option does not qualify as such. An Option or any part thereof that does not qualify as an Incentive Stock Option is referred to herein as a "**Nonstatutory Stock Option**" or "**Nonqualified Stock Option**."

c. Dollar Limitation. For so long as the Code shall so provide, Options granted to any employee under the Plan (and any other incentive stock option plans of the Company) which are intended to qualify as Incentive Stock Options shall not qualify as Incentive Stock Options to the extent that such Options, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate Fair Market Value (as defined below) (determined as of the respective date or dates of grant) of more than $100,000. The amount of Incentive Stock Options which exceed such $100,000 limitation shall be deemed to be Nonqualified Stock Options. For the purpose of this limitation, unless otherwise required by the Code or regulations of the Internal Revenue Service or determined by the Board, Options shall be taken into account in the order granted, and the Board may designate that portion of any Incentive Stock Option that shall be treated as Nonqualified Option in the event that the provisions of this paragraph apply to a portion of any Option. The designation described in the preceding sentence may be made at such time as the Committee considers appropriate, including after the issuance of the Option or at the time of its exercise.

d. Exercise Price. The Board shall establish the exercise price (or determine the method by which the exercise price shall be determined) at the time each Option is granted and specify the exercise price in the applicable Award Agreement, provided, however, in no event may the per share exercise price of an Incentive Stock Option be less than the Fair Market Value of the Common Stock on the date such Option is granted. In the case of an Incentive Stock Option granted to a Participant who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, then the exercise price shall be no less than 110% of the Fair Market Value of the Common Stock on the date of grant. In the case of a grant of an Incentive Stock Option to any other Participant, the exercise price shall be no less than 100% of the Fair Market Value of the Common Stock on the date of grant.

e. Duration of Options. Each Option shall be exercisable at such times and subject to such terms and conditions as the Board may specify in the applicable Award Agreement; provided, that the term of any Incentive Stock Option may not be more than ten (10) years from the date of grant. In the case of an Incentive Stock Option granted to a Participant who, at the time of grant of such Option, owns stock representing more than ten percent (10%) of the voting power of all classes of stock of the Company or any Parent or Subsidiary, the term of the Option shall be no longer than five (5) years from the date of grant.

f. Exercise of Option. Options may be exercised only by delivery to the Company of a written notice of exercise signed by the proper person together with payment in full as specified in Section 4(g) and the Award Agreement for the number of shares for which the Option is exercised.

g. Payment Upon Exercise. Common Stock purchased upon the exercise of an Option shall be paid for by one or any combination of the following forms of payment as permitted by the Board in its sole and absolute discretion:

i. by check payable to the order of the Company;

ii. only if the Common Stock is then publicly traded, by delivery of an irrevocable and unconditional undertaking by a creditworthy broker to deliver promptly to the Company sufficient funds to pay the exercise price, or delivery by the Participant to the Company of a copy of irrevocable and unconditional instructions to a creditworthy broker to deliver promptly to the Company cash or a check sufficient to pay the exercise price;

iii. to the extent explicitly provided in the applicable Award Agreement, by delivery of shares of Common Stock owned by the Participant valued at Fair Market Value;

iv. by delivery of a promissory note of the Participant, with full recourse to the Participant, to the Company (and delivery to the Company by the Participant of a check in an amount equal to the par value of the shares purchased); or

v. payment of such other lawful consideration as the Board may determine.

Except as otherwise expressly set forth in a Award Agreement, the Board shall have no obligation to accept consideration other than cash and in particular, unless the Board so expressly provides, in no event will the Company accept the delivery of shares of Common Stock that have not been owned by the Participant at least six months prior to the exercise. The fair market value of any shares of the Company's Common Stock or other non-cash consideration which may be delivered upon exercise of an Option shall be determined in such manner as may be prescribed by the Board.

h. Acceleration, Extension, Etc. The Board may, in its sole discretion, and in all instances subject to any relevant tax and accounting considerations which may adversely impact or impair the Company, (i) accelerate the date or dates on which all or any particular Options or Awards granted under the Plan may be exercised, or (ii) extend the dates during which all or any particular Options or Awards granted under the Plan may be exercised or vest.

i. Determination of Fair Market Value. If, at the time an Option is granted under the Plan, the Company's Common Stock is publicly traded under the Exchange Act, **"Fair Market Value"** shall mean (i) if the Common Stock is listed on any established stock exchange or a national market system, including without limitation the Nasdaq National Market or The Nasdaq Small Cap Market of The Nasdaq Stock Market, its fair market value shall be the last reported sales price for such stock (on that date) or the closing bid, if no sales were reported as quoted on such exchange or system as reported in *The Wall Street Journal* or such other source as the Board deems reliable; or (ii) the average of the closing bid and asked prices last quoted (on that date) by an established quotation service for over-the-counter securities, if the Common Stock is not reported on a national market system. In the absence of an established market for the Common Stock, the fair market value thereof shall be determined in good faith by the Board after taking into consideration all factors which it deems appropriate.

5. Restricted Stock

a. Grants. The Board may grant Awards to Participants of restricted shares of Common Stock, subject to (i) delivery to the Company by the Participant of a check in an amount at least equal to the par value of the shares purchased, and (ii) the right of the Company to repurchase all or part of such shares at their issue price or other stated or formula price from the Participant in the event that conditions specified by the Board in the applicable Award are not satisfied prior to the end of the applicable restriction period or periods established by the Board for such Award (each, a **"Restricted Stock Award"**).

b. Terms and Conditions. The Board shall determine the terms and conditions of any such Restricted Stock Award. Any stock certificates issued in respect of a Restricted Stock Award shall be registered in the name of the Participant and, unless otherwise determined by the Board, deposited by the Participant, together with a stock power endorsed in blank, with the Company (or its designee). After the expiration of the applicable restriction periods, the Company (or such designee) shall deliver the certificates no longer subject to such restrictions to the Participant or, if the Participant has died, to the beneficiary designated by a Participant, in a manner determined by the Board, to receive amounts due or exercise rights of the Participant in the event of the Participant's death (the **"Designated Beneficiary"**). In the absence of an effective designation by a Participant, Designated Beneficiary shall mean the Participant's estate.

6. Other Stock-Based Awards. The Board shall have the right to grant other Awards based upon the Common Stock having such terms and conditions as the Board may determine, including, without limitation, the grant of shares based upon certain conditions, the grant of securities convertible into Common Stock and the grant of stock appreciation rights, phantom stock awards or stock units.

7. General Provisions Applicable to Awards.

a. Transferability of Awards. Except as the Board may otherwise determine or provide in an Award, Awards shall not be sold, assigned, transferred, pledged or otherwise encumbered by the person to whom they are granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution, and, during the life of the Participant, shall be exercisable only by the Participant; provided, however, except as the Board may otherwise determine or provide in an Award, that Nonstatutory Stock Options and Restricted Stock Awards may be transferred pursuant to a qualified domestic relations order (as defined in Employee Retirement Income Security Act of 1974, as amended) or to a grantor-retained annuity trust or a similar estate-planning vehicle in which the trust is bound by all provisions of the Award Agreement and Restricted Stock Award, which are applicable to the Participant. References to a Participant, to the extent relevant in the context, shall include references to authorized transferees.

b. Documentation. Each Award under the Plan shall be evidenced by a written instrument in such form as the Board shall determine or as executed by an officer of the Company pursuant to authority delegated by the Board. Each Award may contain terms and conditions in addition to those set forth in the Plan, *provided that* such terms and conditions do not contravene the provisions of the Plan or applicable law.

c. Board Discretion. The terms of each type of Award need not be identical, and the Board need not treat Participants uniformly.

d. Additional Award Provisions. The Board may, in its sole discretion, include additional provisions in any Award Agreement, Restricted Stock Award or other Award granted under the Plan, including without limitation restrictions on transfer, repurchase rights, commitments to pay cash bonuses, to make, arrange for or guaranty loans or to transfer other property to Participants upon exercise of Awards, or transfer other property to Participants upon exercise of Awards, or such other provisions as shall be determined by the Board; provided that such additional provisions shall not be inconsistent with any other term or condition of the Plan or applicable law.

e. Termination of Status. The Board shall determine the effect on an Award of the Disability, death, retirement, authorized leave of absence or other change in the employment or other status of a Participant and the extent to which, and the period during which, the

Participant, or the Participant's legal representative, conservator, guardian or Designated Beneficiary, may exercise rights under the Award, subject to applicable law and the provisions of the Code related to Incentive Stock Options.

f. Change of Control of the Company

i. Unless otherwise expressly provided in the applicable Award Agreement or Restricted Stock Award or other Award, in connection with the occurrence of a Change of Control (as defined below), the Board shall, in its sole discretion as to any outstanding Award (including any portion thereof; on the same basis or on different bases, as the Board shall specify), take one or any combination of the following actions:

A. make appropriate provision for the continuation of such Award, by the Company or the assumption of such Award by the surviving or acquiring entity and by substituting on an equitable basis for the shares then subject to such Award either (x) the consideration payable with respect to the outstanding shares of Common Stock in connection with the Change of Control, (y) shares of stock of the surviving or acquiring corporation or (z) such other securities as the Board deems appropriate, the Fair Market Value of which shall not materially differ from the Fair Market Value of the shares of Common Stock subject to such Award immediately preceding the Change of Control (as determined by the Board in its sole discretion);

B. accelerate, in whole or in part, the date of exercise or vesting of such Award;

C. permit the exchange of such Award for the right to participate in any stock option or other employee benefit plan of any successor corporation;

D. provide for the termination of such Award immediately prior to the consummation of the Change of Control; provided that no such termination will be effective if the Change of Control is not consummated; or

E. provide for the repurchase of the Award for an amount equal to the difference of (i) the consideration received per share for the securities underlying the Award in the Change of Control minus (ii) the per share exercise price of such securities. Such amount shall be payable in cash or the property payable in respect of such securities in connection with the Change, of Control. The value of any such property shall be determined by the Board in its discretion.

g. Dissolution or Liquidation. In the event of the proposed dissolution or liquidation of the Company, the Board shall notify each Participant as soon as practicable prior to the effective date of such proposed transaction. The Board in its sole discretion may provide for a Participant to have the right to exercise his or her Award until fifteen (15) days prior to such transaction as to all of the shares of Common Stock covered by the Option or Award, including shares as to which the Option or Award would not otherwise be exercisable, which exercise may in the sole discretion of the Board, be made subject to and conditioned upon the consummation of such proposed transaction. In addition, the Board may provide that any Company repurchase option applicable to any shares of Common Stock purchased upon exercise of an Option or Award shall lapse as to all such shares of Common Stock, provided the proposed dissolution and liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Award will terminate upon the consummation of such proposed action.

h. Assumption of Options Upon Certain Events. In connection with a merger or consolidation of an entity with the Company or the acquisition by the Company of property or stock of an entity, the Board may grant Awards under the Plan in substitution for stock and stock-based awards issued by such entity or an affiliate thereof. The substitute Awards shall be granted on such terms and conditions as the Board considers appropriate in the circumstances.

i. Parachute Payments and Parachute Awards. Notwithstanding the provisions of Section 7(f), if, in connection with a Change of Control described therein, a tax under Section 4999 of the Code would be imposed on the Participant (after taking into account the exceptions set forth in Sections 280G(b)(4) and 280G(b)(5) of the Code), then the number of Awards which shall become exercisable, realizable or vested as provided in such Section shall be reduced (or delayed), to the minimum extent necessary, so that no such tax would be imposed on the Participant (the Awards not becoming so accelerated, realizable or vested, the **"Parachute Awards"**); provided, however, that if the "aggregate present value" of the Parachute Awards would exceed the tax that, but for this sentence, would be imposed on the Participant under Section 4999 of the Code in connection with the Change of Control, then the Awards shall become immediately exercisable, realizable and vested without regard to the provisions of this sentence. For purposes of the preceding sentence, the "aggregate present value" of an Award shall be calculated on an after-tax basis (other than taxes imposed by Section 4999 of the Code) and shall be based on economic principles rather than the principles set forth under Section 280G of the Code and the regulations promulgated thereunder. All determinations required to be made under this Section 7(i) shall be made by the Company.

j. Amendment of Awards. The Board may amend, modify or terminate any outstanding Award including, but not limited to, substituting therefor another Award of the same or a different type, changing the date of exercise or realization, and converting an Incentive Stock Option to a Nonstatutory Stock Option, *provided that* the Participant's consent to such action shall be required unless the Board determines that the action, taking into account any related action, would not materially and adversely affect the Participant.

k. Conditions on Delivery of Stock. The Company will not be obligated to deliver any shares of Common Stock pursuant to the Plan or to remove restrictions from shares previously delivered under the Plan until (i) all conditions of the Award have been met or removed to the satisfaction of the Company, (ii) in the opinion of the Company's counsel, all other legal matters in connection with the issuance and delivery of such shares have been satisfied, including any applicable securities laws and any applicable stock exchange or stock market rules and regulations, and (iii) the Participant has executed and delivered to the Company such representations or agreements as the Company may consider appropriate to satisfy the requirements of any applicable laws, rules or regulations.

l. Acceleration. The Board may at any time provide that any Options shall become immediately exercisable in full or in part, that any Restricted Stock Awards shall be free of some or all restrictions, or that any other stock-based Awards may become exercisable in full or in part or free of some or all restrictions or conditions, or otherwise realizable in full or in part, as the case may be, despite the fact that the foregoing actions may (i) cause the application of Sections 280G and 4999 of the Code if a Change of Control of the Company occurs, or (ii) disqualify all or part of the Option as an Incentive Stock Option.

m. Time of Granting Awards. The grant of an Award shall, for all purposes, be the date on which the Company completes the corporate action relating to the grant of such Award and all conditions to the grant have been satisfied, provided that conditions to the grant, exercise or vesting of an Award shall not defer the date of grant. Notice of a grant shall be given to each Participant to whom an Award is so granted within a reasonable time after the determination has been made.

n. Participation in Foreign Countries. The Board shall have the authority to adopt such modifications, procedures, and subplans as may be necessary or desirable to comply with provisions of the laws of foreign countries in which the Company or its Subsidiaries may operate to assure the viability of the benefits from Awards granted to Participants performing services in such countries and to meet the objectives of the Plan.

8. Withholding. The Company shall have the right to deduct from payments of any kind otherwise due to the optionee or recipient of an Award any federal, state or local taxes of any kind required by law to be withheld with respect to any shares issued upon exercise of Options under the Plan or the purchase of shares subject to the Award. Subject to the prior approval of the Company, which may be withheld by the Company in its sole discretion, the optionee or recipient of an Award may elect to satisfy such obligation, in whole or in part, (a) by causing the Company to withhold shares of Common Stock otherwise issuable pursuant to the exercise of an Option or the purchase of shares subject to an Award or (b) by delivering to the Company shares of Common Stock already owned by the optionee or Award recipient of an Award. The shares so delivered or withheld shall have a Fair Market Value of the shares used to satisfy such withholding obligation as shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. An optionee or recipient of an Award who has made an election pursuant to this Section may only satisfy his or her withholding obligation with shares of Common Stock which are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar requirements.

9. No Exercise of Option if Engagement or Employment Terminated for Cause. If the employment or engagement of any Participant is terminated “for Cause”, the Award may terminate, upon a determination of the Board, on the date of such termination and the Option shall thereupon not be exercisable to any extent whatsoever and the Company shall have the right to repurchase any shares of Common Stock subject to a Restricted Stock Award whether or not such shares have vested. For purposes of this Section 9, **“for Cause”** shall be defined as follows: (i) if the Participant has executed an employment agreement, the definition of “cause” contained therein, if any, shall govern, or (ii) conduct, as determined by the Board of Directors, involving one or more of the following: (a) gross misconduct or inadequate performance by the Participant which is injurious to the Company; or (b) the commission of an act of embezzlement, fraud or theft, which results in economic loss, damage or injury to the Company; or (c) the unauthorized disclosure of any trade secret or confidential information of the Company (or any client, customer, supplier or other third party who has a business relationship with the Company) or the violation of any noncompetition or nonsolicitation covenant or assignment of inventions obligation with the Company; or (d) the commission of an act which constitutes unfair competition with the Company or which induces any customer or prospective customer of the Company to breach a contract with the Company or to decline to do business with the Company; or (e) the indictment of the Participant for a felony or serious misdemeanor offense, either in connection with the performance of his or her obligations to the Company or which shall adversely affect the Participant’s ability to perform such obligations; or (f) the commission of an act of fraud or breach of fiduciary duty which results in loss, damage or injury to the Company; or (g) the failure of the Participant to perform in a material respect his or her employment, consulting or advisory obligations without proper cause. In making such determination, the Board shall act fairly and in utmost good faith. The Board may in its discretion waive or modify the provisions of this Section at a meeting of the Board with respect to any individual Participant with regard to the facts and circumstances of any particular situation involving a determination under this Section.

10. Pre-Exercise Information Requirement.

a. Application of Requirement. This Section 10 shall apply only during a period that (i) commences when the Company begins to rely on the exemption described in Rule 12h-1(f)(1) under the Exchange Act, as determined by the Company in its sole discretion, and (ii) ends on the earlier of (A) the date when the Company ceases to rely on such exemption, as determined by the Company in its sole discretion, or (B) the date when the Company becomes subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act. In addition, this Section 10 shall in no event apply to an Option holder after he or she has fully exercised all of his or her Options.

b. Scope of Requirement. The Company shall provide to each Option holder the information described in Rule 701(e)(3), (4) and (5) under the Securities Act. Such information shall be provided at six-month intervals, and the financial statements included in such information shall not be more than 180 days old. The foregoing notwithstanding, the Company shall not be required to provide such information unless the Option holder has agreed in writing, on a form prescribed by the Company, to keep such information confidential.

11. Miscellaneous.

a. Definitions.

i. **"Change of Control"** means (a) a merger, consolidation or similar transaction in which (i) the Company is a constituent party or (ii) a subsidiary of the Company is a constituent party and the Company issues shares of its capital stock pursuant to such merger, consolidation or similar transaction, except any such merger consolidation or similar transaction involving the Company or a subsidiary in which the holders of shares of capital stock of the Company outstanding immediately prior to such merger, consolidation or similar transaction continue to represent, or such holders' shares are converted into or exchanged for shares of capital stock that represent, immediately following such merger, consolidation or similar transaction, at least a majority, by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger, consolidation or similar transaction, the parent corporation of such surviving or resulting corporation, in each case, with rights, preferences, powers and other provisions that are substantially identical to the rights, preferences, powers and other provisions of the capital stock each such holder held immediately prior to such merger, consolidation or similar transaction; or (b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Company or any subsidiary of the Company of all or substantially all the assets of the Company and its subsidiaries taken as a whole, or the sale or disposition (whether by merger, consolidation or otherwise) of one or more subsidiaries of the Company if substantially all of the assets of the Company and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Company.

ii. **"Code"** means the Internal Revenue Code of 1986, as amended, and any regulations promulgated thereunder.

iii. **"Common Stock"** means the common stock, par value $0.0001 per share, of the Company.

iv. **"Company",** for purposes of eligibility under the Plan, shall include any present or future subsidiary corporations of peerTransfer Corporation, as defined in Section 424(f) of the Code (a **"Subsidiary"**), and any present or future parent corporation of peerTransfer Corporation, as defined in Section 424(e) of the Code (a **"Parent"**). For purposes of Awards other than Incentive Stock Options, the term **"Company"** shall include any other business venture in which the Company has a direct or indirect significant interest, as determined by the Board in its sole discretion.

v. **"Consultant"** means a person, excluding Employees and Outside Directors, who perform bona fide services for the Company, a Parent or a Subsidiary as a consultant or advisor and who qualifies as a consultant under Rule 701(c)(1) of the Securities Act.

vi. **"Disability"** has the meaning set forth in Code Section 22(e)(3).

vii. **"Effective Date"** means the date the Plan is adopted by the Company's Board of Directors.

viii. **"Employee"** for purposes of eligibility under the Plan shall include a person to whom an offer of employment has been extended by the Company, its Parents or Subsidiaries.

ix. **"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

x. **"Option Exchange Program"** means a program whereby outstanding options are exchanged for options with a lower exercise price.

xi. **"Outside Director"** means a member of the Board who is not an Employee.

xii. **"Securities Act"** means the Securities Act of 1933, as amended.

b. No Right To Employment or Other Status. No person shall have any claim or right to be granted an Award, and the grant of an Award shall not be construed as giving a Participant the right to continued employment or any other relationship with the Company. The Company expressly reserves the right at any time to dismiss or otherwise terminate its relationship with a Participant free from any liability or claim under the Plan.

c. No Rights As Stockholder. Subject to the provisions of the applicable Award, no Participant or Designated Beneficiary shall have any rights as a stockholder with respect to any shares of Common Stock to be distributed with respect to an Award until becoming the record holder thereof.

d. Compliance with Law. The Company shall not be required to sell or issue any shares of Common Stock under any Award if the sale or issuance of such shares would constitute a violation by the Participant, any other individual exercising an Option, or the Company of any provision of any law or regulation of any governmental authority, including without limitation any federal or state securities laws or regulation. If at any time the Company shall determine, in its discretion, that the listing, registration or qualification of any share subject to an Award up on any security exchange or under any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the issuance or purchase of shares hereunder, no shares of Common Stock may be issued or sold to the Participant or any other individual exercising an Option pursuant to such Award unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not acceptable to the Company, and any delay caused thereby shall in no way effect the date of termination of the Award. Any determination in this connection by the Board shall be final, binding and conclusive. The Company may, but shall in no event be obligated to, register any securities covered hereby pursuant to the Securities Act. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option or the issuance of shares of Common Stock pursuant to the Plan to comply with any law or regulation of any governmental authority. As to any jurisdiction that expressly imposes that a Option shall not be exercised until the shares of Common Stock covered by such Option are registered or exempt from registration, the exercise of such Option (under circumstances in which the laws of such jurisdiction apply) shall be deemed conditioned up on the effectiveness of such registration or availability of such an exemption.

e. Effective Date and Term of Plan. The Plan shall become effective on the date on which it is adopted by the Board. No Awards shall be granted under the Plan after the completion of ten years from the date on which the Plan was adopted by the Board, but Awards previously granted may extend beyond that date.

f. Compliance with Laws and Regulations. The Plan is intended to comply with Section 25102(o) of the California Corporations Code and any regulations relating thereto. Any provision of this Plan that is inconsistent with Section 25102(o) or any regulations relating thereto shall, without further act or amendment by the Company or the Board, be reformed to comply with the requirements of Section 25102(o) and any regulations relating thereto. The exercise of the Option and the issuance and transfer of Shares shall be subject to compliance by the Company and Participant with all applicable requirements of federal and state securities laws and with all applicable requirements of any stock exchange on which the Company's Common Stock may be listed at the time of such issuance or transfer. Participant understands that the Company is under no obligation to register or qualify the Shares with the SEC, any state securities commission or any stock exchange to effect such compliance.

g. Section 409A.

i. Unless otherwise expressly set forth in an Award Agreement, it is intended that awards granted under the Plan shall be exempt from Code Section 409A, and any ambiguity in the terms of an Award Agreement and the Plan shall be interpreted consistently with this intent. To the extent an award is not exempt from Code Section 409A (any such award, a **"409A Award"**), any ambiguity in the terms of such award and the Plan shall be interpreted in a manner that to the maximum extent permissible supports the award's compliance with the requirements of that statute. Notwithstanding anything to the contrary, permitted under the Plan, in no event shall a modification of an Award not already subject to Code Section 409A be given effect if such modification would cause the Award to become subject to Code Section 409A unless the parties explicitly acknowledge and consent to the modification as one having that effect. A 409A Award shall be subject to such additional rules and requirements as specified by the Board from time to time in order for it to comply with the requirements of Code Section 409A. In this regard, if any amount under a 409A Award is payable upon a "separation from service" to an individual who is considered a "specified employee" (as each term is defined under Code Section 409A), then no such payment shall be made prior to the date that is the earlier of (A) six months and one day after the Participant's separation from service or (B) the Participant's death, but only to the extent such delay is necessary to prevent such payment from being subject to Code Section 409A(a)(1). In addition, if a transaction subject to Section 7(f) constitutes a payment event with respect to any 409A Award, then the transaction with respect to such Award must also constitute a "change in control event" as defined in Treasury Regulation Section 1.409A3(i)(5) to the extent required by Code Section 409A.

ii. Neither the Company nor any member of the Board shall have any liability to a Participant (or any person deriving their rights from a Participant) in the event an award held by the Participant fails to achieve its intended characterization under applicable tax law.

h. Treatment as Compensation. Any compensation that an individual earns or is deemed to earn under this Plan shall not be considered a part of his or her compensation for purposes of calculating contributions, accruals or benefits under any other plan or program that is maintained or funded by the Company, a Parent or a Subsidiary.

i. Amendment of Plan. The Board may amend, suspend or terminate the Plan or any portion thereof at any time. Any amendment of the Plan shall be subject to the approval of the Company's stockholders within 12 months of the amendment date if it (i) increases the number of Available Shares (except as provided for in Section 3(b)), (ii) materially changes the class of persons who are eligible for the grant of Incentive Stock Options, or (iii) elects any other material change to the Plan terms such that stockholder approval is required by applicable law. Stockholder approval shall not be required for any other amendment of the Plan.

j. Company's Right to Cancel Certain Options. Any other provision of the Plan or an Award Agreement notwithstanding, the Company shall have the right at any time to cancel an Option that was not granted in compliance with Rule 701 under the Securities Act. Prior to canceling such Option, the Company shall give the Option holder not less than 30 days' notice in writing. If the Company elects to cancel such an Option, it shall deliver to the Option holder consideration equal to the excess of (i) the Fair Market Value of the Common Stock subject to such Option as of the time of the cancellation over (ii) the Exercise Price of such Option. The consideration may be delivered in the form of cash or cash equivalents, in the form of Common Stock, or a combination of both. If the consideration would be a negative amount, such Option may be cancelled without the delivery of any consideration.

k. Governing Law. The provisions of the Plan and all Awards made hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware, without regard to any applicable conflicts of law principles.

Approvals

Original Plan:

Available Shares:	1,370,366
Adopted by the Board of Directors on:	______________________________
Approved by the Stockholder on:	______________________________

Exhibit 21.1

SUBSIDIARIES OF FLYWIRE CORPORATION

Name of Subsidiary	Jurisdiction of Organization
Flywire LATAM Corporation	United States of America
Flywire AEA Corporation	United States of America
Flywire Healthcare Corporation	United States of America
OnPlan Holdings LLC	United States of America
Flywire Securities Corporation	United States of America
Flywire Global Corp.	United States of America
Flywire Payments Corporation	United States of America
Simplificare Inc.	United States of America
Flywire Pacific Pty Ltd	Australia
Flywire Serviços Ltda.	Brazil
Flywire Canada, Inc.	Canada
Flywire Solutions India LLP	India
Simplificare Ltd.	Israel
Flywire G.K.	Japan
Flywire Europe, UAB	Lithuania
peerTransfer Commercial Consulting (Shanghai) Co., Ltd.	People’s Republic of China
Flywire Romania S.R.L	Romania
Flywire (Singapore) Pte. Ltd	Singapore
Flywire S.L.U.	Spain
Flywire Payments Ltd.	United Kingdom
WPM Group Limited	United Kingdom
WPM Education Limited	United Kingdom
WPM Payment Security Limited	United Kingdom
WPM Group Services Limited	United Kingdom
WPM Payments Limited	United Kingdom

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the incorporation by reference in the Registration Statement on Form S-8 (No. 333-256695) of Flywire Corporation of our report dated March 29, 2022 relating to the financial statements, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP
Boston, Massachusetts
March 29, 2022

Exhibit 31.1

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Massaro, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2021 of Flywire Corporation;
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 officer(s) 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)) 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) [omitted]
   - (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 officer(s) 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: March 29, 2022

By: /s/ Michael Massaro
Michael Massaro
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Ellis, certify that:

1. I have reviewed this Annual Report on Form 10-K for the year ended December 31, 2021 of Flywire Corporation;

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 officer(s) 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)) 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) [omitted]

   (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 officer(s) 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: March 29, 2022

By: /s/ Michael Ellis
Michael Ellis
Chief Financial Officer

Exhibit 32.1

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

In connection with the Annual Report of Flywire Corporation (the “Company”) on Form 10-K for the year ended December 31, 2021 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 result of operations of the Company.

Date: March 29, 2022

By: /s/ Michael Massaro

Michael Massaro
Chief Executive Officer

Exhibit 32.2

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

In connection with the Annual Report of Flywire Corporation (the “Company”) on Form 10-K for the year ended December 31, 2021 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 result of operations of the Company.

Date: March 29, 2022

By: /s/ Michael Ellis
Michael Ellis
Chief Financial Officer