

QUARTERLY REPORT

For the quarterly period ended March 31, 2020



Doofus Corporation

021-344061

(Securities and Exchange Commission File Number)

Delaware

(State of Incorporation or Organization)

37-1836035

(I.R.S. Employer Identification Number)

**Badenerstrasse 549, 8048 Zurich
Switzerland**

(Address of Principal Executive Offices)

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(Telephone Number)

The number of shares of common stock outstanding as of March 31, 2020 was 501,500,000.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report 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, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report include, but are not limited to, statements about:

- our ability to attract and retain users and increase their level of engagement;
- our plans regarding health and safety and our other top priorities, including our expectations regarding the impact on our reported metrics, policies and enforcement;
- the impact of the COVID-19 pandemic and related responses of businesses and governments to the pandemic on our operations and personnel, and on commercial activity and on our operating results;
- our ability to develop new products, product features and services, improve our existing products and services, including and increase the value of our products and services;
- our business strategies, plans and priorities, including our plans for growth and hiring, investment in our research and development efforts and our plans to scale capacity and enhance capability and reliability of our infrastructure, including capital expenditures relating to infrastructure;
- our work to increase the stability, performance, development velocity and scale of our products;
- our ability to provide content from third parties, including our ability to secure content on terms that are acceptable to us;
- our expectations regarding our user growth and growth rates and related opportunities;
- our ability to increase our revenue and our revenue growth rate;
- our ability to monetize and improve monetization of our products and services;
- our future financial performance, including revenue, cost of revenue, operating expenses, including stock-based compensation and income taxes;
- our expectations regarding certain deferred tax assets and fluctuations in our tax expense and cash taxes;
- the impact of privacy and data protection laws and regulations;
- the impact of content-related legislation or regulation;
- our expectations on future litigation or the decisions of the courts;
- the effects of trends on our results of operations;
- the impact of our future transactions and corporate structuring on our income and other taxes;
- the sufficiency of our cash and cash equivalents together with cash generated from operations to meet our working capital and capital expenditure requirements;
- our ability to timely and effectively develop, invest in, scale and adapt our existing technology and network infrastructure;
- our ability to successfully acquire and integrate companies and assets; and
- our expectations regarding international operations and foreign exchange gains and losses.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, operating results, cash flows or prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled “Risk Factors” and elsewhere in this Quarterly Report. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report to reflect events or circumstances after the date of this Quarterly Report or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

DOOFUS CORPORATION

BALANCE SHEETS
(Unaudited)

	March 31, 2020	December 31, 2019
Assets		
Current Assets:		
Cash and Cash Equivalents	\$ 813	\$ 369
Prepaid Expenses and Other Current Assets	49	183
Total Current Assets	862	552
Property and Equipment, Net	1,730	-
Total Assets	2,592	552
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts Payable	(1)	695
Accrued and Other Current Liabilities	(39)	-
Due to Directors and Stockholders	7,584	2,880
Total Current Liabilities	7,544	3,575
Deferred and Other Long-Term Tax Liabilities, Net	(3,707)	(3,383)
Total Liabilities	3,837	192
Commitments and Contingencies (Note 12)		
Stockholders' Equity:		
Common Stock, \$0.000001 Par Value – 1,000,000,000 Shares Authorized; 501,500,000 Shares Issued and Outstanding	502	502
Additional Paid-In Capital	14,998	14,998
Accumulated Other Comprehensive Loss	(1,605)	(10,880)
Accumulated Deficit	(15,140)	(4,260)
Total Stockholders' Equity	(1,245)	360
Total Liabilities and Stockholders' Equity	\$ 2,592	\$ 552

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

DOOFUS CORPORATION
STATEMENTS OF OPERATIONS
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
Revenue	\$ -	\$ -
Costs and Expenses		
Cost of Revenue	-	-
Research and Development	-	-
Sales and Marketing	-	-
General and Administrative	1,929	679
Total Costs and Expenses	1,929	679
Loss from Operations	(1,929)	(679)
Interest Expense	-	-
Interest Income	-	-
Other Expense, Net	-	-
Income Before Income Taxes	(1,929)	(679)
Benefit for Income Taxes	324	114
Net Loss	\$ (1,605)	\$ (565)
Net Loss per Share Attributable to Common Stockholders:		
Basic	\$ (0.000003)	\$ (0.000001)
Diluted	\$ (0.000003)	\$ (0.000001)
Weighted-Average Shares Used to Compute Net Loss per Share		
Attributable to Common Stockholders:		
Basic	501,500,000	500,000,000
Diluted	501,500,000	500,000,000

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

DOOFUS CORPORATION

STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
Net Loss	\$ (1,605)	\$ (565)
Other Comprehensive Income, Net of Tax	-	-
Net Change in Accumulated Other Comprehensive Income	-	-
Comprehensive Loss	\$ (1,605)	\$ (565)

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

DOOFUS CORPORATION

STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)

	Three Months Ended			
	March 31,			
	2020		2019	
	Shares	Amount	Shares	Amount
Common Stock				
Balance, Beginning of Period	501,500,000	\$ 502	500,000,000	\$ 500
Balance, End of Period	501,500,000	502	500,000,000	500
Additional Paid-In Capital				
Balance, Beginning of Period	-	14,998	-	-
Balance, End of Period	-	14,998	-	-
Accumulated Other Comprehensive Income				
Balance, Beginning of Period	-	-	-	-
Other Comprehensive Income	-	-	-	-
Balance, End of Period	-	-	-	-
Accumulated Deficit				
Balance, Beginning of Period	-	(15,140)	-	(4,260)
Net Loss	-	(1,605)	-	(565)
Balance, End of Period	-	(16,745)	-	(4,825)
Total Stockholders' Equity	501,500,000	\$ (1,245)	500,000,000	\$ (4,325)

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

DOOFUS CORPORATION
STATEMENTS OF CASH FLOWS
(Unaudited)

	Three Months Ended	
	March 31,	
	2020	2019
Cash Flows from Operating Activities		
Net Loss	\$ (1,605)	\$ (565)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Depreciation and Amortization Expense	91	-
Deferred Income Taxes	(324)	(114)
Other Adjustments	(55)	-
Changes in Assets and Liabilities:		
Prepaid Expenses and Other Assets	135	(135)
Accounts Payable	(696)	(2,671)
Accrued and Other Liabilities	16	-
Net Cash Used in Operating Activities	(2,438)	(3,485)
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(1,821)	-
Net Cash Used in Investing Activities	(1,821)	-
Cash Flows from Financing Activities		
Proceeds from Debt	4,703	3,390
Net Cash Provided by Financing Activities	4,703	3,390
Net Increase (Decrease) in Cash, Cash Equivalents and Restricted Cash	444	(95)
Cash, Cash Equivalents and Restricted Cash at Beginning of Period	369	286
Cash, Cash Equivalents and Restricted Cash at End of Period	\$ 813	\$ 191
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Changes in Accrued Property and Equipment Purchases	\$ (1,821)	\$ -
Reconciliation of Cash, Cash Equivalents and Restricted Cash as Shown in the Statements of Cash Flows		
Cash and Cash Equivalents	813	191
Restricted Cash Included in Prepaid Expenses and Other Current Assets	-	-
Restricted Cash Included in Other Assets	-	-
Total Cash, Cash Equivalents and Restricted Cash	\$ 813	\$ 191

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

DOOFUS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Unaudited)

Note 1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Doofus Corporation (the "Corporation") was incorporated in Delaware on August 29, 2016 and is headquartered in Zurich, Switzerland. The Corporation is engaged in the business of computer and software services.

Fiscal Year

The Corporation's fiscal year ends on December 31.

Basis of Presentation

The accompanying balance sheets as of March 31, 2020 and December 31, 2019 and the statements of operations, the statements of comprehensive income, statements of stockholders' equity and the statements of cash flows for the three months ended March 31, 2020 and 2019, respectively, are unaudited.

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles in the United States (U.S. GAAP). The unaudited financial statements reflect, in management's opinion, all adjustments of a normal, recurring nature that are necessary for the fair statement of the Corporation's financial position, results of operations and cash flows for the interim periods, but are not necessarily indicative of the results expected for the full fiscal year or any other period.

Use of Estimates

The preparation of the Corporation's financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosure of contingent assets and liabilities. Actual results could differ materially from the Corporation's estimates. To the extent that there are material differences between these estimates and actual results, the Corporation's financial condition or operating results will be affected. The Corporation bases its estimates on past experience and other assumptions that the Corporation believes are reasonable under the circumstances, and the Corporation evaluates these estimates on an ongoing basis.

COVID-19 Impacts

The COVID-19 pandemic has caused widespread economic disruption and has impacted the Corporation in several ways. The Corporation expects the extent of the impact on its financial and operational results will depend on the duration and severity of the economic disruption caused by the COVID-19 pandemic.

The Corporation considered the impacts of the COVID-19 pandemic on its significant estimates and judgments used in applying its accounting policies in the three months ended March 31, 2020. In light of the pandemic, there is a greater degree of uncertainty in applying these judgments and depending on the duration and severity of the pandemic, changes to its estimates and judgments could result in a meaningful impact on the Corporation's financial statements in future periods.

Recent Accounting Pronouncements

In December 2019, the FASB issued a new accounting standard update to simplify the accounting for income taxes. The new guidance removes certain exceptions for recognizing deferred taxes for investments, performing intraperiod allocation and calculating income taxes in interim periods. It also adds guidance to reduce complexity in certain areas, including recognizing deferred taxes for tax goodwill and allocating taxes to members of a consolidated group. The Corporation adopted this guidance on January 1, 2020, using the modified retrospective method, and the adoption did not have a material impact on the Corporation's financial statements and related disclosures.

With the exception of the standards discussed above, there have been no other recent accounting pronouncements or changes in accounting pronouncements during the three months ended March 31, 2020, as compared to the recent accounting pronouncements described in the Corporation's Financial Statements for the fiscal year ended December 31, 2019, that are of significance or potential significance to the Corporation.

Significant Accounting Policies

There have been no material changes to the Corporation's significant accounting policies from its Financial Statements for the fiscal year ended December 31, 2019.

Note 2. Revenue

Revenue Recognition

The Corporation is pre-revenue and will derive its revenues from subscription fees, which are comprised of once off and recurring subscription fees.

Note 3. Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	March 31, 2020	December 31, 2019
Cash	\$ 813	\$ 369
Total	\$ 813	\$ 369

Note 4. Fair Value Measurements

The Corporation measures its cash equivalents at fair value.

Note 5. Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following:

	March 31, 2020	December 31, 2019
Prepaid Expenses	\$ 49	\$ 183
Total	\$ 49	\$ 183

Note 6. Depreciation

Property and equipment are stated at cost. Depreciation is calculated on a straight-line basis over the estimated useful lives of those assets as follows:

Computer, Equipment and Software	3 to 9 years
Furniture and Fixtures	3 to 9 years
Leasehold Improvements	The remaining lease term or up to 10 years

When assets are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from their respective accounts and any loss on such retirement is reflected in operating expenses.

Note 7. Property and Equipment, Net

The following tables set forth property and equipment, net by type and by geographic area for the periods presented:

	March 31, 2020	December 31, 2019
Computers, Equipment and Software	\$ 1,821	\$ -
Total	1,821	-
Less: Accumulated Depreciation and Amortization	(91)	-
Property and Equipment, Net	\$ 1,730	\$ -

	March 31, 2020	December 31, 2019
Property and Equipment, Net:	\$ 1,730	\$ -
Switzerland	1,730	-
United States	-	-
Total Property and Equipment, Net	\$ 1,730	\$ -

Note 8. Accrued and Other Current Liabilities

The following table presents the detail of accrued and other current liabilities for the periods presented:

	March 31, 2020	December 31, 2019
Credit Cards	\$ (55)	\$ -
Subscription Fees	16	-
Total	\$ (39)	\$ -

Note 9. Net Loss per Share

Basic net loss per share is computed by dividing net loss attributable to common stockholders by the weighted-average common shares outstanding during the period.

Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, including potential dilutive common stock instruments.

The following table presents the calculation of basic and diluted net loss per share for periods presented:

	Three Months Ended	
	March 31,	
	2020	2019
Basic Net Loss per Share:		
Numerator		
Net Loss	\$ (1,605)	\$ (565)
Denominator		
Weighted-Average Common Shares Outstanding	501,500,000	500,000,000
Weighted-Average Shares Used to Compute Basic Net Loss per Share	501,500,000	500,000,000
Basic Net Loss per Share Attributable to Common Stockholders	\$ (0.000003)	\$ (0.000001)
Diluted Net Loss per Share:		
Numerator		
Net Loss	\$ (1,605)	\$ (565)
Denominator		
Number of Shares Used in Basic Computation	501,500,000	500,000,000
Weighted-Average Shares Used to Compute Diluted Net Loss per Share	501,500,000	500,000,000
Diluted Net Loss per Share Attributable to Common Stockholders	\$ (0.000003)	\$ (0.000001)

Note 10. Stockholders' Equity

2020 Equity Incentive Plan

The Corporation's 2020 Equity Incentive Plan was adopted by the Board of Directors on May 15, 2020 and approved by shareholders on June 24, 2020. The number of shares of the Corporation's common stock available for issuance under the 2020 Equity Incentive Plan is 100,000,000. Under the 2020 Equity Incentive Plan the Corporation may grant incentive stock options, non-statutory stock options and restricted stock to directors, officers, employees and consultants.

Note 11. Income Taxes

The Corporation's tax provision or benefit from income taxes for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items, if any. Each quarter the Corporation updates its estimate of the annual effective tax rate and makes a year-to-date adjustment to the provision.

The Corporation recorded an income tax benefit of \$324 and \$114 for the three months ended March 31, 2020 and 2019, respectively. The Corporation's effective tax rate is based on forecasted annual results which may fluctuate significantly through the rest of the year.

As of March 31, 2020, the Corporation has \$324 of unrecognized tax benefits which could result in a reduction of the Corporation's effective tax rate, if recognized.

The Corporation is subject to taxation in the United States and various states and foreign jurisdictions. Earnings from non-U.S. activities are subject to local country income tax. The material jurisdictions in which the Corporation is subject to potential examination by taxing authorities include the United States and Switzerland. The Corporation believes that adequate amounts have been provided for in these jurisdictions.

Note 12. Commitments and Contingencies

Credit Facility

The Corporation has a revolving credit agreement with certain directors and stockholders which provides for a \$50,000 unsecured revolving credit facility maturing on August 28, 2021. The Corporation is not obligated to pay interest on loans under this credit facility or other customary fees for a credit facility of this size and type, including an

upfront fee and an unused commitment fee. As of March 31, 2020, \$7,584 had been drawn under the credit facility compared to \$2,880 for the three months ended March 31, 2019.

Contractual Obligations

The Corporation had no contractual commitments for the three months ended March 31, 2020 and 2019, respectively.

Legal Proceedings

The Corporation was not involved in any legal proceedings, claims, investigations, and government inquiries and investigations for the three months ended March 31, 2020 and 2019, respectively.

Non-Income Taxes

The Corporation was not subject to any non-income tax audits by domestic or foreign tax authorities for the three months ended March 31, 2020 and 2019, respectively.

Note 13. Related Party Transactions

No related party transactions, other than the revolving credit agreement with certain directors and stockholders disclosed in Note 12, occurred for the three months ended March 31, 2020 and 2019, respectively.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the financial statements and related notes thereto included in Item 1 “Financial Statements” in this Quarterly Report. This discussion contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” included elsewhere in this Quarterly Report.

Overview and Highlights of Quarterly Results

The Corporation was pre-revenue for the three months ended March 31, 2020 and for the three months ended March 31, 2019.

Net loss was \$1,605 for the three months ended March 31, 2020 compared to net loss of \$565 for the three months ended March 31, 2019.

Loss from operations was \$1,929 for the three months ended March 31, 2020, compared to loss from operations of \$679 for the three months ended March 31, 2019.

Cash, cash equivalents and restricted cash totaled \$813 as of March 31, 2020.

COVID-19 Update

The COVID-19 pandemic has resulted in public health responses including travel bans, restrictions, social distancing requirements, and shelter-in-place orders, which could negatively impact our operations and financial performance, including our ability to raise funding.

Given the unprecedented uncertainty and rapidly shifting market conditions of the business environment, we cannot reasonably estimate the full impacts of the COVID-19 pandemic on our future financial and operational results. We continue to monitor the evolving situation and guidance from international and domestic authorities, including federal, state and local public health authorities, and there may be developments outside our control requiring us to adjust our operating plan. As such, given the unprecedented uncertainty around the duration and severity of the impact on market conditions and the business environment, we cannot reasonably estimate the full impacts of the COVID-19 pandemic on our operating results in the future.

The risks related to the COVID-19 pandemic on our business are further described in “Part II – Other Information, Item 1A. Risk Factors.”

Results of Operations

The following tables set forth our statements of operations data for each of the periods presented:

	Three Months Ended	
	March 31,	
	2020	2019
Revenue	\$ -	\$ -
Costs and Expenses		
Cost of Revenue	-	-
Research and Development	-	-
Sales and Marketing	-	-
General and Administrative	1,929	679
Total Costs and Expenses	1,929	679
Loss from Operations	(1,929)	(679)
Interest Expense	-	-
Interest Income	-	-
Other Expense, Net	-	-
Income Before Income Taxes	(1,929)	(679)
Benefit for Income Taxes	324	114
Net Loss	\$ (1,605)	\$ (565)
Net Loss per Share Attributable to Common Stockholders:		
Basic	\$ (0.000003)	\$ (0.000001)
Diluted	\$ (0.000003)	\$ (0.000001)
Weighted-Average Shares Used to Compute Net Loss per Share Attributable to Common Stockholders:		
Basic	501,500,000	500,000,000
Diluted	501,500,000	500,000,000

Revenue

No revenue was generated for the three months ended March 31, 2020 and 2019, respectively.

Cost of Revenue

No cost of revenue was incurred for the three months ended March 31, 2020 and 2019, respectively.

Research and Development

No research and development costs were incurred for the three months ended March 31, 2020 and 2019, respectively.

Sales and Marketing

No sales and marketing costs were incurred for the three months ended March 31, 2020 and 2019, respectively.

General and Administrative

General and administrative expenses consist primarily of personnel-related costs, including salaries and benefits for our executive, administrative, finance, human resources, legal, technology and other employees. In addition, general and administrative expenses include fees and costs for professional services, including third-party services and facilities costs and other supporting overhead costs that are not allocated to other departments.

In the three months ended March 31, 2020, general and administrative expenses increased by \$1,250 compared to the three months ended March 31, 2019. The increase was attributable to an increase in personnel-related costs mainly driven by an increase in employee headcount, facilities and other supporting overhead expenses.

We plan to continue to invest in general and administrative functions to ensure we have an appropriate level of support for our key priorities and objectives.

Interest Expense

No interest expense was incurred for the three months ended March 31, 2020 and 2019, respectively.

Interest Income

No interest income was generated for the three months ended March 31, 2020 and 2019, respectively.

Other Expense, Net

No other expense was incurred for the three months ended March 31, 2020 and 2019, respectively.

Benefit for Income Taxes

Our benefit from income taxes increased by \$210 in the three months ended March 31, 2020, compared to the three months ended March 31, 2019. In the three months ended March 31, 2020, the benefit from income taxes was \$324 and in the three months ended March 31, 2019 the benefit from income taxes was \$114. The increase in benefit from income taxes was due to the increase in loss before tax.

Credit Facility

We have a revolving credit agreement with certain directors and stockholders which provides for a \$50,000 revolving unsecured credit facility maturing on August 28, 2021. We are not obligated to pay interest on loans under the credit facility or other customary fees for a credit facility of this size and type, including an upfront fee and an unused commitment fee. As of March 31, 2020, \$7,584 had been drawn under the credit facility compared to \$2,880 for the three months ended March 31, 2019.

Operating Activities

Cash used by operating activities consists of net loss adjusted for certain non-cash items including depreciation and amortization, deferred income taxes, non-cash restructuring charges, as well as the effect of changes in working capital and other activities. We expect that cash provided by operating activities will fluctuate in future periods as a result of a number of factors, including fluctuations in our revenue and increases in operating expenses. For additional discussion, see "Part II – Other Information, Item 1A. Risk Factors."

Cash used by operating activities in the three months ended March 31, 2020 was \$2,438, a decrease in cash outflow of \$1,047 compared to the three months ended March 31, 2019. Cash used by operating activities was driven by net loss of \$1,605, as adjusted for the exclusion of non-cash expenses and other adjustments totaling \$833, of which \$91 was related to depreciation and amortization expense, and \$742 was related to the effect of changes in working capital and other carrying balances.

Cash used by operating activities in the three months ended March 31, 2019 was \$3,485. Cash used by operating activities was driven by net loss of \$565, as adjusted for the exclusion of non-cash expenses and other adjustments totaling \$2,920.

Investing Activities

Our primary investing activities consist of purchases of property and equipment, particularly computer and related equipment.

Cash used by investing activities in the three months ended March 31, 2020 was \$1,821, an increase in cash outflow of \$1,821 compared to the three months ended March 31, 2019. The increase was primarily due to a \$1,821 increase in purchases of property and equipment in the three months ended March 31, 2020.

Financing Activities

Our primary financing activities consist of loans from directors and stockholders.

Cash provided by financing activities in the three months ended March 31, 2020 was \$4,703, compared to \$3,390 in the three months ended March 31, 2019. The change was primarily due to \$4,703 in proceeds from directors and stockholders in the three months ended March 31, 2020.

Contractual Obligations

Refer to Note 12 – Commitments and Contingencies for details.

Off Balance Sheet Arrangements

We do not have any off-balance sheet arrangements and did not have any such arrangements as of March 31, 2020.

Critical Accounting Policies and Estimates

We prepare our financial statements and related notes in accordance with U.S. GAAP. In doing so, we make estimates and assumptions that affect our reported amounts of assets, liabilities, revenue and expenses, as well as related disclosure of contingent assets and liabilities. To the extent that there are material differences between these estimates and actual results, our financial condition or operating results would be affected. We base our estimates on past experience and other assumptions that we believe are reasonable under the circumstances, and we evaluate these estimates on an ongoing basis. We refer to accounting estimates of this type as critical accounting policies and estimates. Please refer to our Financial Statements for the fiscal year ended December 31, 2019 for a more complete discussion of our critical accounting policies and estimates.

There have been no material changes to our critical accounting policies and estimates as compared to the critical accounting policies and estimates described in our Financial Statements for the fiscal year ended December 31, 2019.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our financial statements, see Note 1 – “Description of Business and Summary of Significant Accounting Policies” in the notes to the financial statements included in Part I of this Quarterly Report.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

We have operations both within the United States and Switzerland, and we are exposed to market risks in the ordinary course of our business. These risks include primarily foreign exchange risks.

Foreign Currency Exchange Risk

Transaction Exposure

We transact business in foreign currencies, as well as costs denominated in foreign currencies, primarily the Swiss Franc. This exposes us to the risk of fluctuations in foreign currency exchange rates. Accordingly, changes in exchange rates, and in particular a continuing strengthening of the Swiss Franc, would negatively affect our operating expenses as expressed in U.S. dollars.

We have experienced and will continue to experience fluctuations in our net loss as a result of transaction gains or losses related to revaluing and ultimately settling certain asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. Foreign currency gains and losses were immaterial for the three months ended March 31, 2020 and 2019.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Audit Committee, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (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 Securities and Exchange Commission’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures 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 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. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The design of disclosure controls and procedures and internal control over financial reporting must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Based on such evaluation, our Chief Executive Officer and Audit Committee have concluded that, as of March 31, 2020, our disclosure controls and procedures were designed at a reasonable assurance level and were effective to provide reasonable assurance.

Changes in Internal Control over Financial Reporting

There was no change in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) or 15d15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. We are continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact on their design and operating effectiveness.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings

We may in the future be involved in legal proceedings, claims, investigations, and government inquiries and investigations arising in the ordinary course of business. These proceedings, which may include both individual and class action litigation and administrative proceedings, may include, but are not limited to matters involving content on our platforms, intellectual property, privacy, data protection, securities, employment and contractual rights. Legal risk may be enhanced in jurisdictions outside the United States where our protection from liability for content published on our platforms by third parties may be unclear and where we may be less protected under local laws than we are in the United States. Future litigation may be necessary, among other things, to defend ourselves, and the users on our platforms or to establish our rights. Refer to “Legal Proceedings” in Note 12 of the accompanying notes to our financial statements, which is incorporated herein by reference.

Although the results of the legal proceedings, claims, investigations, and government inquiries and investigations in which we may be involved cannot be predicted with certainty, and until there is final resolution on any such matter that we may be required to accrue for, we may be exposed to loss in excess of the amount accrued. 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 1A. Risk Factors

Investing in our shares of common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes, before making a decision to invest in our common stock. The risks and uncertainties described below may not be the only ones we face. If any of the risks occurs, our business, financial condition, operating results, cash flows and prospects could be materially and adversely affected. In that event, the perceived value of our common stock could decline, and you could lose part or all of your investment.

Risks Related to Our Business and Our Industry

The COVID-19 Pandemic

Our business, operations and financial performance have been negatively impacted by the COVID-19 pandemic and related public health responses, such as travel bans, restrictions, social distancing requirements and shelter-in-place orders. The pandemic and these related responses have caused, and are expected to continue to cause, global slowdown of economic activity (including the decrease in demand for a broad variety of goods and services) and significant volatility and disruption of financial markets.

The COVID-19 pandemic has subjected our operations, financial performance and financial condition to a number of risks, including, but not limited to, those discussed below:

- Declines in user demand due to changes or uncertainty in the business operations and revenue of prospective users because of the COVID-19 pandemic, including as a result of travel restrictions, shelter-in-place orders and social distancing requirements impacting businesses, and general economic uncertainty causing businesses to cut or otherwise reduce costs, have resulted in, and we believe may continue to result in, decreased demand for existing and new products and services.
- The responsive measures to the COVID-19 pandemic may cause us to modify our business practices by having employees work remotely, canceling all non-essential employee travel, and cancelling, postponing, or holding virtually events and meetings. We may in the future also be required to, or choose voluntarily to, take additional actions for the health and safety of our workforce, whether in response to government orders or based on our own determinations of what is in the best interests of our employees. While most of our operations can be performed remotely, there is no guarantee that we will be as effective while working remotely because our team is dispersed, many employees may have additional personal needs to attend to (such as looking after children as a result of school closures or family who become sick), and employees may become sick themselves and be unable to work. To the extent our current or future measures result in decreased productivity, harm our corporate culture or otherwise negatively affect our business, our financial condition and operating results could be adversely affected.

Many of the public health measures in response to the COVID-19 pandemic were implemented in March 2020, and thus have had a more limited impact on our operating results for the quarter ended March 31, 2020, and we expect to see more significant impacts in the second quarter of the year. The severity, magnitude and duration of the COVID-19 pandemic, the public health responses and its economic consequences are uncertain, rapidly changing and difficult to predict, the pandemic’s impact on our operations and financial performance, as well as its impact on

our ability to successfully execute our business strategies and initiatives, remains uncertain and difficult to predict. Further, the ultimate impact of the COVID-19 pandemic on our customers, employees, and on our business, operations and financial performance, depends on many factors that are not within our control, including, but not limited, to governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and transport, prohibitions on, or voluntary cancellation of, large gatherings of people and social distancing requirements, and modified workplace activities); the impact of the pandemic and actions taken in response local or regional economies, travel, and economic activity; the availability of government funding programs; general economic uncertainty in key markets and financial market volatility, including the liquidity of marketable securities in which we may invest from time to time; volatility in our stock value, global economic conditions and levels of economic growth; and the pace of recovery when the COVID-19 pandemic subsides.

If we fail to attract and increase customers and content partners (“users”), our revenue, business and operating results may be harmed.

Users and their level of engagement are critical to our success and our long-term financial performance will be significantly determined by our success in increasing the growth rate of our customer base. Our customer growth rate may fluctuate over time, and it may slow or decline. We will generate a substantial majority of our revenue based upon subscriptions. A number of factors may affect and could potentially negatively affect customer growth, including if:

- we are unable to convince users of the value and usefulness of our products and services;
- there is a decrease in the perceived quality, usefulness, trustworthiness or relevance of the content generated by users;
- there are concerns related to communication, privacy, data protection, safety, security, spam, manipulation or other hostile or inappropriate usage or other factors;
- our users terminate their relationships with us or do not renew their subscriptions or agreements on economic or other terms that are favorable to us;
- we fail to introduce new and improved products or services or if we introduce new or improved products or services that are not favorably received or that negatively affect user engagement;
- technical or other problems prevent us from delivering our products or services in a rapid and reliable manner or otherwise affect users' experiences on our products or with our services;
- users have difficulty installing, updating, or otherwise accessing our products or services on mobile and other devices as a result of actions by us or third parties that we rely on to distribute our products and deliver our services;
- changes in our products or services that are mandated by, or that we elect to make to address, laws (such as the General Data Protection Regulations (GDPR)) or legislation, inquiries from legislative bodies, regulatory authorities or litigation (including settlements or consent decrees) adversely affect our products or services;
- we fail to provide adequate customer service; or
- we do not maintain our brand image or reputation.

If we are unable to increase our user base or engagement, or if these metrics decline, our products and services could be less attractive to users, which would have a material and adverse impact on our business, financial condition and operating results.

If we are unable to compete effectively, our business and operating results could be harmed.

We may face intense competition for users to use our products and services. We may compete for users against a variety of social content and networking platforms, messaging companies, media companies and other companies, some of which have greater financial resources, larger audiences or more established relationships and reputations. New or existing competitors may draw users towards their products or services and away from ours by introducing new products or product features, including products or product features similar to those we offer, investing their greater resources in customer acquisition efforts, or otherwise developing products or services that users choose to engage with rather than ours, any of which could decrease customer acquisition and growth, and negatively affect our business.

We may also compete with respect to content generated by our users. We may not establish and maintain relationships with users or our users may choose to publish content on other platforms, and if they cease to utilize our platforms or decrease their use of our platforms, then our customer base and subscription revenue may decline.

We believe that our ability to compete effectively for users depends upon many factors both within and beyond our control, including:

- the popularity, usefulness, ease of use, performance and reliability of our products and services compared to those of our competitors, as well as our reputation and brands, and our ability to adapt to continuously evolving preferences and expectations of users;

- the volume, quality and timeliness of content generated on our platforms;
- the timing and market acceptance of our products and services;
- the prominence of our applications in application marketplaces and of our content in search engine results, as well as those of our competitors;
- our ability, in and of itself, and in comparison to the ability of our competitors, to develop new products and services and enhancements to existing products and services, and to maintain the reliability and security of our products and services as usage increases globally;
- our ability, and our ability in comparison to the ability of our competitors, to manage our business and operations during the COVID-19 pandemic and related governmental, business and individual actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and modified workplace activities);
- changes mandated by, or that we elect to make to address legislation, regulatory authorities or litigation, including settlements, antitrust matters, consent decrees and privacy regulations, some of which may have a disproportionate effect on us compared to our competitors; and
- the adoption and monetization of our products and services in the United States and internationally.

Additionally, in recent years, there have been significant acquisitions and consolidation by and among our actual and potential competitors. We anticipate this trend of consolidation will continue, which will present heightened competitive challenges for our business. Acquisitions by our competitors may result in reduced functionality of our products and services.

If we are not able to compete effectively for users, our business and operating results would be materially and adversely impacted.

Our prioritization on the long-term health of our products and services, and on product innovation may adversely impact our short-term operating results.

We believe that our long-term success depends on our ability to attract, maintain, and improve the content offered on our platforms. We have made this one of our top priorities and will focus our efforts on the quality of such content, including by devoting substantial internal resources to our strategy.

We may make active decisions to prioritize long-term initiatives over near-term product innovations and improvements that may affect our short-term health. These decisions may not be consistent with the short-term expectations of our users or investors and may not produce the long-term benefits that we anticipate, in which case our customer base and our relationships with users and our business and operating results could be harmed.

We encourage our employees to swiftly develop and launch new and innovative product features, products and services. We focus on improving the experience for users using our products and services, which includes protecting their privacy, and on developing new and improved products and services for users on our platforms. We prioritize innovation and the experience for users on our platforms over short-term operating results. We may frequently make product, product feature and service decisions that could reduce our short-term operating results if we believe that the decisions are consistent with our goals to improve the experience for users, which we believe will improve our operating results over the long term. Our decisions to invest in the long-term health of our services and on product innovation rather than short-term results may not produce the long-term benefits that we expect, in which case our customer base and our relationships with users, and our business and operating results could be adversely impacted, and may not be consistent with the expectations of investors, which could have a negative effect on the perceived value of our common stock.

We depend on highly skilled personnel to operate and grow our business. If we are unable to hire, retain and motivate our personnel, we may not be able to grow effectively.

Our future success and strategy will depend upon our continued ability to identify, hire, develop, motivate and retain highly skilled personnel, including senior management, engineers, designers, product managers and marketers. We depend on contributions from our employees, and, in particular, our senior management team, to execute efficiently and effectively. We have employment agreements with all member of our senior management and other employees. We do not maintain key person life insurance for any employee. We also face significant competition for employees in Zurich, Switzerland (where our headquarters is located), for engineers, designers, product managers and marketers from other technology startups and high-growth companies, which include both publicly-traded and privately-held companies. As a result, we may not be able to retain our existing employees or hire new employees quickly enough to meet our needs.

From time to time, we may experience high voluntary erosion, and in those times, the resulting influx of new leaders and other employees will require us to expend time, attention and resources to recruit and retain talent, restructure parts of our organization, and train and integrate new employees. In addition, to attract and retain skilled personnel, we have to offer, and believe we will need to continue to offer, highly competitive compensation packages. We may need to invest significant amounts of cash and equity to attract and retain new employees and we may not

realize sufficient return on these investments. In addition, changes to immigration and work authorization laws and regulations can be significantly affected by political forces and levels of economic activity. Our business may be materially adversely affected if legislative or administrative changes to immigration or visa laws and regulations impair our hiring processes or projects involving personnel who are not citizens of the country where the work is to be performed. If we are not able to effectively attract and retain employees, we may not be able to innovate or execute quickly on our strategy and our ability to achieve our strategic objectives will be adversely impacted, and our business will be harmed.

As a result of the COVID-19 pandemic we will slow headcount growth and focused on critical roles while we continue to assess economic conditions.

We also believe that our culture and core values will be a key contributor to our success and our ability to foster the innovation, creativity and teamwork we believe we need to support and grow our operations. If we fail to effectively manage our hiring needs and successfully integrate our new hires, our efficiency and ability to meet our forecasts and our culture, employee morale, productivity and retention could suffer, and our business and operating results would be adversely impacted.

Our products, services, and customer retention and growth depend upon the availability of a variety of third-party services and systems and the effective interoperation with operating systems, networks, devices, web browsers and standards. We do not control all of these systems and cannot guarantee their availability, and we cannot guarantee that third parties will not take action that harm our products or profitability.

Our products and the success of our business is dependent upon the ability of people to access the Internet and the proper functioning of the various operating systems, platforms, and services upon which we rely. These systems are provided and controlled by factors outside of our control, including nation-state actors who may suppress or censor our products, and broadband and Internet access marketplace, including incumbent telephone companies, cable companies, mobile communications companies, government-owned service providers, device manufacturers and operating system providers. Any of these actors could take actions that degrade, disrupt, or increase the cost of access to our products or services, which would, in turn, negatively impact our business. The adoption or repeal of any laws or regulations that adversely affect the growth, popularity or use of the Internet, including laws or practices limiting Internet neutrality, could decrease the demand for, or the usage of, our products and services, increase our cost of doing business and adversely affect our operating results. For example, access to our products and services may be blocked in certain countries.

We also rely on other service providers to maintain reliable network systems that provide adequate speed, data capacity and security. We utilize third-party cloud computing services in connection with certain aspects of our business and operations, and any disruption of, or interference with, our use of such cloud services could adversely impact our business and operations. As the Internet continues to experience growth in the number of consumers, frequency of use and amount of data transmitted, the Internet infrastructure that we rely on may be unable to support the demands placed upon it. The failure of the Internet infrastructure that we rely on, even for a short period of time, could undermine our operations and harm our operating results.

Furthermore, these systems, devices or software or services may experience changes, bugs, or technical issues that may affect the availability of services or the accessibility of our products. We may experience service disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, hardware failure, capacity constraints due to an overwhelming number of users accessing our products and services simultaneously, computer viruses and denial of service or fraud or security attacks. We may experience brief service outages as a result, in part, of software misconfigurations. Additionally, although we may invest significantly to improve the capacity, capability, and reliability of our infrastructure, we may not serve traffic equally through co-located data centers that support our products and services. Accordingly, in the event of a significant issue at a data center supporting our network traffic, some of our products and services may become inaccessible to our users or our users may experience difficulties accessing our products and services. Any disruption or failure in our infrastructure could hinder our ability to handle existing or increased traffic on our platforms, which could significantly harm our business.

The availability of these services are also dependent upon our relationships with third parties, which may change, including if they change their terms of service or policies that diminish the functionality of our products and services, make it difficult for users to access our products and services, impose fees related to our products or services or give preferential treatment to competitive products or services could adversely affect usage of our products and services. Additionally, some of mobile carriers may experience infrastructure issues due to natural disasters, which may cause deliverability errors or poor-quality communications with our products. Because most users may access our products and services through mobile devices, we are particularly dependent on the interoperability of our products and services with mobile devices and operating systems in order to deliver our products and services. We also may not be successful in developing relationships with key participants in the mobile industry or in developing products or services that operate effectively with these operating systems, networks, devices, web browsers and standards.

Furthermore, if the number of platforms for which we develop our product expands, it will result in an increase in our operating expenses. In order to deliver high quality products and services, it is important that our products and services work well with a range of operating systems, networks, devices, web browsers and standards that we do not control. Any such errors, regardless of whether caused by our infrastructure or that of the service provider, may result in the loss of our users or may make it difficult to attract new users to our platforms. In the event that it is difficult for users to access and use our products and services, particularly on their mobile devices, our customer growth could be harmed, and our business and operating results could be adversely impacted.

Our new products, product features, services and initiatives and changes to existing products, services and initiatives could fail to attract new users or generate revenue.

Our industry is subject to rapid and frequent changes in technology, evolving user demands and the frequent introduction by our competitors of new and enhanced offerings. We must constantly assess the environment in which we operate and determine whether we need to improve or re-allocate resources amongst our existing products and services or create new ones (independently or in conjunction with third parties). Our ability to attract users and increase our user base and generate revenue will depend on those decisions. We may introduce significant changes to our existing products and services or develop and introduce new and unproven products and services, including technologies with which we have little or no prior development or operating experience. If new or enhanced products, product features or services fail to engage users, we may fail to attract or retain users or to generate sufficient revenue or operating profit to justify our investments, and our business, financial condition and operating results would be adversely impacted.

Our business and operating results may be harmed by our failure to timely and effectively scale and adapt our existing technology and infrastructure.

As users generate more content, including text, photos and videos hosted by our platforms, we may be required to expand and adapt our technology and infrastructure to continue to reliably store, serve and analyze this content. It may become increasingly difficult to maintain and improve the performance of our products and services, especially during peak usage times, as our products and services become more complex and our platforms' traffic increases. In addition, because we lease our data center facilities, we cannot be assured that we will be able to expand our data center infrastructure to meet demand in a timely manner, or on favorable economic terms. If users are unable to access our platforms or we are not able to make content available rapidly on our platforms, users may seek other channels to obtain the information, and may not return to our platforms or use our platforms as often in the future, or at all. This would negatively impact our ability to attract new users to our platforms and decrease the frequency of users returning to our platforms. We expect to make significant investments to improve the capacity, capability and reliability of our infrastructure. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and infrastructure to accommodate actual and anticipated changes in technology, our business and operating results may be harmed.

We will scale the capacity of, and enhance the capability and reliability of, our infrastructure to support user growth and increased activity on our platforms. We expect that investments and expenses associated with our infrastructure will continue to grow, including the expansion and improvement of our data center operations and related operating costs, additional servers and networking equipment to increase the capacity of our infrastructure, increased utilization of third-party cloud computing and associated costs thereof, increased bandwidth costs, and costs to secure our users' data. The improvement of our infrastructure will require a significant investment of our management's time and our financial resources. If we fail to efficiently scale and manage our infrastructure, our business, financial condition, and operating results would be adversely impacted.

If we are unable to maintain and promote our brands, our business and operating results may be harmed.

We believe that promoting and growing our brands are critical to increasing users. Maintaining and promoting our brands will depend largely on our ability to continue to provide timely, useful, reliable, and innovative products and services with a focus on a positive experience on our platforms, which we may not do successfully. We may introduce new features, products, services, or terms of service that users do not like, which may negatively affect our brands. Additionally, the actions of users may affect our brands if users do not have a positive experience using our platforms' content. We may also experience media, legislative or regulatory scrutiny of our decisions regarding privacy, data protection, security, content, and other issues, which may adversely affect our reputation and brands. Our brands may also be negatively affected by third parties obtaining control over users' accounts or by other security or cybersecurity incidents. Maintaining and enhancing our brands may require us to make substantial investments which may not achieve the desired goals.

Additionally, we and our executive leadership may receive unavoidable media coverage. Negative publicity about our Corporation or executives, including about the quality and reliability of our products or of content provided on our platforms, changes to our products, policies and services, our privacy, data protection, policy enforcement and security practices (including actions taken or not taken with respect to certain content or reports regarding government

surveillance), litigation, regulatory activity, the actions of certain users (including actions taken by users on our platforms or the dissemination of information that may be viewed as undesirable, misleading or manipulative), even if inaccurate, could adversely affect our reputation. Such negative publicity and reputational harm could adversely affect users and their confidence in and loyalty to our platforms and result in decreased revenue or increased costs to restore our brands, which would adversely impact our business, financial condition and operating results.

Our products may contain errors, or our security measures may be breached, resulting in the exposure of private information. Our products and services may be subject to attacks that degrade or deny the ability of users to access our products and services. These issues may result in the perception that our products and services are not secure, and users may curtail or stop using our products and services and our business and operating results could be harmed.

Our products and services involve the storage and transmission of users' information, and security incidents, including those caused by unintentional errors and those intentionally caused by third parties, may expose us to a risk of loss of this information, litigation, increased security costs and potential liability. We and our third-party service providers may experience cyber-attacks of varying degrees on a regular basis. We expect to incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, and we may face increased costs in the event of an actual or perceived security breach or other security-related incident. If an actual or perceived breach of our security occurs, the market perception of the effectiveness of our security measures could be harmed, our users may be harmed, lose trust and confidence in us, decrease the use of our products and services or stop using our products and services in their entirety. We may also incur significant legal and financial exposure, including legal claims, higher transaction fees and regulatory fines and penalties. Any of these actions could have a material and adverse effect on our business, reputation, and operating results. While our insurance policies may include liability coverage for certain of these matters, if we experienced a significant security incident, we could be subject to liability or other damages that exceed our insurance coverage.

Our products and services incorporate complex software and we encourage employees to quickly develop and help us launch new and innovative features. Our software, including any open source software that is incorporated into our code, may now or in the future, contain errors, bugs, or vulnerabilities that may only be discovered after the product or service has been released. Errors, vulnerabilities, or other design defects within the software on which we rely may result in a negative experience for users who use our products, delay product introductions or enhancements, result in targeting, measurement, or billing errors, compromise our ability to protect the data of our users and/or our intellectual property or lead to reductions in our ability to provide some or all of our services. Any errors, bugs or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of users and revenue or liability for damages or other relief sought in lawsuits, regulatory inquiries or other proceedings, any of which could adversely impact our business and operating results.

Our products operate in conjunction with, and we are dependent upon, third-party products and components across a broad ecosystem. If there is a security vulnerability, error, or other bug in one of these third-party products or components and if there is a security exploit targeting them, we could face increased costs, liability claims, reduced revenue, or harm to our reputation or competitive position. The natural sunset of third-party products and operating systems that we use requires that our infrastructure teams reallocate time and attention to migration and updates, during which period potential security vulnerabilities could be exploited. We also work with third-party vendors to process credit card payments by our users and are subject to payment card association operating rules.

Unauthorized parties may also gain access to passwords without attacking our platforms directly and, instead, access users' accounts by using credential information from other recent breaches, using malware on victim machines that are stealing passwords for all sites, or a combination of both. In addition, some of our developers or other partners, such as third-party applications to which people have given permission to access on their behalf, may receive or store information provided by us or by users on our platforms through mobile or web applications integrated with us. If these third parties or developers fail to adopt or adhere to adequate data security practices, or in the event of a breach of their networks, our data or data of users on our platforms may be improperly accessed, used, or disclosed. Unauthorized parties may in the future obtain access to our data and data of users on our platforms. Any systems failure or actual or perceived compromise of our security that results in the unauthorized access to or release of data of users on our platforms, such as credit card data, could significantly limit the adoption of our products and services, as well as harm our reputation and brands and, therefore, our business.

Our security measures may also be breached due to employee error, malfeasance or otherwise. Additionally, outside parties may attempt to fraudulently induce employees or users to disclose sensitive information in order to gain access to our data or data of users on our platforms, or may otherwise obtain access to such data or accounts. Since users may use our platforms to establish and maintain online identities, unauthorized communications from our users' accounts that have been compromised may damage their personal security, reputations, and brand as well as our reputation and brands. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Our international operations may be subject to increased challenges and risks.

We may establish offices around the world and our products and services may be available in multiple languages. However, our ability to manage our business, monetize our products and services and conduct our operations internationally requires considerable management attention and resources and is subject to the particular challenges of supporting a business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems and commercial markets. Our international operations may require and may continue to require us to invest significant funds and other resources. Operating internationally may subject us to new risks and may increase risks that we currently face, including risks associated with:

- recruiting and retaining talented and capable employees in foreign countries and maintaining our corporate culture across all of our offices;
- providing our products and services and operating across a significant distance, in different languages and among different cultures, including the potential need to modify our products, services, content and features to ensure that they are culturally relevant in different countries;
- competition from regional websites, mobile applications and services that provide content and have strong positions in particular countries, which have expanded and may continue to expand their geographic footprint;
- differing and potentially lower levels of user growth and engagement in new and emerging geographies;
- regional activities, regional economic effects of the COVID-19 pandemic and political upheaval;
- greater difficulty in monetizing our products and services, including costs to adapt our products and services in light of the manner in which users access our platforms in such jurisdictions, such as the use of feature phones in certain emerging markets, and challenges related to different levels of Internet access or mobile device adoption in different jurisdictions;
- compliance with applicable foreign laws and regulations, including laws and regulations with respect to privacy, data protection, data localization, data security, taxation, consumer protection, copyright, spam and content, and the risk of penalties to users of our products and services and individual members of management if our practices are deemed to be out of compliance;
- actions by governments or others to restrict access to our platforms, whether these actions are taken for political reasons, in response to decisions we make regarding governmental requests or content generated by users on our platforms, or otherwise;
- longer payment cycles in some countries;
- credit risk and higher levels of payment fraud;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States;
- compliance with anti-bribery laws including, without limitation, compliance with the Foreign Corrupt Practices Act and the U.K. Bribery Act, including by our business partners;
- currency exchange rate fluctuations, as we conduct business in currencies other than U.S. dollars but report our operating results in U.S. dollars and any foreign currency forward contracts into which we enter may not mitigate the impact of exchange rate fluctuations;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;
- political and economic instability in some countries;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the tax laws of the United States or the foreign jurisdictions in which we operate; and
- higher costs of doing business internationally, including increased accounting, travel, infrastructure, and legal compliance costs.

If our revenue from our international operations, and particularly from our operations in the countries and regions where we have focused our spending, does not exceed the expense of establishing and maintaining these operations, our business and operating results will suffer. In addition, users may grow more rapidly than revenue in international regions where the monetization of our products and services is not as developed. Our inability to successfully expand our business, manage the complexity of our global operations or monetize our products and services internationally could adversely impact our business, financial condition, and operating results.

Our business is subject to complex and evolving U.S. and foreign laws and regulations. These laws and regulations are subject to change and uncertain interpretation, and could result in claims, changes to our business practices, monetary penalties, increased cost of operations or declines in user growth, user engagement, or otherwise harm our business.

We are subject to a variety of laws and regulations in the United States and abroad that involve matters central to our business, including privacy, data protection, security, rights of publicity, content regulation, intellectual property, competition, protection of minors, consumer protection, credit card processing and taxation. Many of these laws and regulations are still evolving and being tested in courts. As a result, it is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent from country to country and inconsistent with our current policies and practices and in ways that could harm our business, particularly in the new and rapidly evolving industry

in which we operate. Additionally, the introduction of new products or services may subject us to additional laws and regulations.

From time to time, governments, regulators, and others may express concerns about whether our products, services or practices compromise the privacy or data protection rights of the users on our platforms, and others. While we endeavor to comply with applicable privacy and data protection laws and regulations, our privacy policies and other obligations we may have with respect to privacy and data protection, the failure or perceived failure to comply may result in inquiries and other proceedings or actions against us by governments, regulators or others. A number of proposals have recently been adopted or are currently pending before federal, state and foreign legislative and regulatory bodies that could significantly affect our business. Moreover, foreign data protection, privacy, consumer protection, content regulation and other laws and regulations are often more restrictive or burdensome than those in the United States. For example, the GDPR imposes stringent operational requirements for entities processing personal information and significant penalties for non-compliance, including fines of up to €20 million or 4% of total worldwide revenue, whichever is higher. Additionally, we rely on a variety of legal bases to transfer certain personal information outside of the European Economic Area, including the EU-U.S. Privacy Shield Framework, the Swiss-U.S. Privacy Shield Framework, and EU Standard Contractual Clauses, or SCCs. These legal bases all have been, and may be, the subject of legal challenges and they may be modified or invalidated. This could result in us being required to implement duplicative, and potentially expensive, information technology infrastructure and business operations in Europe or could limit our ability to collect or process personal information in Europe. Any of these changes with respect to EU data protection law could disrupt our business.

Further, following a referendum in June 2016 in which United Kingdom ("UK") voters approved an exit from the EU, the UK officially left the EU on January 31, 2020, with a transitional period set to end on December 31, 2020 (referred to as "Brexit"). The effect of Brexit will depend on agreements, if any, the UK makes to retain access to EU markets. Brexit creates economic and legal uncertainty in the region and could adversely affect the tax, currency, operational, legal and regulatory regimes to which our business may be subject. Brexit may adversely affect our revenues and subject us to new regulatory costs and challenges, in addition to other adverse effects that we are unable effectively to anticipate. The UK implemented a Data Protection Act, effective in May 2018 and statutorily amended in 2019, that substantially implements the GDPR. Brexit has created uncertainty with regard to the requirements for data transfers between the UK and the EU and other jurisdictions.

Legislative changes in the United States, at both the federal and state level, that could impose new obligations in areas such as privacy and liability for copyright infringement or content by third parties such as various Congressional efforts to restrict the scope of the protections available to online platforms under Section 230 of the Communications Decency Act, and our protections from liability for third-party content in the United States could decrease or change. Additionally, recent amendments to U.S. patent laws may affect the ability of companies, including us, to protect their innovations and defend against claims of patent infringement.

In April 2019, the EU passed the Directive on Copyright in the Digital Single Market (the EU Copyright Directive), which expands the liability of online platforms for user-generated content. Each EU member state has two years to implement it. The EU Copyright Directive may increase our costs of operations, our liability for user-generated content, and our litigation costs.

Additionally, we may have relationships with third parties that perform a variety of functions such as payments processing, tokenization, vaulting, currency conversion, fraud prevention and data security audits. The laws and regulations related to online payments and other activities of these third parties, including those relating to the processing of data, are complex, subject to change, and vary across different jurisdictions in the United States and internationally. As a result, we may be required to spend significant time, effort and expense to comply with applicable laws and regulations. Any failure or claim of our failure to comply, or any failure or claim of failure by the above-mentioned third parties to comply, could increase our costs or could result in liabilities. Additionally, because we may accept payment via payment cards, we are subject to global payments industry operating rules and certification requirements governed by PCI Security Standards Council, including the Payment Card Industry Data Security Standard. Any failure by us to comply with these operating rules and certification requirements also may result in costs and liabilities and may result in us losing our ability to accept certain payment cards.

The U.S. and foreign laws and regulations described above, as well as any associated inquiries or investigations or any other regulatory actions, may be costly to comply with and may delay or impede the development of new products and services, result in negative publicity, increase our operating costs, require significant management time and attention, and subject us to remedies that may result in a loss of users and otherwise harm our business, including fines or demands or orders that we modify or cease existing business practices.

We may allow the use of our platforms without the collection of extensive personal information. We may experience additional pressure to expand our collection of personal information in order to comply with new and additional legal or regulatory demands or we may independently decide to do so. If we obtain such additional personal information, we may be subject to additional legal or regulatory obligations.

Regulatory investigations and settlements could cause us to incur additional expenses or change our business practices in a manner material and adverse to our business.

From time to time we may notify regulators of certain personal data breaches and privacy or data protection issues and may be subject to inquiries and investigations regarding various aspects of our regulatory compliance. We expect to be subject to regulatory scrutiny as our business grows and awareness of our brands increases.

It is possible that a regulatory inquiry, investigation or audit could cause us to incur substantial fines and costs, result in reputational harm, prevent us from offering certain products, services, features or functionalities, require us to change our policies or practices, divert management and other resources from our business, or otherwise adversely impact our business. Violation of existing or future regulatory orders, settlements or consent decrees could subject us to substantial fines and other penalties that would adversely impact our financial condition and operating results.

We may face lawsuits or incur liability as a result of content published or made available through our products and services.

We may face claims relating to content that is published or made available through our products and services or third-party products or services. In particular, the nature of our business may expose us to claims related to defamation, intellectual property rights, rights of publicity and privacy, illegal content, misinformation, content regulation and personal injury offenses. The laws relating to the liability of providers of online products or services for activities of the people who use them remains somewhat unsettled, both within the United States and internationally. This risk may be enhanced in certain jurisdictions outside the United States where we may be less protected under local laws than we are in the United States. For example, we may be subject to legislation in Germany that may impose significant fines for failure to comply with certain content removal and disclosure obligations. Other countries, including Singapore, India, Australia, and the United Kingdom, have implemented or are considering similar legislation imposing penalties for failure to remove certain types of content. We could incur significant costs investigating and defending these claims. If we incur material costs or liability as a result of these occurrences, our business, financial condition and operating results would be adversely impacted.

Our intellectual property rights are valuable, and any inability to protect them could reduce the value of our products, services, and brands.

Our trade secrets, trademarks, copyrights and other intellectual property rights are important assets. We rely on, and expect to continue to rely on, a combination of confidentiality and license agreements with our employees, consultants and third parties with whom we have relationships, as well as trademark, trade dress, domain name, copyright, trade secret and patent laws, to protect our brand and other intellectual property rights. However, various events outside of our control pose a threat to our intellectual property rights, as well as to our products, services and technologies. For example, we may fail to obtain effective intellectual property protection, or effective intellectual property protection may not be available in every country in which our products and services are available. Also, the efforts we have taken to protect our intellectual property rights may not be sufficient or effective, and any of our intellectual property rights may be challenged, which could result in them being narrowed in scope or declared invalid or unenforceable. There can be no assurance our intellectual property rights will be sufficient to protect against others offering products or services that are substantially similar to ours and compete with our business.

We rely on restrictions on the use and disclosure of our trade secrets and other proprietary information contained in agreements we sign with our directors, officers, employees and consultants to limit and control access to and disclosure of our trade secrets and confidential information. These agreements may be breached, or this intellectual property may otherwise be disclosed or become known to our competitors, including through hacking or theft, which could cause us to lose any competitive advantage resulting from these trade secrets and proprietary information.

We may pursue registration of trademarks and domain names in the United States and in certain jurisdictions outside of the United States. Effective protection of trademarks and domain names is expensive and difficult to maintain, both in terms of application and registration costs as well as the costs of defending and enforcing those rights. We may be required to protect our rights in an increasing number of countries, a process that is expensive and may not be successful or which we may not pursue in every country in which our products and services are distributed or made available.

We may be party to agreements that grant licenses to third parties to use our intellectual property. For example, third parties may distribute their content through our platforms, or embed our content in their applications or on their websites and make use of our trademarks in connection with their services. We have a policy intended to assist third parties in the proper use of our trademarks, and resources dedicated to enforcing this policy and protecting our brands. We will review reports of improper and unauthorized use of our brands or trademarks and may issue takedown notices or initiates discussions with the third parties to correct the issues. However, there can be no assurance that we will be able to protect against the unauthorized use of our brands or trademarks. If the licensees of our brands or trademarks are not using our brands or trademarks appropriately and we fail to maintain and enforce

our brand or trademark rights, we may limit our ability to protect our trademarks which could result in diminishing the value of our brands or in our trademarks being declared invalid or unenforceable. There is also a risk that one or more of our trademarks could become generic, which could result in such trademark being declared invalid or unenforceable.

We may also seek to obtain patent protection for some of our technologies. We may be unable to obtain patent protection for our technologies. Even if patents are issued from our patent applications, which is not certain, our patents, and any patents that may be issued in the future, may not provide us with competitive advantages or distinguish our products and services from those of our competitors. In addition, any patents may be contested, circumvented, or found unenforceable or invalid, and we may not be able to prevent third parties from infringing or otherwise violating them. Effective protection of patent rights is expensive and difficult to maintain, both in terms of application and maintenance costs, as well as the costs of defending and enforcing those rights.

Significant impairments of our intellectual property rights, and limitations on our ability to assert our intellectual property rights against others, could harm our business and our ability to compete.

Also, obtaining, maintaining, and enforcing our intellectual property rights is costly and time consuming. Any increase in the unauthorized use of our intellectual property would adversely impact our business, financial condition, and operating results.

We expect to be in the future, party to intellectual property rights claims that are expensive and time consuming to defend, and, if resolved adversely, would adversely impact our business, financial condition, and operating results.

Companies in the internet, technology and media industries are subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property rights. Many companies in these industries, including many of our competitors, may have substantially larger patent and intellectual property portfolios than we do, which could make us a target for litigation as we may not be able to assert counterclaims against parties that sue us for patent, or other intellectual property infringement. In addition, various “non-practicing entities” that own patents and other intellectual property rights often attempt to assert claims in order to extract value from technology companies. From time to time we may receive claims from third parties which allege that we have infringed upon their intellectual property rights. Further, from time to time we may introduce new products, product features and services, including in areas where we currently do not have an offering, which could increase our exposure to patent and other intellectual property claims from competitors and non-practicing entities. In addition, our standard terms and conditions for our Application Programming Interfaces may provide users with indemnification for intellectual property claims against them and require us to indemnify them for certain intellectual property claims against them, which could require us to incur considerable costs in defending such claims, and may require us to pay significant damages in the event of an adverse ruling. Users may also discontinue the use of our products, services, and technologies as a result of injunctions or otherwise, which could result in loss of revenue and adversely impact our business.

We may become involved in intellectual property lawsuits, and as we face increasing competition and develop new products, we expect the number of patent and other intellectual property claims against us may grow. There may be intellectual property or other rights held by others, including issued or pending patents, that cover significant aspects of our products and services, and we cannot be sure that we are not infringing or violating, and have not infringed or violated, any third-party intellectual property rights or that we will not be held to have done so or be accused of doing so in the future. Any claim or litigation alleging that we have infringed or otherwise violated intellectual property or other rights of third parties, with or without merit, and whether or not settled out of court or determined in our favor, could be time-consuming and costly to address and resolve, and could divert the time and attention of our management and technical personnel. Some of our competitors have substantially greater resources than we do and are able to sustain the costs of complex intellectual property litigation to a greater degree and for longer periods of time than we could. The outcome of any litigation is inherently uncertain, and there can be no assurances that favorable final outcomes will be obtained in all cases. In addition, plaintiffs may seek, and we may become subject to, preliminary or provisional rulings in the course of any such litigation, including potential preliminary injunctions requiring us to cease some or all of our operations. We may decide to settle such lawsuits and disputes on terms that are unfavorable to us. Similarly, if any litigation to which we are a party is resolved adversely, we may be subject to an unfavorable judgment that may not be reversed upon appeal. The terms of such a settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, we may have to seek a license 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, and may significantly increase our operating costs and expenses. As a result, we may also be required to develop or procure alternative non-infringing technology, which could require significant effort and expense or discontinue use of the technology. An unfavorable resolution of the disputes and litigation referred to above would adversely impact our business, financial condition, and operating results.

We may incur significant operating losses, or we may not be able to maintain profitability or accurately predict fluctuations in our operating results from quarter to quarter.

Our quarterly operating results may fluctuate and as a result, our past quarterly operating results may not necessarily be indicators of future performance. Our operating results in any given quarter can be influenced by numerous factors, many of which we are unable to predict or are outside of our control, including:

- our ability to attract and retain users;
- the occurrence of unplanned significant events, such as natural disasters and political revolutions, as well as seasonality which may differ from our expectations;
- the impacts of the COVID-19 pandemic, and governmental and business actions in response thereto, on the global economy;
- the pricing of our products and services, and our ability to maintain or improve revenue and margins;
- the development and introduction of new products or services, changes in features of existing products or services or de-emphasis or termination of existing products, product features or services;
- the actions of our competitors;
- increases in research and development, sales and marketing, and other operating expenses that we may incur to grow and expand our operations and to remain competitive, including stock-based compensation expense and costs related to our technology infrastructure;
- costs related to the acquisition of businesses, talent, technologies or intellectual property, including potentially significant amortization costs;
- system failures resulting in the inaccessibility of our products and services;
- actual or perceived breaches of security or privacy, and the costs associated with remediating any such breaches;
- adverse litigation judgments, settlements or other litigation-related costs, and the fees associated with investigating and defending claims;
- changes in the legislative or regulatory environment, including with respect to security, tax, privacy, data protection or content, or enforcement by government regulators, including fines, orders or consent decrees;
- changes in reserves or other non-cash credits or charges, such as releases of deferred tax assets valuation allowance, impairment charges or purchase accounting adjustments;
- changes in our expected estimated useful life of property and equipment and intangible assets;
- fluctuations in currency exchange rates and changes in the proportion of our revenue and expenses denominated in foreign currencies;
- changes in U.S. generally accepted accounting principles; and
- changes in global or regional business or macroeconomic conditions.

Given the rapidly evolving markets in which we compete, our historical operating results may not be useful to you in predicting our future operating results. Additionally, certain new revenue products or product features may carry higher costs relative to our other products, which may decrease our margins, and we may incur increased costs to scale our operations if users and engagement on our platforms increase. If we are unable to generate adequate revenue growth and to manage our expenses, we may incur significant losses in future periods and may not be able to achieve profitability.

Many of our products and services contain open source software, and we may license some of our software through open source projects, which may pose particular risks to our proprietary software, products, and services in a manner that could adversely impact our business.

We use open source software in our products and services and will continue to use open source software in the future. In addition, we may contribute software source code to open source projects under open source licenses or release internal software projects under open source licenses in the future. The terms of many open source licenses to which we may be subject have not been interpreted by U.S. or foreign courts, and there is a risk that open source software licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to provide or distribute our products or services. Additionally, under some open source licenses, if we combine our proprietary software with open source software in a certain manner, third parties may claim ownership of, or demand release of, the open source software or derivative works that we developed using such software, which could include our proprietary source code. Such third parties may also seek to enforce the terms of the applicable open source license through litigation which, if successful, could require us to make our proprietary software source code freely available, purchase a costly license or cease offering the implicated products or services unless and until we can re-engineer them to avoid infringement. This re-engineering process could require significant additional research and development resources, and we may not be able to complete it successfully. In addition to risks related to open source license requirements, use of certain open source software may pose greater risks than use of third-party commercial software, since open source licensors generally do not provide warranties or controls on the origin of software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could adversely impact our business, financial condition, and operating results.

We rely on assumptions and estimates to calculate certain of our key metrics, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business.

We may calculate our number of users using internal company data that has not been independently verified. While these numbers may be based on what we believe to be reasonable calculations for the applicable period of measurement, there are inherent challenges in measuring number of users and user engagement. For example, there may be a number of false or spam accounts in existence on our platforms. We may estimate that the average of false or spam accounts during a quarter represent a certain percentage of our users during that quarter. However, this estimate may be based on an internal review of a sample of accounts and we may apply significant judgment in making this determination. As such, our estimation of false or spam accounts may not accurately represent the actual number of such accounts, and the actual number of false or spam accounts could be higher than we may have estimated. We will continually seek to improve our ability to estimate the total number of false or spam accounts and eliminate them from the calculation of our number of users, but we may otherwise treat multiple accounts held by a single user or organization as multiple accounts for purposes of calculating our number of users because we permit users and organizations to have more than one account. Additionally, some accounts used by organizations may be used by many users within the organization. As such, the calculations of our number of users may not accurately reflect the actual number of users or organizations using our platforms. We will regularly review and may adjust our processes for calculating our internal metrics to improve their accuracy. Our measures of user growth and engagement may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology. If users or investors do not perceive our metrics to be accurate representations of our total accounts or user engagement, or if we discover material inaccuracies in our metrics, our reputation may be harmed and users may be less willing to allocate their resources to our products and services, which could negatively affect our business and operating results. Furthermore, as our business develops, we may revise or cease reporting metrics if we determine that such metrics are no longer accurate or appropriate measures of our performance. For example, we may believe that our number of users, and its related growth, are not the best ways to measure our success against our objectives going forward. If investors, analysts, or users do not believe our reported measures, such as number of users, are sufficient or accurately reflect our business, we may receive negative publicity and our operating results may be adversely impacted.

Acquisitions, divestitures, and investments could disrupt our business and harm our financial condition and operating results.

Our success will depend, in part, on our ability to expand our products, product features and services, and grow our business in response to changing technologies, demands of users on our platforms and competitive pressures. In some circumstances, we may determine to do so through the acquisition of complementary businesses and technologies rather than through internal development. The identification of suitable acquisition candidates can be difficult, time-consuming, and costly, and we may not be able to successfully complete identified acquisitions. The risks we face in connection with acquisitions include:

- diversion of management time and focus from operating our business to addressing acquisition integration challenges;
- retention of key employees from the acquired business;
- cultural challenges associated with integrating employees from the acquired business into our organization;
- integration of the acquired business' accounting, management information, human resources and other administrative systems and processes;
- the need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked effective controls, procedures and policies;
- liability for activities of the acquired business before the acquisition, including intellectual property infringement claims or violations of laws,
- commercial disputes, tax liabilities and other known and unknown liabilities;
- unanticipated write-offs or charges; and
- litigation or other claims in connection with the acquired business, including claims from terminated employees, former stockholders or other third parties.

Our failure to address these risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realize the anticipated benefits of these acquisitions or investments, cause us to incur unanticipated liabilities, and harm our business generally. Future acquisitions could also result in dilutive issuances of our equity securities, the incurrence of debt, contingent liabilities, amortization expenses, incremental operating expenses or the impairment of goodwill, any of which could adversely impact our financial condition and operating results.

We may also make investments in privately held businesses in furtherance of our strategic objectives. The instruments in which we invest may be nonmarketable at the time of our initial investment and we may not realize a return and may recognize a loss on such investments.

In certain cases, we may have to divest or stop investing in certain products, including products that we may have acquired. In these cases, we may need to restructure operations, terminate employees, and/or incur other expenses. We may not realize the expected benefits and cost savings of these actions and our operating results may be adversely impacted.

If we fail to 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 regulations could be impaired.

As a company, we may be subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, the Sarbanes-Oxley Act of 2002, as amended (the "Sarbanes-Oxley Act"), and the listing standards of any securities exchange on which the Corporation's securities may be listed or quoted for trading. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could cause us to be subject to one or more investigations or enforcement actions by state or federal regulatory agencies, stockholder lawsuits or other adverse actions requiring us to incur defense costs, pay fines, settlements or judgments. Any such failures could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the perceived value of our common stock.

Our debt obligations could adversely affect our financial condition.

As of March 31, 2020, we had an unsecured revolving credit facility with certain directors and stockholders providing for loans in the aggregate principal amount of \$50,000.

Our debt obligations could adversely impact us. For example, these obligations could:

- require us to use a substantial portion of our cash flow from operations to pay principal and interest on debt when required upon the occurrence of certain change of control events or otherwise pursuant to the terms thereof, which will reduce the amount of cash flow available to fund working capital, capital expenditures, acquisitions, and other business activities;
- adversely impact our credit rating, which could increase future borrowing costs;
- limit our future ability to raise funds for capital expenditures, strategic acquisitions or business opportunities, and other general corporate requirements;
- restrict our ability to create or incur liens and enter into sale-leaseback financing transactions;
- increase our vulnerability to adverse economic and industry conditions;
- increase our exposure to interest rate risk from variable rate indebtedness;
- dilute our earnings per share as a result of the conversion provisions in debt instruments; and
- place us at a competitive disadvantage compared to our less leveraged competitors.

Our ability to meet our payment obligations under our debt instruments depends on our ability to generate significant cash flows in the future. This, to some extent, is subject to market, economic, financial, competitive, legislative, and regulatory factors as well as other factors that are beyond our control. There can be no assurance that our business will generate cash flow from operations, or that additional capital will be available to us, in amounts sufficient to enable us to meet our debt payment obligations and to fund other liquidity needs. Additionally, events and circumstances may occur which would cause us to not be able to satisfy applicable draw-down conditions and utilize our revolving credit facility. If we are unable to generate sufficient cash flows to service our debt payment obligations, we may need to refinance or restructure our debt, sell assets, reduce or delay capital investments, or seek to raise additional capital. If we are unable to implement one or more of these alternatives on commercially reasonable terms or at all, we may be unable to meet our debt payment obligations, which would materially and adversely impact our business, financial condition and operating results.

Our business is subject to the risks of earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by man-made problems such as terrorism.

A significant natural disaster, such as the COVID-19 pandemic or an earthquake, fire, flood or significant power outage could have a material adverse impact on our business, operating results, and financial condition. For example, the COVID-19 pandemic has led to certain business disruptions as described in our other risk factors, including travel bans and restrictions and shelter-in-place orders, which have adversely affected our business and the economy as a whole, and which may continue to have an adverse effect on our business, financial condition and operating results. Despite any precautions we may take, the occurrence of a natural disaster or other unanticipated problems at our data centers could result in lengthy interruptions in our services. In addition, acts of terrorism and other geo-political

unrest could cause disruptions in our business. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate. We have implemented disaster recovery programs, which allows us to move production to back-up data centers in the event of a catastrophe. Although these programs are functional, we may not serve network traffic equally from each data center, so if our primary data center shuts down, there may be a period of time that our products or services, or certain of our products or services, will remain inaccessible or people may experience severe issues accessing our products and services. We may not carry business interruption insurance sufficient to compensate us for the potentially significant losses, including the potential harm to our business that may result from interruptions in our ability to provide our products and services. Any such natural disaster or man-made drawback could adversely impact our business, financial condition, and operating results.

We may have exposure to greater than anticipated tax liabilities, which could adversely impact our operating results.

Our income tax obligations are based in part on our corporate operating structure, including the manner in which we may develop, value and use our intellectual property and the scope of our international operations. We may be subject to review and audit by tax authorities in the United States (federal and state), and other foreign jurisdictions and the laws in those jurisdictions are subject to interpretation. Tax authorities may disagree with and challenge some of the positions we have taken and any adverse outcome of such an audit could have a negative effect on our financial position and operating results. In addition, our future income taxes could be adversely affected by earnings being lower than anticipated in jurisdictions that have lower statutory tax rates and higher than anticipated in jurisdictions that have higher statutory tax rates, by changes in the valuation of our deferred tax assets and liabilities, or by changes in tax laws, regulations or accounting principles, as well as certain discrete items. For example, the legislation commonly referred to as the 2017 Tax Cuts and Jobs Act significantly affected U.S. tax law by changing how U.S. income tax is assessed on multinational corporations. The U.S. Department of Treasury has issued and will continue to issue regulations and interpretive guidance that may significantly impact how we will apply the law and impact our results of operations.

In addition, the Organization for Economic Cooperation and Development (OECD) has published proposals covering a number of issues, including country-by-country reporting, permanent establishment rules, transfer pricing rules, tax treaties and taxation of the digital economy. Future tax reform resulting from this development may result in changes to long-standing tax principles, which could adversely affect our effective tax rate or result in higher cash tax liabilities. In 2018, the European Commission proposed a series of measures aimed at ensuring a fair and efficient taxation of digital businesses operating within the European Union. Some countries, in the European Union and beyond, have unilaterally moved to introduce their own digital services tax to capture tax revenue on digital services more immediately. Notably France, Italy, Austria, the United Kingdom, Turkey, India, and Indonesia have enacted or will soon enact a digital tax. Such laws would increase our tax obligations in those countries or change the manner in which we may operate our business.

If our goodwill or intangible assets become impaired, we may be required to record a significant charge to earnings.

Under generally accepted accounting principles in the United States, or U.S. GAAP, we review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. An adverse change in market conditions or financial results, particularly if such change has the effect of changing one of our critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to our goodwill or intangible assets. Any such material charges may have a material and adverse impact on our operating results.

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

As of December 31, 2019, we had U.S. federal net operating loss carryforwards of approximately \$15,140. Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes, such as research tax credits, to offset its post-change income and taxes may be limited. In general, an “ownership change” occurs if there is a cumulative change in our ownership by “5% shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. In the event that we have experienced an ownership change, or if we experience one or more ownership changes in the future, then we may be limited in our ability to use our net operating loss carryforwards and other tax assets to reduce taxes owed on the net taxable income that we earn. Any such limitations on the ability to use our net operating loss carry forwards and other tax assets could adversely impact our business, financial condition, and operating results.

Risks Related to Ownership of Our Common Stock

Our bylaws, as well as provisions of Delaware law, could impair a takeover attempt.

Our bylaws and Delaware law contain provisions which could have the effect of rendering more difficult, delaying, or preventing an acquisition deemed undesirable by our board of directors. Among other things, our bylaws include provisions:

- limiting the liability of, and providing indemnification to, our directors and officers;
- limiting the ability of our stockholders to call and bring business before special meetings;
- requiring advance notice of stockholder proposals for business to be conducted at meetings of our stockholders and for nominations of candidates for election to our board of directors; and
- controlling the procedures for the conduct and scheduling of stockholder meetings.

These provisions, alone or together, could delay or prevent hostile takeovers and changes in control or changes in our management.

As a Delaware corporation, we are also subject to provisions of Delaware law, including Section 203 of the Delaware General Corporation Law, which prevents certain stockholders holding more than 15% of our outstanding common stock from engaging in certain business combinations without approval of the holders of at least two-thirds of our outstanding common stock not held by such 15% or greater stockholder.

Any provision of our bylaws or Delaware law that has the effect of delaying, preventing or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our common stock, and could also affect the price that some investors are willing to pay for our common stock.

The perceived value of our common stock may be volatile, and you could lose all or part of your investment.

The perceived value of our common stock may be highly volatile in response to various factors, some of which are beyond our control. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this Quarterly Report, factors that could cause fluctuations in the perceived value of our common stock include the following:

- price and volume fluctuations in the overall stock market from time to time, including fluctuations due to general economic uncertainty or negative market sentiment, in particular related to the COVID-19 pandemic;
- volatility in the market prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our common stock by us or our stockholders;
- rumors and market speculation involving us or other companies in our industry;
- failure of securities analysts to cover or maintain coverage of us, changes in financial estimates by securities analysts who follow us, or our failure to meet these estimates or the expectations of investors;
- the financial or non-financial metric projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new products or services;
- the public’s reaction to our press releases, other public announcements and filings with the SEC;
- actual or anticipated changes in our operating results or fluctuations in our operating results;
- actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- our issuance of shares of our common stock, whether in connection with an acquisition or upon conversion of some or all of our debt instruments;
- litigation or regulatory action involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company’s securities, securities class action litigation has often been instituted against these companies. Any

securities litigation can result in substantial costs and a diversion of our management's attention and resources. We may experience such litigation following any future periods of volatility.

Our failure to return capital to our stockholders could have a material adverse effect on our perceived stock value.

We may announce that our board of directors authorized the repurchase of our common stock from time to time. Any failure to meet our commitment to return capital to our stockholders could have a material adverse effect on our stock price.

If securities or industry analysts change their recommendations regarding our common stock adversely, the price of our common stock and trading volume could decline.

The trading market for our common stock may be influenced, to some extent, by the research and reports that securities or industry analysts publish about us, our business, our industry, our market, or our competitors. If any of the analysts who cover us change their recommendation regarding our common stock adversely, or provide more favorable relative recommendations about our competitors, the perceived value of our common stock would likely decline.

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

Sales or Issues of Unregistered Equity Securities

We may sell or issue unregistered shares of our common stock for working capital, acquisitions and in terms of our 2020 Equity Incentive Plan.

The recipients of these securities acquire the securities for investment purposes only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends are placed upon the stock certificates issued in these transactions. All recipients have adequate access, through their relationships with us or otherwise, to information about the Corporation. The issuance of these securities is made without any general solicitation or advertising.

Item 3. Signature

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

Doofus Corporation

Date: August 31, 2020

By: /s/ JACQUES FOURIE
Jacques Fourie
Chief Executive Officer
Principal Executive Officer

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF
THE SARBANES-OXLEY ACT OF 2002**

I, Jacques Fourie, certify that:

1. I have reviewed this Quarterly Report of Doofus Corporation (the "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 Corporation as of, and for, the periods presented in this report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Corporation and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the Corporation is made known to me particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the Corporation's disclosure controls and procedures and presented in this report my 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 Corporation's internal control over financial reporting that occurred during the Corporation's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting; and;
5. I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the audit committee of the Corporation'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 Corporation'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 Corporation's internal control over financial reporting.

Date: August 31, 2020

/s/ JACQUES FOURIE

Jacques Fourie
Chief Executive Officer
Principal Executive Officer