

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

FORM 10-K

(Mark One)

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

For the fiscal year ended January 31, 2022

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37493

Ooma, Inc.

(Exact name of registrant as specified in charter)

Delaware

(State or other jurisdiction of incorporation or organization)

06-1713274

(I.R.S. Employer Identification No.)

525 Almanor Avenue, Suite 200, Sunnyvale, California 94085

(Address of principal executive offices and zip code)

Registrant's telephone number **(650) 566-6600**

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

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, par value \$0.0001	OOMA	The New York Stock Exchange

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

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

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

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

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

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

Large Accelerated Filer	<input type="checkbox"/>	Accelerated Filer	<input checked="" type="checkbox"/>
Non-Accelerated Filer	<input type="checkbox"/>	Small reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of July 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$408 million, based upon the closing price reported for such date on the New York Stock Exchange.

24.3 million shares of common stock were issued and outstanding as of March 31, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive Proxy Statement for its 2022 Annual Meeting of Stockholders are incorporated by reference in Part III of this Annual Report on Form 10-K. Such Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the fiscal year to which this report relates. Except with respect to information specifically incorporated by reference in this Form 10-K, the Proxy Statement is not deemed to be filed as part of this Form 10-K.

Ooma, Inc.
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FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended January 31, 2022 (“Form 10-K”) contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). The words “believe,” “will,” “may,” “estimate,” “continue,” “anticipate,” “intend,” “should,” “plan,” “expect,” “predict,” “could,” “potentially” and variations of such words and similar expressions are intended to identify such forward-looking statements, which may include, but are not limited to, statements concerning the following:

- our future financial performance, including trends in revenue, cost of revenue, operating expenses and income taxes;
- our estimates of the size of our market opportunity and forecasts of market growth;
- our ability to develop, launch or acquire new products and services, improve our existing products and services, manage our supply chain, and increase the value of our products and services;
- changes to our business resulting from increased competition or changes in market trends;
- our ability to increase our revenue and our revenue growth rate, anticipate demand for our products, and effectively manage our future growth;
- our ability to successfully maintain our relationships with our key retailers and resellers;
- our ability to attract and retain customers, including our ability to maintain adequate customer care and manage increases in our churn rate;
- our ability to improve local number portability provisioning and obtain direct inward dialing numbers;
- our ability to maintain, protect and enhance our brand and intellectual property;
- government regulation, including compliance with regulatory requirements and changes in market rules, rates and tariffs;
- our ability to comply with applicable FCC regulations, including those regarding E-911 services;
- increasing regulation of our services and the imposition of federal, state and municipal sales and use taxes, fees or surcharges on our services;
- the effects of industry trends on our results of operations;
- server or system failures that could affect the quality or disrupt the services we provide and our ability to maintain data security;
- our ability to borrow additional funds and access capital markets, as well as our ability to comply with the terms of our indebtedness and the possibility that we may incur additional indebtedness in the future;
- the differences between our services, including emergency calling, compared to traditional phone services;
- the sufficiency of our cash, cash equivalents and short-term investments to meet our working capital and capital expenditure requirements;
- our ability to successfully enter new markets, manage our international expansion, and identify, evaluate and consummate acquisitions;
- the future trading prices of our common stock; and
- other risk factors included under the section titled “Risk Factors”

You should not rely upon forward-looking statements as predictions of future events. Such statements are based on management’s expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results, events or circumstances to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include those described throughout this report and particularly in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider all of the information in this Form 10-K and in other documents we file from time to time with the Securities and Exchange Commission (“SEC”). We undertake no obligation to update any forward-looking statements made in this Form 10-K to reflect events or circumstances after the date of this filing 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. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

When we use the terms “Ooma,” the “Company,” “we,” “us” or “our” in this report, we are referring to Ooma, Inc. and its consolidated subsidiaries unless the context requires otherwise. Ooma, Ooma Premier, Ooma Telo, Ooma Office, Ooma Home, Broadsmart, Talkatone and the Ooma logo referred to or displayed herein are trademarks of Ooma, Inc. and its consolidated subsidiaries. All other company and product names referred to herein may be trademarks of the respective companies with which they are associated.

Item 1. Business

Overview

Ooma provides leading communications services and related technologies that bring unique features, ease of use, and affordability to businesses of all sizes and residential customers through our smart software-as-a-service (“SaaS”) and unified communications platforms. For businesses, we deliver advanced voice and collaboration features including messaging, intelligent virtual attendants, and video conferencing to help them run more efficiently. For consumers, our residential phone service provides PureVoice high-definition voice quality, advanced functionality and integration with mobile devices.

We drive the adoption of our platforms by providing communications solutions to the large and growing markets for business, residential and mobile users, and then facilitate growth by offering new and innovative connected services to our user base. Our customers typically adopt our platforms by making a purchase or rental of our on-premise devices, connecting to the internet and activating services, for which they primarily pay on a monthly basis. We believe we have achieved high levels of customer satisfaction, retention and loyalty. Our business and residential phone service solutions are each top-ranked by our customers according to surveys by PC Mag and Consumer Reports, respectively.

Our services rely upon the following main elements: our multi-tenant cloud service, on-premise devices, desktop and mobile applications, end-point devices and calling platform. Ooma’s cloud provides a high-quality, secure, managed and reliable connection integrating every element of our platforms. Our platforms power all aspects of our business, providing a high-volume, low-cost infrastructure for our communications solutions, and enabling a number of other current and future productivity, automation, monitoring, safety, security and networking infrastructure applications and services.

We generate revenues primarily from the sale of subscriptions and other services for our business and residential communications solutions. We primarily offer our solutions in the U.S. and Canada. We believe that our differentiated solutions and our long-term customer relationships uniquely position us to add new connected services and exploit adjacent markets. We believe that our platforms are particularly well-suited to enable the delivery of connected services because they are always on, monitored and interactive.

We have experienced strong revenue growth in recent periods. Our total revenue was \$192.3 million, \$168.9 million and \$151.6 million in fiscal 2022, 2021 and 2020, respectively. We have grown our combined Ooma Business and Ooma Residential core users to approximately 1,100,000 as of January 31, 2022. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” below for additional information.

We were incorporated in 2003 as a Delaware corporation and our stock is listed on the New York Stock Exchange under the symbol “OOMA.” Our corporate headquarters are located in Sunnyvale, California. Our primary website address is www.ooma.com.

Our Solutions

Ooma Business

Our mission is providing business communications services that are simple, easy to use, and deliver excellent value to small, medium-sized and large companies. We offer a range of solutions to fit each business' needs, along with personalized support to resolve any issues in deploying and maintaining Ooma services. We refer to Ooma Office and Ooma Enterprise collectively as Ooma Business.

Ooma Office

Ooma Office is a cloud-based multi-user communications system for small and medium-sized businesses designed to manage communications in and out of the office with a suite of powerful features at an affordable price. Ooma Office is simple and intuitive to setup and use, mobile-friendly, scalable, and provides a variety of configurations to meet our customers' specific needs. Customers have their choice of equipment for voice service, including IP phones, smartphones, PCs and traditional analog phones. Ooma Office provides a curated set of advanced features, managed through an online portal, including a virtual receptionist, SMS and MMS messaging, extension dialing, ring groups, call park, audio conferencing, music-on-hold, intercom/paging, and voicemail forwarding to e-mail. The Ooma Office mobile app allows virtual deployment without hardware, so users can make, receive and transfer phone calls, listen to voicemails, text, and manage their Ooma account on the go from any iOS or Android device.

Ooma Office Pro provides a set of additional features that are designed for businesses whose needs are above and beyond our standard Ooma Office service, including: HD video conferencing (Ooma Meetings), call recording, call analytics, caller info match, enhanced robocall blocking, voicemail transcription, and integrations with Google Workspace and Microsoft 365 applications. The Office desktop app for Pro users conveniently enables users to have their complete business communications system on their PCs and Macs to make and receive calls, host and join video meetings, use SMS and MMS messaging, access company directories, access in-depth caller profiles for both inbound and outbound calls, and other capabilities. The app works anywhere the computer has an internet connection, keeping employees and teams connected while working from home, on the road, or in the office.

We also offer the following additional services to our Ooma Office customers:

Ooma Connect delivers fixed wireless internet connectivity to replace or back-up slow and costly DSL, satellite, and cable services. This solution consists of the Ooma Connect Base Station and the cellular antenna, which provides wireless internet through a nationwide advanced cellular network. Our Continuous Voice technology for internet back-up improves call quality by sending redundant voice streams across both the primary and wireless Internet link.

Ooma Managed Wi-Fi is a plug-and-play enterprise-grade Wi-Fi solution that is designed to take the complexity and high cost out of wireless networking for small and medium-sized businesses. Ooma Wi-Fi enables businesses in industries such as retail, restaurant, and hospitality to support Wi-Fi IP phones on Ooma Office, Wi-Fi access for guests, and securely connect online payment systems and cloud-based applications, such as Microsoft Office, Google Workspace or CRM systems.

Ooma Enterprise

Ooma Enterprise is a highly customizable, flexible, and scalable unified-communications-as-a-service ("UCaaS") solution that complements Ooma Office and allows us to meet the needs of organizations of all sizes. Telecommunications and networking services available through Ooma Enterprise include mobile and softphone telephony, presence and instant messaging, multiparty audio, video and web conferencing, and call center capabilities with full Application Programming Interface ("API") support.

Our enterprise UCaaS platform enables easy drag-and-drop call flow management, using modular applications that can be selectively enabled to suit customer needs. Some of these applications include WebRTC, Call Center, Mobile and Desktop applications, Team Chat, and a distinctive reporting portal for end users and administrators. Additionally, for our call center customers, we offer agents and call center managers the ability to visualize their performance through their day or over time with custom reporting solutions. Our global cloud-based network provides business-class security, redundancy, and failover, as well as uniquely routes calls through the shortest path to provide the highest voice quality.

Our platform is built on an open API architecture that enables agility, customizations, and integrations into back-end solutions such as CRM, predictive analytics, accounting and customer renewal systems, either internally or via third party developers. This gives Ooma Enterprise customers the ability to streamline business processes and ensure their customers are serviced faster, boosting satisfaction, repeat orders, referrals, and revenues in addition to enabling their users to improve productivity.

In addition, we offer Ooma Direct Routing for Microsoft Teams. Through our global network, every device enabled with the Teams app – desktops, laptops, smart phones and tablets – becomes a fully functional business phone that connects Teams users to external phone lines.

Ooma AirDial

In November 2021, we announced Ooma AirDial, a complete integrated solution for business intended to address the expected decommissioning of legacy copper-wire analog phone service, also known as plain old telephone service (“POTS”). Ooma AirDial will combine phone service, a data connection and hardware in a single package that is designed to be easy to install and manage. Safety and business-critical systems that today require a POTS line – including elevator phones, fax machines, public safety phones, building access systems and more – can be quickly and easily migrated to a digital connection. We commenced selling AirDial during the first quarter of fiscal 2023.

Ooma Residential

Ooma Residential includes Ooma Telo basic and premier services as well as our smart security solutions. Our residential phone service provides PureVoice HD voice quality, advanced functionality and integration with mobile devices. Overall, our residential platform enables an ecosystem for connected services by integrating with other automation solutions to enable innovative and valuable features.

Home Phone Services

Ooma Basic provides unlimited personal calling within the U.S. and features such as: voicemail access, call waiting, caller ID, network address book and 911 calling, with text alerts when 911 is dialed from the home. Our Ooma Mobile HD app allows users to make and receive phone calls and access Ooma features and settings with any iOS or Android device over a Wi-Fi or cellular data connection. The app includes unlimited mobile domestic calls, subject to normal residential usage limitations, and enables users to make international calls on their mobile devices using Ooma's low-cost international calling plan.

Ooma Premier offers a suite of advanced calling features on a monthly or annual subscription basis, including: custom and anonymous call blocking, receiving incoming calls on the Ooma Mobile App, call forwarding, three-way conference calling, backup number, and integration with a variety of devices and services to enable new functionality and automation, such as Google Voice, Dropbox and Amazon Alexa. We also offer other premium subscription services to our customers, independent of Ooma Premier, including an international calling plan and voicemail transcription service.

Home Phone Products

We offer three ways to connect to our residential phone services:

Ooma Telo is a complete home communications solution designed to serve as the primary phone line in the home, delivering high-quality voice communications, advanced calling features and connected services that are not offered by traditional landlines. Users make a one-time purchase of an Ooma Telo and plug it into a high-speed internet connection and standard home phone devices. Users have the option to transfer their existing phone number for a one-time fee or to select a new number at no cost. Once set up, users have access to free nationwide calling, international calling with low rates and the features described above.

Ooma Telo Air is a wireless Ooma Telo with built-in Wi-Fi and Bluetooth capabilities that connects to the internet using the home's Wi-Fi network and can be paired with mobile phones to answer incoming calls from any phone in the home.

Ooma Telo 4G combines the Ooma Telo base station with the Ooma 4G Cellular Adapter and battery back-up to deliver an always-on home phone solution with all of the advanced features provided by our unique cloud-based residential platform.

Home Security

Ooma Smart Security is an innovative security and monitoring platform that utilizes our Ooma Telo products to provide do-it-yourself home security and awareness through a range of sensors including: door and window, motion, garage door, water, alarm siren, and a keypad that acts as a physical control panel for the security system. Ooma Smart Security also offers professional monitoring services, remote 911 features and multi-user geofencing capabilities to automatically arm and disarm the security system. The Ooma Smart Security mobile app for iOS and Android is the interface through which users interact with the system to pair sensors, toggle between home and away modes, check activity logs and manage and receive notifications.

Talkatone

Our Talkatone mobile app is available to anyone with an iOS or Android mobile device and can be downloaded from the Apple App Store or Google Play for free. Registered users choose their own phone number to make and receive free texts and calls to most U.S. and Canadian numbers using a Wi-Fi or cellular data connection within and out-of-network. Talkatone also enables users to call, text, chat and share with friends and family that do not have the app installed. Advertising is displayed within the mobile app and users can choose to purchase premium services such as ad-free usage and international calling plans.

Sales and Marketing

Our sales and marketing objective is to grow our customer base and sell to our existing customers additional services using an integrated and multi-channel marketing approach. We continually test and refine our marketing and sales tactics to drive sales at a low customer acquisition cost.

Marketing and Advertising

Online. We use online marketing including search engine marketing, search engine optimization, online video, digital display advertising and social media to attract customers as they do online research for the products and services we offer. We continue to reach out to our prospect leads over time using e-mail and telemarketing until they purchase or the lead is retired.

Traditional. We use radio advertising to build awareness and interest for our products and services, which benefits both Ooma Business and Ooma Residential. We believe that radio advertising provides an opportunity to build the Ooma brand cost-effectively, educate prospects on Ooma's unique combination of quality and value, and capture prospects' attention. Businesses and consumers who hear our ads are directed to our web site, our inbound sales personnel, and/or to key retail partners.

Word-of-mouth. We actively mobilize our customers and brand advocates to spread word-of-mouth marketing by sharing Ooma news and information through social media and e-mail. We sell additional services to our existing customer base by offering free trials and promotional offers, as well as sending e-mail communications and leaving messages on their Ooma voicemail service.

Sales, Customers and Backlog

Our business and residential products are sold through direct channels, retailers, value-added resellers, master agents and other resellers. The direct channel, value-added resellers and master agents are our primary distribution channels for business solutions and direct and retail are our primary distribution channels for residential customers. Our direct sales force is focused on business sales and includes trained sales representatives located in the U.S. and Canada responding to inbound telephone calls and sales leads generated through marketing activity and our website and third-party web sites.

Our retail distribution includes national and regional consumer electronics, big box retailers and leading online retailers, including Amazon, Best Buy, Costco.com, Walmart.com and others. We also have strategic partnerships with third parties, such as T-Mobile, which enables us to sell our services and products to certain of their customers. No single customer accounted for 10% or more of our total revenue for fiscal 2022, 2021 and 2020.

Our service plans are generally sold as monthly subscriptions; however, certain plans are also offered as annual and multi-year subscriptions. Products are generally shipped and billed shortly after receipt of an order. We do not believe that our product backlog at any particular time is meaningful because it is not necessarily indicative of future revenue in any given period as such orders may be rescheduled or cancelled without penalty prior to shipment. The majority of our product revenue comes from orders that are received and shipped in the same quarter.

Customer Support

Our primary customer support objective is to satisfy our customers and educate them on the features and benefits of our products to optimize the overall user experience. We employ an active customer management strategy in which we drive incremental revenue through cross-selling of products and services. Our customer support teams also manage the porting process for our customers as well as billing and payment activities.

We maintain two customer contact centers: one operated by us in Newark, California, which primarily supports our business customers, and the other operated by a third-party provider in Manila, Philippines, which primarily supports our residential customers. In addition, our offices located in Vancouver, British Columbia and Boca Raton, Florida support our enterprise customers. We utilize a variety of communication media to serve the needs of our customers including telephone, online chat, online tutorials and e-mail.

Engineering, Research and Development

We take an integrated approach to the development of our technology. Our extensive engineering resources span both hardware and software, and our business scope encompasses the entire platform from user devices such as handsets to cloud infrastructure, giving us the ability to create unique features and services for our customers. We believe our integrated engineering and business strategy is a significant competitive advantage and makes it feasible for us to leverage our platforms to deliver a broad range of productivity, automation and infrastructure connected services.

We have invested significant time and resources into developing our engineering, research and development team, resulting in a group with diverse skills, ranging from digital and radio frequency hardware design to embedded software, network software, telecommunications, database architecture, operations support systems, billing, security, web design and mobile app development. Because our team develops and integrates our solutions, we are able to offer a solution that works seamlessly between software and hardware and respond to customer feedback to add in additional features and services that work across our platforms. Our team consists of a core set of engineers located primarily in the San Francisco Bay Area, augmented by development teams in several international locations.

Operations and Manufacturing

We currently serve most of our customers from three separate data center facilities located in Northern California, Texas and Virginia, where we lease space from Equinix, Inc. We also lease data center space in certain cities in Europe. While our service operations are partially redundant, account provisioning and billing are operated out of the San Jose facility for most of our customers. Our network operations and carrier operations teams are responsible for designing our core routing and switching infrastructure, managing growth and maintenance (including the introduction of new services) and orchestrating vendor relationships for hosted services, IP transit and carrier services and daily operation of our cloud and other services. The design of these services, and the tools for monitoring and managing them, are developed in combination with our engineering team.

We primarily contract with manufacturers in China and other Asian countries to produce our on-premise devices and end-point devices. We configure and ship to our channel partners and end users through our internal manufacturing and logistics team based in Newark, California. Our internal logistics team also manages reverse logistics for channel and warranty returns and works closely with our engineering team to develop tooling and processes that bring new products into production.

Competition

The market for communications solutions and other connected services for business, home and mobile users is very large, complex, fragmented and defined by changing technology and customer demands. We expect competition to continue to increase in the future. We believe that the defining factors driving competition in our market include:

- Quality and consistency of communications services;
- Lifetime value of initial investment and ongoing cost of services;
- Breadth of features and capabilities;
- System reliability, availability and performance;
- Speed and ease of activation, setup, and configuration;
- Ownership and control of the proprietary technology;
- Integration with multiple end-point devices and mobile solutions;
- Customer satisfaction and brand loyalty; and
- Ability to effectively access reseller channels

We believe that we generally compete favorably on the basis of the factors listed above. We face competition from a broad range of providers of communications solutions and other connected services for business, home and mobile users. Some of these competitors include:

- Established communications providers, such as AT&T Inc., Comcast Corporation, Verizon Communications Inc. and Rogers Communications Inc.;
- Other cloud-based communications companies such as RingCentral Inc., Vonage Holdings Corp, 8x8 Inc., Nextiva, Inc., Intermedia.net Inc., Dialpad Inc., Microsoft Corporation, Zoom Video Communications, Inc., and Alphabet Inc. (Google Voice); and
- Traditional on-premise hardware business communications providers such as Avaya Inc., Cisco Systems, Inc. and Mitel, Inc.

All of these companies currently or may in the future host their solutions through the cloud. Additionally, we recently entered the POTS replacement market and our new AirDial product will face competition from other companies, such as Granite Telecommunications LLC and DataRemote Inc., promoting their own POTS-related products and solutions.

See the section entitled "Risks Related to Our Business and Industry" in Item 1A. "Risk Factors" below for more information related to competition.

Human Capital

People and Culture. We view our people and our company culture as key to our success. We aim to attract and retain talented people representing diverse perspectives and skills, who are driven by our common Ooma values:

We care that everyone loves their Ooma experience.

We think big to innovate and revolutionize markets.

We create smarter solutions that uniquely deliver both superior experiences and superior value.

We embrace diversity of thought to make the best decisions.

We respect that problems are best solved by fact-based discussions and positive intent.

We choose to be a force for good in the world.

From time-to-time, we conduct confidential company-wide surveys to capture our employees' views of the organization, company goals and job satisfaction, which our senior leadership team reviews and acts upon, as appropriate. Our employees are encouraged to engage with company leadership and openly raise concerns and questions, including via our quarterly employee communications meeting with the CEO and senior management team. Our management team also regularly hosts "Ask and Answer" sessions across the organization to create more opportunities for employees to communicate, share ideas and learn about Ooma.

Diversity, Equity, Inclusion ("DEI") and Racial Justice. Our commitment to DEI and racial justice is more than the policies and practices we develop and adhere to – it is an integral part of who we are and how we operate. We believe it is our responsibility to embrace a diverse employee workforce, build a strong and caring culture of inclusion and lead with both passion and compassion. We believe our diversity makes us strong and have pledged along with the Silicon Valley Leadership Group to be an agent of sustainable change. Our internal DEI and Racial Justice committee leads our commitment to put this pledge into action and provides an open door to all of our personnel who would like to actively contribute to the effort. We believe a diverse and inclusive workforce serves to enrich our employee experience.

Compensation and Benefits. We aim to provide our employees competitive salaries and benefit programs that help meet the varying needs of our workforce. These programs include an employee stock purchase plan, equity awards and bonuses, a 401(k) retirement plan with a company match, healthcare benefits, paid time off and family leave, and flexible work arrangements. We conduct annual benchmarking to assess our compensation and benefit programs against those of our peers.

Community Support. We believe in giving back and promoting community outreach through corporate giving and employee volunteerism. Through our "Ooma Giving Back" program, we partner with certain non-profit organizations to help support several local communities.

Employees and Contractors

As of January 31, 2022, we had a total of 383 full-time employees, all of whom are located in the U.S. and Canada. None of our employees is represented by a labor union or subject to a collective bargaining agreement. Additionally, we utilize third party contractors and temporary personnel to supplement our workforce.

Intellectual Property

We rely on a combination of patents, trade secrets, copyrights, trademarks, confidentiality and proprietary rights agreements with our employees, consultants and other third parties, as well as other contractual protections to establish and protect our intellectual property rights. We control access to our software, documentation and other proprietary information, and our software is protected by U.S. and international copyright laws. As of January 31, 2022, we had 47 issued patents and 8 patent applications pending in the U.S. and 4 patent applications pending in foreign jurisdictions, all of which are associated with U.S. applications. Our issued patents will expire approximately between 2031 and 2040. We are also a party to various license agreements with third parties who typically grant us the right to use certain third-party technology in conjunction with our products and services, or to integrate software into our products, including open source software and other software available on commercially reasonable terms. Although our success depends, in part, on our ability to protect our proprietary technology and other intellectual property rights, we believe the technological and creative skills of our personnel, the development of new features and functionality and frequent enhancements to our products and services are the primary methods of establishing and maintaining our technology leadership position.

See the section entitled “Risks Related to Security, IT Systems and Intellectual Property” in Item 1A. “Risk Factors” below for more information on our intellectual property risks.

Regulatory Matters

Traditional telephone service historically has been subject to extensive federal and state regulation, while Internet services generally have been subject to less regulation. Because some elements of VoIP resemble the services provided by traditional telephone companies and others resemble the services provided by internet service providers, the VoIP industry has not fit easily within the existing framework of telecommunications law. The Federal Communications Commission (“FCC”), the U.S. Congress, and various regulatory bodies in the states and in foreign countries have imposed regulations on VoIP providers and are continuing to consider new regulatory requirements on VoIP services.

Federal Regulation. As a provider of internet communications services, we are subject to a number of FCC regulations. Among others, these regulatory obligations include: contributing to the Federal Universal Service Fund (“USF”), the Telecommunications Relay Service Fund and federal programs related to phone number administration; providing access to E-911 services; protecting customer information; and porting phone numbers upon a valid customer request.

State Regulation. The FCC has preempted much regulation of internet voice communications services. However, a number of states have ruled that non-nomadic internet voice communications services may or do fall within the definition of “telecommunications services” or are otherwise within state telecommunications regulatory jurisdiction and therefore those states assert that they have authority to regulate the service. Although no states currently require certification for nomadic internet voice communications service providers, a number of states have imposed certain traditional telecommunications requirements on such services. For example, a number of states require us to contribute to state USF and E-911 and pay other surcharges, which are passed through to our customers, while others are actively considering extending their public policy programs to include the services we provide. We expect that state public utility commissions will continue their attempts to apply state telecommunications regulations to internet voice communications services like ours.

International Regulation. As we expand internationally, we are subject to laws and regulations in the countries in which we offer our services. Regulatory treatment of internet communications services outside the U.S. varies from country to country, is often unclear, and may be more onerous than imposed on our services in the U.S. In Canada, our service is regulated by the Canadian Radio-television and Telecommunications Commission (“CRTC”) which, among other things, imposes requirements similar to the U.S. related to the provision of E-911 services in all areas of Canada where the traditional telephone carrier offers such 911 services. Our regulatory obligations in foreign jurisdictions could have a material adverse effect on our ability to expand internationally, and on the use of our services in international locations.

See the section entitled “Risks Related to Regulatory and Tax Matters” in Item 1A. Risk Factors below for more information.

Available Information

Our filings with the SEC such as our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports are available free of charge at <http://investors.ooma.com> as soon as reasonably practical after they are electronically filed with, or furnished to, the SEC. The SEC’s website, www.sec.gov, contains reports, proxy statements and other information regarding issuers that file electronically with the SEC. The content on any website referred to in this Form 10-K is not incorporated by reference in this Form 10-K unless expressly noted.

ITEM 1A. Risk Factors

Our current and prospective investors should carefully consider the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the "Cautionary Note Regarding Forward-Looking Statements," before making investment decisions regarding our common stock. The risks and uncertainties described below may not be the only ones we face but include the most significant factors currently known by us. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, also may become important factors that affect us. If any of the risks actually occur, our business, financial condition, results of operations could be materially and adversely affected. In that event, the trading price of our common stock could decline, and you could lose part or all of your investment.

Risk Factor Summary

Our business is subject to numerous risks and uncertainties, and the following is a summary of key risk factors when considering an investment. This summary should be read together with the more detailed description of each risk factor contained in the subheadings further below and should not be relied upon as an exhaustive summary of the material risks facing our business:

Risks Related to Our Business and Industry

- If we are unable to attract new users of our services on a cost-effective basis, our business will be materially and adversely affected.
- Our customers may terminate their subscriptions for our service in most cases without penalty, and increased customer turnover, or costs we incur to retain our customers and induce them to add users and/or functionality could materially and adversely affect our financial performance.
- We depend on several sole suppliers to provide the components for, and a small number of vendors to manufacture, certain on-premise devices and end-point devices we sell, and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may increase our costs and harm our business and results of operations.
- We rely on third parties, including third parties located in Russia, for some of our software development, quality assurance and operations, and anticipate we will continue to do so for the foreseeable future.
- A ransomware attack or other security breach could delay or interrupt service to our customers, compromise the integrity of our systems or data that we collect, result in the loss of our intellectual property or confidential information, harm our reputation, or subject us to significant liability.
- The ongoing impact of the COVID-19 pandemic, including any resurgences, could disrupt and cause harm to our business, operating results or financial condition.
- We rely significantly on retailers and reseller partnerships to sell our products; our failure to effectively develop, manage and maintain these sales channels could materially and adversely affect our revenue and business.
- We face competition in our markets by our competitors (including mergers or other strategic transactions involving our competitors) and may lack sufficient financial or other resources to compete successfully.
- To deliver our services, we rely on third parties for our network connectivity and co-location facilities for certain features in our services and for certain elements of providing our services.
- Interruptions in our services could harm our reputation, result in significant costs to us and impair our ability to sell our services.
- We rely on third parties to provide the majority of our customer service and support representatives. If these third parties do not provide our customers with reliable, high-quality service, our reputation and our business will be harmed.
- Our business could suffer if we cannot obtain or retain direct inward dialing numbers, or DIDs, are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.
- If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.
- We may not be able to achieve or sustain profitability in the future.
- If we fail to continue developing our brand or our reputation is harmed, our business may suffer.
- Our quarterly and annual results have fluctuated in the past and may continue to do so. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.
- If additional tariffs or other restrictions are placed on our goods imported from other countries, our revenue, gross margin, and results of operations may be materially harmed.

- A significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.
- If we are not able to manage our inventory levels and purchase commitments effectively, we may experience excess inventory levels, inventory obsolescence, or shortages of inventory that could adversely affect our results of operations.
- We may lose key members of our management team and other key employees, and may be unable to attract and retain employees we need to support our operations and growth.
- We may expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, disrupt our operations and harm our results of operations.
- We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.
- If we are unable to develop, acquire and/or sell new products, services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.

Risks Related to Security, IT Systems and Intellectual Property

- We have incurred, and expect to continue to incur, significant costs to protect against security breaches. We may incur significant additional costs in the future to address problems caused by any actual or perceived security breaches.
- Failures in internet infrastructure or interference with broadband access could cause current or potential customers to believe that our systems are unreliable, leading our current customers to switch to our competitors or potential customers to avoid using our services.
- The success of our business relies on customers' continued and unimpeded access to broadband service. Providers of broadband services may block or degrade our services, which could adversely affect our revenue and growth.
- If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.
- Any failure to obtain registration or protection of our intellectual property rights could materially and adversely affect our business.

Risks Related to Regulatory and Tax Matters

- Our services are subject to regulation and future legislative or regulatory actions could adversely affect our business and expose us to liability.
- The adoption of additional 911 requirements by the FCC could increase our costs that could make our service more expensive, decrease our profit margins, or both.
- If we cannot comply with the FCC's rules imposing call signaling requirements on VoIP providers like us, we may be subject to fines, cease and desist orders, or other penalties.
- Failure to comply with communications and telemarketing laws could result in significant fines or place significant restrictions on our business.
- The FCC has continued to increase regulation of interconnected VoIP services and may at any time determine certain VoIP services are telecommunications services subject to traditional common carrier regulation.
- Reform of federal and state USF programs could increase the cost of our service to our customers, diminishing or eliminating our pricing advantage.
- We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving industry standards, contractual obligations and other legal rules related to privacy, which may increase our costs, decrease adoption and use of our products and services, and expose us to liability.
- Use or delivery of our services may become subject to new or increased regulatory requirements, taxes or fees.

Risks Related to Our Business and Our Industry

If we are unable to attract new users of our services on a cost-effective basis our business will be materially and adversely affected.

In order to grow our business, we must continue to attract new users on a cost-effective basis. We use and periodically adjust the mix of advertising and marketing programs to promote our services. Significant increases in the pricing of one or more of our advertising channels could increase our advertising costs or may cause us to choose less expensive and perhaps less effective channels to promote our services. As we add to or change the mix of our advertising and marketing strategies, we may need to expand into channels with significantly higher costs than our current programs, which could materially and adversely affect our results of operations. We will incur advertising and marketing expenses in advance of when we anticipate recognizing any revenue generated by such expenses, and we may fail to experience an increase in revenue or brand awareness as a result of such expenditures. We have made in the past, and may make in the future, significant expenditures and investments in new advertising campaigns, and we cannot assure you that any such investments will lead to the cost-effective acquisition of additional customers. New users are drawn to our products and services by rankings circulated by organizations such as Amazon, Apple and Google app stores and highly regarded publications such as PCMag. If we are unable to maintain effective advertising programs and garner favorable rankings, our ability to attract new customers could be materially and adversely affected, which could lead us to increase our advertising and marketing expenditures substantially, and our results of operations may suffer.

We market our products and services principally to businesses and households. Some of these business customers and consumers are less technically knowledgeable and may be resistant to new technologies such as our cloud-based communications solutions and our connected services. Because our potential customers need to connect additional hardware at their location and take other steps not required for the use of traditional communications services such as telephone, fax and e-mail, these customers may be reluctant to use our service. These customers may also lack sufficient resources, financial or otherwise, to invest in learning about our services, and therefore may be unwilling to adopt them. If these customers choose not to adopt our services, our ability to grow our business could be negatively affected.

Our customers may terminate their subscriptions for our service in most cases without penalty, and increased customer turnover, or costs we incur to retain our customers and encourage them to add users and, in the future, to purchase additional functionalities and premium services, could materially and adversely affect our financial performance.

Our service plans are generally sold as monthly subscriptions and our customers may terminate their monthly subscription for convenience without any penalty. Certain of our service plans are also sold as annual and multi-year subscriptions, typically ranging up to 3 years. However, our customers have no obligation to renew their subscriptions for such services and may elect to terminate their subscription for any number of reasons. As a result, we have no assurance that the revenue stream associated with a particular customer account will continue beyond the initial subscription term. Additionally, our Ooma Business customers may choose to reduce the number of lines or remove some of the solutions to which they subscribe. Given Ooma Business customers generally pay more for their subscriptions than residential or mobile customers, any increased churn in business customers could materially and adversely affect our financial performance and user churn, resulting in a significant impact on our results of operations, and increase the costs we incur in our efforts to retain our customers and encourage them to upgrade their services and increase their number of users.

Our core user churn rate could increase significantly in the future if customers are not satisfied with our service, the value proposition of our services, our ability to otherwise meet their needs and expectations, and/or other factors beyond our control. As a result, we may have to acquire new customers or new users within our existing customer base on an ongoing basis simply to maintain our existing level of revenue. If a significant number of customers terminate, reduce or fail to renew their subscriptions, we may need to incur significantly higher marketing expenditures than anticipated to maintain or increase our revenue, which could harm our business and results of operations. Our efforts to mitigate risk of customer churn due to any factor may divert management's time and focus away from efforts to address customer churn due to other factors. This broad-based susceptibility to churn could materially and adversely affect our financial performance.

Our future success also depends in part on our ability to sell additional subscriptions and functionalities to our current customer base, which may require increasingly sophisticated, costlier sales efforts and a longer sales cycle. Any increase in the costs necessary to upgrade, expand and retain existing customers could materially and adversely affect our financial performance. Such increased costs could cause us to increase our subscription rates, which could increase our customer turnover rate. If our efforts to convince customers to add users and, in the future, to purchase additional functionalities are not successful, our business may suffer.

We depend on several sole suppliers to provide the components for, and a small number of vendors to manufacture, certain on-premise devices and end-point devices we sell, and any delay or interruption in manufacturing, configuring and delivering by these third parties would result in delayed or reduced shipments to our customers and may increase our costs and harm our business and results of operations.

We primarily contract with manufacturers in China and other Asian countries to produce our on-premise devices and end-point devices and our results of operations has been and could be further affected by slowdowns in manufacturing due to external factors such as the spread of the COVID-19 pandemic. For example, the Chinese government has from time to time imposed certain restrictions on movement of people and goods to limit the spread of COVID-19, including recently as the outbreak in Hong Kong has spread to China, which has disrupted supply chains globally. Further, many other countries have imposed or are imposing certain restrictions on the movement of people and goods and may continue to lift and reimpose such restrictions as needed.

We currently do not have long-term contracts with our contract manufacturers and they are not obligated to provide products to or perform services for us for any specific period, in any specific quantities or at any specific price, except as may be provided in a particular purchase order. If these third parties are unable or unwilling to deliver products of acceptable quality or in a timely manner, our ability to bring services to market, the reliability of our services and our reputation could suffer. We expect that it could take several months to effectively transition to new third-party manufacturers or fulfillment agents. We may also decide to switch to or bring on additional contract manufacturers to better meet our needs. Switching to or bringing on a new contract manufacturer and commencing production is expensive and time-consuming and may cause delays in order fulfillment at our existing contract manufacturers or cause other disruptions.

Additionally, several components used in our on-premise devices, end-point devices and new products such as Ooma AirDial are “single sourced” and any interruption in the suppliers of such components could cause our business and operating results to suffer as we identify alternative sources of components. For example, we have experienced longer lead times in the supply of some of these components as a result of global supply chain disruptions caused in-part by the ongoing COVID-19 pandemic and war in the Ukraine. We are also subject to the risk of shortages (including changes in the prioritization of our orders), price increases and the risk that our suppliers may discontinue or modify components used in our products. The occurrence of other events outside our control, such as public health crises, natural disasters or climate change, could impact our suppliers’ facilities and component providers, many of which are located in China and other countries in Asia. Travel restrictions have been imposed by many countries, including air travel and transport, that have caused and are likely to continue to cause delays in shipment of our products as well as increased logistics costs. If our supply chain continues to be disrupted, we could also experience material and adverse impacts on the availability or cost of components used in our on-premise devices and end-point devices, and to the extent these challenges continue for a prolonged period, we may not be able to provide our customers and channel partners with a sufficient supply of products and devices at price points or with functional characteristics and reliability that meet our customers’ needs. Future repetition of such delays could negatively affect our ability to deliver product to our customers in a timely manner and may harm our business, operating results and hinder our growth.

We rely on third parties, including third parties located in Russia, for some of our software development, quality assurance and operations, and anticipate we will continue to do so for the foreseeable future.

We outsource certain of our software development and design, quality assurance and operations activities to third-party contractors that have employees and consultants in a number of international locations, including Russia. Our dependence on third-party contractors creates numerous risks; in particular, international sanctions imposed as a result of Russia’s invasion of Ukraine in February 2022 could limit our ability to transact with our third-party software development contractors in Russia, which could disrupt or delay current or future planned research and development activities, increase our costs, or force us to shift development efforts to resources in other geographies that may not possess the same level of cost efficiencies. More generally, there is the risk that we may not maintain control or effective management with respect to these business operations. Our agreements with these third-party contractors are either not terminable by them (other than at the end of the term or upon an uncured breach by us) or require at least 30 days’ prior written notice of termination. If we experience problems with our third-party contractors, the costs charged by our third-party contractors increase, or our agreements with our third-party contractors are terminated, we may not be able to develop new solutions, enhance or operate existing solutions or provide customer support in an alternate manner that is equally or more efficient and cost-effective. If we are unsuccessful in maintaining existing and, if needed, establishing new relationships with third parties, our ability to efficiently operate existing services or develop new services and provide adequate customer support could be impaired, and as a result, our competitive position or our results of operations could suffer.

A ransomware attack or other security breach could delay or interrupt service to our customers, compromise the integrity of our systems or data that we collect, result in the loss of our intellectual property or confidential information, harm our reputation, or subject us to significant liability.

Our operations depend on our ability to protect our network from interruption or damage resulting from unauthorized access or entry, computer viruses or malware or other events beyond our control, and our ability to detect any such events. In the past, we may have been subject to undetected distributed denial-of-service, or DDOS cyberattacks, or other forms of attacks by hackers intent on bringing down our services or accessing confidential information, and we may be subject to DDOS and other forms of attacks in the future. Recent developments in the threat landscape include an increased number of cyber extortion and ransomware attacks, with higher financial ransom demand amounts and increasing sophistication and variety of ransomware techniques and methodology. We cannot assure you that our backup systems, regular data backups, physical, technological and organizational security protocols and measures and other procedures that are currently in place, or that may be in place in the future, will be adequate to detect or prevent unauthorized access to our systems, significant damage, system interruption, degradation or failure, or data loss or to respond to a cyberattack once launched. Additionally, hackers may attempt to directly gain access to a customer's on-premise appliance, or their mobile phone, which may delay or interrupt services, or may subject our customers to further security risks, including in relation to any connected household devices a customer might have now or in the future, such as our connected smart security sensors and our partner's connected devices or to our network more generally. Also, our services are web-based, and the amount of data we store for our users on our servers has been increasing as our business has grown.

Despite our ongoing efforts to enhance the implementation of security measures, our infrastructure and those of third parties we rely upon may be vulnerable to hackers, phishing, computer viruses, worms, ransomware other malicious software programs or similarly disruptive problems caused by our customers, employees, consultants or other internet users who attempt to invade public and private data networks. In some cases, we do not have in place disaster recovery facilities for certain ancillary services, such as email delivery of messages. Currently, a majority of our customers authorize us to bill their credit or debit card accounts directly for all transaction fees that we charge. We rely on encryption and authentication technology to ensure secure transmission of confidential information, including customer credit and debit card numbers. Despite our efforts to encrypt and secure transmission of confidential customer information, hackers with sufficiently sophisticated technology or methods may still be able to infiltrate our systems to gain unauthorized access to payment card information. Further, advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology we use to protect transaction data. In addition, because the techniques used to obtain unauthorized access to the information systems change frequently, and may not be recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures.

Additionally, third parties may attempt to fraudulently induce domestic and international employees, consultants or customers into disclosing sensitive information, such as user names, passwords or customer proprietary network information, or CPNI, or other information in order to gain access to our customers' data or to our data. CPNI includes information such as the phone numbers called by a customer, the frequency, duration, and timing of such calls, and any services purchased by the customer, such as call waiting, call forwarding and caller ID, in addition to other information that may appear on a customer's bill. Third parties may also attempt to fraudulently induce employees, consultants or customers into disclosing sensitive information regarding our intellectual property and other confidential business information, or our information technology systems. In addition, because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. Any compromise or perceived compromise of our security could damage our reputation with our end-customers, and could subject us to significant liability, as well as regulatory action, including financial penalties, which would materially adversely affect our brand, results of operations, financial condition, business and prospects.

Please see below under "Risks Related to Security, IT Systems and Intellectual Property" for further risks related to security breaches.

The ongoing impact of the COVID-19 pandemic, including any resurgences, could disrupt and cause harm to our business, operating results, or financial condition.

The COVID-19 pandemic has had a material impact on the United States, Canada, and global economies and could materially impact our business in a number of ways. It remains difficult to predict the full impact of the COVID-19 pandemic on the broader economy and how consumer behavior may change, and whether such change is temporary or permanent. In Northern California, where our corporate headquarters is located, the process of gradually returning our employees to work onsite may be delayed by the occurrence of new and unforeseen developments in the pandemic, which could adversely impact the effectiveness of our organization.

During the early periods of the pandemic, we experienced an increase in the rate of customer terminations or service cancellations or failures to renew, which we refer to as churn. Although we have seen improvement in our customer churn rate from these increased levels, our churn could again increase in future periods, which may result in a decline to our user growth rate. Moreover, current or potential customers may delay or decrease spending with us, or may not pay us or may delay paying us for previously performed services, due to the lingering effects that the COVID-19 pandemic may have on their business. Given that a significant portion of our revenues today comes from small and medium-sized businesses, these customers may be especially susceptible to negative economic impact stemming from the pandemic and government mandates, which could reduce their demand for our products and services. Current or potential customers and partners may also not be interested in taking sales meetings or cancel existing sales meetings with our sales representatives, which could materially lengthen our sales cycle and slow our sales growth. Traditional “brick-and-mortar” retailers have reduced, and could continue to reduce, purchases of our products as retailers shift focus to online channels, close some of their physical stores and make other operational changes, which may negatively affect our sales and operating results.

The duration and extent of the impact from the COVID-19 pandemic on our business will continue to depend on future developments that cannot be accurately forecasted at this time, such as the transmission rate and geographic spread of the disease, the extent and effectiveness of current or future containment actions, the widespread use of effective vaccines, the severity of breakthrough cases and COVID-19 variants, and the impact of these and other factors on our employees, customers, partners, and vendors. If we are not able to respond to and manage the impact of such events effectively and if the macroeconomic conditions of the general economy or the industry in which we operate do not improve, or worsen from present levels, our business, operating results, financial condition and cash flows could be adversely affected. Please see “Management’s Discussion and Analysis of Financial Position and Results of Operations” for additional information regarding the potential impact of the COVID-19 pandemic and associated economic disruptions.

We rely significantly on retailers and reseller partnerships to sell our products; our failure to effectively develop, manage and maintain these sales channels could materially and adversely affect our revenue and business.

A significant portion of our Ooma Residential and Ooma Business product sales are made through a combination of direct sales and leading retailers such as Amazon, Costco.com, Best Buy and Walmart, as well as reseller partnerships. Our future success depends on our ability to effectively maintain, develop and expand our retail channel and reseller partnership sales as we seek to grow and expand our customer base. We generally do not have long-term contracts with our retailers and reseller partners, and we have in the past and may in the future experience a loss of or reduction in sales through any of these third parties, which could materially reduce our revenue and profit margins. Our competitors may in some cases be effective in causing our current and potential retailers, and reseller partners to favor their services or prevent or reduce sales of our services. If we fail to maintain or develop new relationships with retailers and reseller partners in new markets or expand the number of retailers and reseller partners in existing markets, fail to manage, train, or provide appropriate incentives to our existing retailers and reseller partners, or if they are not successful in their sales efforts, sales of our products and services may decrease and our results of operations would suffer. Furthermore, to the extent these retailers or reseller partners are negatively impacted by the effects of the COVID-19 pandemic, including declaring bankruptcy, or otherwise affected by strategic transactions, our sales may also be adversely impacted as a result.

In addition, our Talkatone application relies significantly on the Apple and Google app stores for distribution. Its future success depends on our continued ability to distribute Talkatone through these app stores and increase its visibility therein. If Apple or Google determine that Talkatone is non-compliant with their app store vendor policies, they may revoke our rights to sell Talkatone through their app store at any time, which could adversely affect our revenue.

We face competition in our markets by our competitors and may lack sufficient financial or other resources to compete successfully. Mergers or other strategic transactions involving our competitors could adversely affect our ability to compete effectively and harm our results of operations.

The cloud-based communications and connected services industries are highly competitive and we expect that competition will continue to be intense in the future. We face continued competition from established communications providers, such as AT&T Inc., Comcast Corporation, Verizon Communications Inc. and Rogers Communications Inc; as well as traditional on-premise, hardware business communications providers, mobile communications app companies providing “over-the-top” solutions, large internet companies that offer services with features that compete with some of what we offer, and certain other communications companies. These companies currently or may in the future host their solutions through the cloud.

In addition, some of our competitors have been acquired, and may in the future consolidate with or be acquired by, other companies and competitors. Some of our competitors may enter into new alliances with each other or may establish or strengthen cooperative relationships with systems integrators, third-party consulting firms or other parties. Any such consolidation, acquisition, alliance or cooperative relationship could adversely affect our ability to compete effectively and lead to pricing pressure and our loss of market share, and could result in a competitor with greater financial, technical, marketing, service and other resources, all of which could harm our business, results of operations and financial condition.

Furthermore, increased competition may result in aggressive business tactics by our competitors, including: offering products similar to our platforms and solutions on a bundled basis at no charge; announcing competing products combined with extensive marketing efforts; providing financial incentives to consumers; and asserting intellectual property rights irrespective of the validity of the claims. Our retail partners may offer the products and services of competing companies, which would adversely affect our business. Competition from other companies may also adversely affect our negotiations with service providers and suppliers, including, in some cases, requiring us to lower our prices. We may not be able to compete successfully with the offerings and sales tactics of other companies, which could result in the loss of customers and, as a result, our revenue and profitability could be adversely affected.

To deliver our services, we rely on third parties for our network connectivity and co-location facilities for certain features in our services and for certain elements of providing our services.

We expect that we will continue to rely on third-party service providers for hosting, internet access and other services that are vital to our service offering for the foreseeable future. For example, Equinix, Inc. and others provide data center facilities, and Inteliquent and others provide origination services. Inteliquent is also our primary provider of 911 services. We also rely on third-party services for our SMS and speech-to-text services which are sole-sourced. If any of these network service providers stop providing us with access to their infrastructure, fail to provide these services to us on a cost-effective basis, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to another third-party network service provider, if one is available, could have a material adverse effect on our business and results of operations.

We may be required to transfer our servers to new data center facilities if we are unable to renew our leases on acceptable terms, if at all, or the owners of the facilities decide to close their facilities, and we may incur significant costs and possible service interruption in connection with doing so. Any financial difficulties, such as bankruptcy or foreclosure, faced by our third-party data center operators or any of the service providers with which we or they contract, may have negative effects on our business, the nature and extent of which are difficult to predict. Additionally, if our data centers are unable to keep up with our increasing needs for capacity, our ability to grow our business could be materially and adversely impacted.

If problems occur with any of these third-party network or service providers, it may cause errors or reduced quality in our services, and we could encounter difficulty identifying the source of the problem. The occurrence of errors or reduced quality in our service, whether caused by our systems or a third-party network or service provider, may result in the loss of our existing customers, delay or loss of market acceptance of our services, termination of our relationships and agreements with our resellers or liability for failure to meet service level agreements, and may seriously harm our business and results of operations.

We rely on purchased or leased hardware and software licensed from third parties in order to offer our service. In some cases, we integrate third-party licensed software components into our platforms. This hardware and software may not continue to be available at reasonable prices or on commercially reasonable terms, or at all. Any loss of the right to use any of this hardware or software could significantly increase our expenses and otherwise result in delays in the provisioning of our service until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated. Any errors or defects in third-party hardware or software could result in errors or a failure of our service which could harm our business.

We also contract with one or more third parties to provide enhanced 911, or E-911, services, including assistance in routing emergency calls and terminating E-911 calls. Our providers operate a national call center that is available 24 hours a day, seven days a week, to receive certain emergency calls and maintain public service answering point, or PSAP, databases for the purpose of deploying and operating E-911 services. On mobile devices, we generally rely on the underlying cellular or wireless carrier to provide E-911 services. Any failure to perform, including interruptions in service, by our vendors, could cause failures in our customers' access to E-911 services and expose us to significant liability and damage our reputation.

Interruptions in our services could harm our reputation, result in significant costs to us and impair our ability to sell our services.

Because our technology platforms are complex, incorporate a variety of new computer hardware, and the platforms continue to evolve, our services may have errors, defects or required updates that are identified after customers begin using such services, which could result in unanticipated service interruptions. Although we test our services to detect and correct errors and defects before their initial release and before we make updates or other changes to such services, we have occasionally experienced significant service interruptions as a result of undetected errors or defects and may experience future interruptions of service if we fail to detect and correct errors and defects. In addition, updates to our hardware and/or software due to changes in third-party service providers may be required from time to time. For example, some of our Ooma Residential customers will require new hardware in order for service continuation beginning in July 2022, and while we are in the process of shipping such new hardware to such customers, some customers nevertheless may experience service interruptions. Furthermore, the costs incurred in correcting root causes for service outages and updating our hardware and/or software may be substantial and these and other related consequences could negatively impact our results of operations.

We currently serve the majority of our customers from data centers located in Northern California, Texas and Virginia, where we lease space from Equinix, Inc. We also lease data center space in certain cities in Europe. These facilities and the procedures we have implemented to restore services quickly in the event of a service outage, by themselves, will not prevent future outages. Any damage to, or failure of, these facilities, the communications network providers with whom we or they contract or with the systems by which our communications providers allocate capacity among their customers, including us, could result in interruptions in our service. Additionally, in connection with the expansion or consolidation of our existing data center facilities, we may move or transfer our data and our customers' data to other data centers. Despite precautions we take during this process, any unsuccessful data transfers may impair or cause disruptions in the delivery of our service.

Despite precautions taken at our hosting facilities, the occurrence of a natural disaster or an act of terrorism or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements that we have in place, our service could be interrupted. Any defects in, or unavailability of, the components of our platforms that cause interruptions of our services could, among other things: cause a reduction in revenue or a delay in market acceptance of our services; require us to issue refunds to our customers or expose us to claims for damages; cause us to lose existing customers and make it more difficult to attract new customers; divert our development resources or require us to make extensive changes to our software, which would increase our expenses and slow innovation; increase our technical support costs; and harm our reputation and brand.

We rely on third parties to provide the majority of our customer service and support representatives. If these third parties do not provide our customers with reliable, high-quality service, our reputation and our business will be harmed, and we may be exposed to significant liability.

We offer customer support through both our online account management website and our toll-free customer support number. Our customer support is currently provided via a third-party provider located in the Philippines, as well as our employees in the U.S. The ability to support our customers was disrupted by the onset of the COVID-19 pandemic, and may be in the future disrupted by other natural disasters, inclement weather conditions, civil unrest, strikes, acts of terrorism, breaches of data security, and other adverse events in the Philippines. Furthermore, as we expand our operations internationally, we will need to make significant expenditures and investments in our customer service and support to adequately address the complex needs of international customers, such as support in multiple foreign languages. We currently offer support almost exclusively in English. In addition, a significant service outage may cause a high volume of customer support inquiries, and our third-party customer service center may not be able to respond to such inquiries in a timely manner. Industry consolidation among providers of services to us may impact our ability to obtain these services or increase our costs for these services.

If we fail to continue developing our brand or our reputation is harmed, our business may suffer.

We believe that continuing to strengthen our current brand will be critical to achieving widespread acceptance of our services and will require continued focus on active marketing efforts. The demand for and cost of online and traditional advertising have been increasing and may continue to increase. Accordingly, we may need to increase our investment in, and devote greater resources to, advertising, marketing, and other efforts to create and maintain brand loyalty among users. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses incurred in building our brands. If we fail to promote and maintain our brand, or if we incur substantial expense in an unsuccessful attempt to promote and maintain our brands, our business could be materially and adversely affected.

Our services, as well as those of our competitors, are regularly reviewed and commented upon by online and social media sources, as well as computer and other business publications. Negative reviews, or reviews in which our competitors' products and services are rated more highly than our solutions, could negatively affect our brand and reputation. From time to time, our customers have expressed dissatisfaction with our services, including dissatisfaction with our customer support, our billing policies and the way our services operate. If we do not handle customer complaints effectively, our brand and reputation may suffer, we may lose our customers' confidence, and they may choose to terminate, reduce or not to renew their subscriptions. In addition, many of our customers participate in social media and online blogs about internet-based services, including our services, and our success depends in part on our ability to minimize negative and generate positive customer feedback through such online channels where existing and potential customers seek and share information. If actions we take or changes we make to our services upset these customers, their blogging could negatively affect our brand and reputation. Complaints or negative publicity about our services or customer service could materially and adversely impact our ability to attract and retain customers and our business, financial condition and results of operations.

We may not be able to effectively manage our growth and the increased complexity of our business, which could negatively impact our brand, financial performance and increase the risk of investing in our stock.

We have experienced substantial growth in our business, including an increase in the number of customers we consider to be our core users. This growth has placed and may continue to place significant demands on our management and our operational and financial infrastructure. As our operations grow in size, scope and complexity, we will need to increase our sales and marketing efforts, add additional sales and marketing personnel worldwide and improve and upgrade our systems and infrastructure to attract, service, and retain an increasing number of users. For example, we expect the volume of simultaneous calls to increase significantly as our user base grows. Our network hardware and software may not be able to accommodate this additional simultaneous call volume. The expansion of our systems and infrastructure will require us to commit substantial financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Any such additional capital investments will increase our cost base. Continued growth could also strain our ability to maintain reliable service levels for our users, develop and improve our operational, financial and management controls, enhance our reporting systems and procedures and recruit, train, and retain highly skilled personnel. If we fail to achieve the necessary level of efficiency in our organization as we grow, and if the current and future members of our management team do not effectively scale with this growth, our business, results of operations and financial condition could be materially and adversely affected.

Our rates of growth may decline in the future.

Our user growth and revenue growth rates may decline over time as the size of our active user base increases, and it is possible that the size of our active user base may fluctuate or decline in one or more markets, particularly as we achieve greater market penetration. Our revenue growth rate may generally decline over time as our revenue increases to higher levels. As our growth rates decline, investors' perceptions of our business may be adversely affected and the trading price of our common stock could decline.

Our business could suffer if we cannot obtain or retain direct inward dialing numbers, or DIDs, are prohibited from obtaining local or toll-free numbers, or are limited to distributing local or toll-free numbers to only certain customers.

Our future success depends on our ability to procure large quantities of local and toll-free DIDs in the U.S. and foreign countries in desirable locations at a reasonable cost and without restrictions. Our ability to procure and distribute DIDs depends on factors outside of our control, such as applicable regulations, the practices of the communications carriers that provide DIDs, the cost of these DIDs, and the level of demand for new DIDs. Due to their limited availability, there are certain popular area code prefixes we generally cannot obtain. Our inability to acquire DIDs for our operations would make our services less attractive to potential customers in the affected local geographic areas. In addition, future growth in our customer base and the customer bases of our competitors will increase our dependence on needing sufficiently large quantities of DIDs.

If we are unable to effectively process local number and toll-free number portability provisioning in a timely manner, our growth may be negatively affected.

We support local number and toll-free number portability, which allows our customers to transfer to us and thereby retain their existing phone numbers when subscribing to our services. During the number transfer process, our new customers must maintain both our service and their existing phone service. We depend on third-party carriers to transfer phone numbers, a process we do not control, and these third-party carriers may refuse or substantially delay the transfer of these numbers to us. Local number portability is considered an important feature by many potential customers, and if we fail to reduce any related delays, we may experience increased difficulty in acquiring new customers. Moreover, the FCC requires us to comply with specified number porting timeframes when customers leave our service for the services of another provider. In Canada, the CRTC has imposed a similar number portability requirement on service providers like us. If we, or our third-party carriers, are unable to process number portability requests within the requisite timeframes, we could be subject to fines and penalties. Additionally, in the U.S., both customers and carriers may seek relief from the relevant state public utility commission, the FCC, or in state or federal court for violation of local number portability requirements.

We may not be able to achieve or sustain profitability in the future.

We have incurred net losses since our inception, including net losses of approximately \$1.8 million in fiscal 2022. We have expended significant resources to develop, market, promote, and sell our products and solutions and we expect to continue investing for future growth. Although we generated cash from operations of \$6.7 million for fiscal 2022, we cannot assure you that our operating cash flow will remain positive in the future as a result of our increased expenditures. Achieving profitability will require us to increase revenue, manage our cost structure and avoid significant liabilities. Revenue growth may slow, revenue may decline or we may incur significant losses in the future for a number of possible reasons, including general macroeconomic conditions, increasing competition (including competitive pricing pressures), a decrease in the growth of the markets in which we compete, or failure for any reason to continue capitalizing on growth opportunities. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays, service delivery and quality problems and other unknown factors that may result in losses in future periods. If these losses exceed our expectations or our revenue growth expectations are not met in future periods, our financial performance will be harmed and our stock price could be volatile or decline.

Our quarterly and annual results have fluctuated in the past and may continue to do so in the future. As a result, we may fail to meet or to exceed the expectations of research analysts or investors, which could cause our stock price to fluctuate.

Our quarterly and annual results of operations and cash flows, have varied historically from period to period, and we expect that they will continue to fluctuate due to a variety of factors, many of which are outside of our control, including:

- our ability to retain existing customers and attract new customers, sell premium solutions to our existing customers and introduce new solutions;
- the actions of our competitors, including pricing changes or the introduction of new solutions and products;
- our ability to effectively manage our growth and successfully penetrate the communications and connected services markets for businesses, residential and mobile;
- the number of monthly, annual and multi-year subscriptions at any given time;
- the timing, cost and effectiveness of our advertising and marketing efforts;
- the timing, operating cost and capital expenditures related to the operation, maintenance, and expansion of our business;
- delays or disruptions in our supply chain;
- the timing of our decisions with regard to product resource allocation;
- seasonality of consumers' purchasing patterns and seasonality of advertising patterns;
- service outages or security breaches and any related impact on our reputation;
- our ability to accurately forecast revenue and appropriately plan our expenses;
- our ability to effectively transact with our third-party software development contractors in Russia, including any disruptions or delays in research and development activities due to international sanctions imposed as a result of Russia's invasion of Ukraine in February 2022;
- quarantines, travel limitations, or business disruptions in regions affecting our operations, including our field sales and installation services teams, or the operations of third parties upon which we rely, stemming from the actual, imminent or perceived outbreaks of epidemics or pandemics;
- costs associated with defending and resolving intellectual property infringement and other claims;
- changes in tax laws, regulations, or accounting rules;
- the timing and cost of developing or acquiring technologies, services or businesses and our ability to successfully manage any such acquisitions;

- how well we execute on our strategy and operating plans and the impact of changes in our business model that could adversely impact our results of operations and financial condition; and
- the impact of worldwide economic, industry, and market conditions, such as higher levels of inflation.

Any one of the factors above, or the cumulative effect of some or all of the factors referred to above, may result in significant fluctuations in our quarterly and annual results of operations and cash flows. This variability and unpredictability could result in our failure to meet our internal operating plan or the expectations of securities analysts or investors for any period, which could cause our stock price to decline. In addition, a significant percentage of our operating expenses is fixed in nature and is based on forecasted revenue trends. Accordingly, in the event of revenue shortfalls, we may not be able to mitigate the negative impact on net income (loss) and margins in the short term. If we fail to meet or exceed the expectations of research analysts or investors, the market price of our shares could fall substantially and we could face costly lawsuits, including securities class-action suits.

If additional tariffs or other restrictions are placed on our goods imported from other countries, or if the United States were to withdraw from or modify existing trade agreements or regulations, our revenue, gross margin, and results of operations may be materially harmed.

During 2019, the U.S. federal government announced new and increased tariffs on certain Chinese imported goods, and China has imposed tariffs in response to the actions of the U.S. Such actions subject a wide range of our products to tariffs and increased existing tariffs on certain of our products, which have negatively impacted, and could continue to negatively impact our gross margins. If additional tariffs or other restrictions are placed on goods imported into the United States from China or other countries, or any related counter-measures are taken by China or other countries, our revenue and results of operations may be materially harmed. We cannot assure you that the current administration will not continue to increase tariffs on imports from China or alter trade agreements and terms between China and the United States, which may include limiting trade with China.

Trade restrictions, including tariffs, quotas, embargoes, safeguards and customs restrictions, could increase the cost or reduce the supply of products available to us, or could increase the lead times of certain components and equipment that we may purchase from foreign vendors located in China and other countries, or may require us to modify our supply chain organization or other current business practices, any of which could harm our business, financial condition and results of operations. For example, the U.S. National Defense Authorization Act for Fiscal Year 2019, imposed a ban on the use of certain surveillance, telecommunications, and other equipment manufactured in China, to help protect critical infrastructure and other sites deemed to be sensitive for national security purposes in the U.S. While this ban has not had a direct effect on our supply chain, any expansion to this ban or imposition of any similar bans by the U.S. federal government may require us to find new sources of system assembly, which may result in higher costs and disruption to our business.

We are dependent on international trade agreements and regulations, such as the United States-Mexico-Canada Agreement, or USMC. If the United States were to withdraw from or materially modify certain international trade agreements or regulations, our business and operating results could be materially and adversely affected and our customer relationships in Canada and other countries could be harmed.

A significant portion of our revenues today come from small and medium-sized businesses, which may have fewer financial resources to weather an economic downturn.

A significant portion of our revenues today comes from small and medium-sized businesses. These customers may be more susceptible to negative impact from economic downturns (including short- to intermediate-term economic disruption caused by catastrophic events such as the COVID-19 pandemic) than larger, more established businesses as these businesses typically have fewer financial resources than larger entities. As the majority of our customers pay for our subscriptions through credit and debit cards, weakness in certain segments of the credit markets and in the U.S. and global economies has resulted in and may in the future result in increased numbers of rejected credit and debit card payments and business failures, which could materially affect our business by increased customer default or cancellations. If small and medium-sized businesses experience financial hardship or declare bankruptcy as a result of a weak economy or for any other reason, the overall demand for our subscriptions could be materially and adversely affected.

If we are not able to manage our inventory levels and purchase commitments effectively, we may experience excess inventory levels, inventory obsolescence, or shortages of inventory that could adversely affect our results of operations.

Our vendor-supplied on-premise devices and end-point devices frequently have lead times of several months for delivery and are built based on our estimates of future demand. Our ability to accurately forecast demand is affected by many factors, including an increase or decrease in customer demand for our products and services, changes in consumer preferences, market acceptance of new product and service introductions by us and our competitors, levels of inventory held by channel partners, sales promotional activities by us or our competitors, and unanticipated changes in general market demand and macro-economic conditions. In addition, because we rely on third-party contract manufacturers and other vendors for the supply of our devices and components, our inventory levels are subject to the conditions regarding the timing of purchase orders and delivery dates not within our control.

It is likely that from time to time we will have either an excess or shortage of product inventory. For example, in recent periods, we have increased our inventory levels and non-cancelable purchase commitments to third party contract manufacturers and other suppliers to mitigate supply disruptions caused by component shortages, longer lead times and increased transportation uncertainty. These increased levels may result in write-down charges from excess or obsolete inventory, charges from excess purchase commitments, the sale of inventory at discounted prices, and other actions, which may cause our gross margin to decline and harm our reputation and brand. Conversely, insufficient levels of inventory may negatively affect relations with customers. For instance, our customers rely upon our ability to meet committed delivery dates, and any disruption in the supply of our services could result in loss of customers or harm to our ability to attract new customers. Retailers may elect to return any unsold inventory without any penalty, which could result in excess inventory charges. Any of these factors could have a material adverse effect on our business, financial condition or results of operations.

We may lose key members of our management team and other key employees, and may be unable to attract and retain employees we need to support our operations and growth.

Our future performance depends on the continued services and contributions of our senior management and other key employees to execute on our business plan, and to identify and pursue opportunities and services innovations. The loss of services of senior management or other key employees could significantly delay or prevent the achievement of our development and strategic objectives. The replacement of any of these senior management personnel would likely involve significant time and costs, and such loss could significantly delay or prevent the achievement of our business objectives. Many members of our senior management have been our employees for many years and therefore have significant experience and understanding of our business that would be difficult to replace. Our inability to attract and retain the necessary personnel could adversely affect our business, financial condition or results of business. We do not maintain key person insurance for any of our personnel.

We may expand through acquisitions of, or investments in, other companies, each of which may divert our management's attention, result in additional dilution to our stockholders, increase expenses, disrupt our operations and harm our results of operations.

Our business strategy may, from time to time, include acquiring or investing in complementary services, technologies or businesses. We may not be able to find suitable acquisition candidates, and we may not be able to complete acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by users, customers or investors. If we fail to successfully integrate such acquisitions, or the technologies associated with such acquisitions, the revenue and operating results of the combined company could be adversely affected. Acquisitions may disrupt our ongoing operations, divert management from their primary responsibilities, subject us to additional liabilities, increase our expenses and adversely impact our business, financial condition, operating results and cash flows. We may not successfully evaluate or utilize the acquired technology and accurately forecast the financial impact of an acquisition transaction, including accounting charges.

We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could affect our financial condition or the value of our capital stock. The sale of equity to finance any such acquisitions could result in dilution to our stockholders. If we incur debt it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to manage our operations. In addition, our future operating results may be impacted by performance earnouts or contingent payments. Furthermore, acquisitions may require large one-time charges and can result in increased debt or contingent liabilities, adverse tax consequences, additional stock-based compensation expense and the recording and subsequent amortization or impairments of amounts related to certain purchased intangible assets, any of which could negatively impact our future results of operations.

When we enter into strategic transactions in which we acquire other companies, we cannot guarantee we will be able to successfully integrate the teams, assets or business of these target companies into our business, that we will be able to fully recover the costs of such transactions, that we will retain existing key customer and partner relationships, that we will be successful in leveraging such strategic transactions into increased business for our products, or that we will otherwise be able to achieve the intended results of the acquisitions.

We may not be able to secure additional financing on favorable terms, or at all, to meet our future capital needs.

We intend to continue making expenditures and investments to support the growth of our business. In the future, we may require additional capital to pursue our business objectives and to respond to business opportunities, challenges, or unforeseen circumstances, including the need to develop new solutions or enhance our existing solutions, enhance our operating infrastructure, and acquire complementary businesses and technologies. Accordingly, we may decide to engage in equity or debt financings, draw down under our existing credit facility or enter into new credit facilities to secure additional funds. However, additional funds may not be available when we need them on terms acceptable to us, or at all. For example, our existing credit facility contains affirmative and negative covenants relating to our capital raising activities and other financial and operational matters, including covenants which may limit our ability to, among other things, incur additional indebtedness and liens, make certain investments, merge or consolidate with other entities and make certain dispositions. Any debt financing we secure in the future could involve further restrictive covenants, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. In addition, volatility in the credit markets may have an adverse effect on our ability to obtain debt financing. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and the trading price of our common stock would likely decline. Additionally, any new equity securities we issue could have rights, preferences, and privileges superior to those of holders of our common stock. If we are unable to obtain adequate financing under our credit facility or alternative sources on terms satisfactory to us, our ability to continue pursuing our business objectives and to respond to business opportunities, challenges or unforeseen circumstances could be significantly limited, and our business, results of operations, financial condition and prospects could be materially and adversely affected, and the trading price of our common stock would likely decline. In the event additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all.

If we are unable to develop, acquire and/or sell new products, services or applications on a timely and cost-effective basis, our business, financial condition, and results of operations may be materially and adversely affected.

The cloud-based communications and connected services industries are characterized by rapid changes in customer requirements, frequent introductions of new and enhanced services, and continuing and rapid technological advancement. To compete successfully in these emerging markets, we must anticipate and adapt to unpredictable technological changes and evolving industry standards and continue to design, develop, manufacture and sell new and enhanced services and products that provide increasingly higher levels of performance and reliability at lower cost. For fiscal 2022, we derived approximately 49% and 49% of our revenue from Ooma Residential and Ooma Business, respectively, and expect they will continue to account for most of our revenue for the foreseeable future.

However, our future success will also depend on our ability to introduce and sell new services, products, features and functionality that enhance or are beyond the voice, fax, text and connected services we currently offer, as well as to improve usability and support and increase customer satisfaction. The success of new product introductions, such as Ooma AirDial, depends on a number of factors including, but not limited to: pricing, market and consumer acceptance, the ability to successfully identify and originate product trends, effective forecasting and management of product demand, purchase commitments and inventory levels, availability of products in appropriate quantities to meet anticipated demand, ability to obtain timely and adequate delivery of components for our new products from third-party suppliers, management of manufacturing and supply costs, and the risk that new products may have quality issues or other defects or bugs in the early stages of introduction. Moreover, the market for POTS line replacement is relatively new and the launch of Ooma AirDial may not result in long term success or significant revenue for us. Our failure to develop solutions that satisfy customer preferences in a timely and cost-effective manner may harm our ability to renew our subscriptions with existing customers and to create or increase demand for our services and products and may materially and adversely impact our results of operations.

The introduction or announcement of new services and technologies by our competitors could make our existing solutions obsolete, cause customers to defer purchases of our products and services, or otherwise adversely affect our business and results of operations. Further, we may experience higher product returns from retailers or reseller partners and may face challenges managing the inventory of new or existing products, which could lead to excess inventory charges and/or discounting of such products. In addition, new products may have varying selling prices and costs compared to legacy products, which could negatively impact our gross margins and operating results.

We may experience difficulties with software development, operations, design or marketing that could delay or prevent the introduction or implementation of new or enhanced products, services and applications. We have in the past experienced delays in the planned release dates of new features and upgrades and have discovered defects in new services and applications after their introduction. We cannot assure you that new products, or new features or upgrades to existing products and services, will be released according to schedule, or that, when released, they will not contain defects. Either of these situations could result in adverse publicity, loss of revenue, higher than expected costs, delay in market acceptance or claims by customers brought against us, all of which could harm our reputation, business, results of operations and financial condition.

Moreover, the development of new or enhanced products, services or applications may require substantial investment, and we must continue to invest a significant amount of resources in our research and development efforts to remain competitive. We do not know whether these investments will be successful. If we are unable to develop, license or acquire new or enhanced products, services and applications on a timely and cost-effective basis, or if such new or enhanced products, services and applications do not achieve adequate market acceptance, we may not be able to realize a return on our investments and our business, financial condition and results of operations may be materially and adversely affected.

Our success depends, in part, on increased public acceptance of our connected services, applications and products.

Our future growth depends on our ability to significantly increase revenue generated from our Ooma Business and Ooma Residential communications solutions and other connected services. The markets for cloud-based communications, smart security services and connected services are evolving rapidly and are characterized by an increasing number of market entrants. If these markets fail to develop, develop more slowly than we anticipate or develop in a manner different than we expect, our services could fail to achieve market acceptance, which in turn could materially and adversely affect our business.

Our future growth in the small and medium-sized business and enterprise markets depends on the continued use of voice communications by businesses, as compared to e-mail and other data-based methods. A decline in the overall rate of voice communications by businesses would harm our business. Furthermore, our continued growth depends on future demand for and adoption of internet voice communications systems and services and on future demand for connected communications services. Although the number of broadband subscribers worldwide has grown significantly in recent years, only a small percentage of businesses have adopted internet voice communications services to date. For demand and adoption of internet voice communications services by businesses to increase, internet voice communications networks must improve the quality of their service for real-time communications by managing the effects of and reducing packet loss, packet delay, and packet jitter, as well as unreliable bandwidth, so that high-quality service can be consistently provided. Additionally, the cost and feature benefits of internet voice communications must be sufficient to cause customers to switch from traditional phone service providers. We must devote substantial resources to educate potential customers about the benefits of internet voice communications solutions, in general, and of our services in particular. If any or all of these factors fail to occur, our business may be materially and adversely affected.

Our Ooma Residential product and services are being sold to individuals and families. With the growth of mobile technologies, many consumers have chosen to eliminate their home telephone service. Our ability to continue growing our user base depends on our ability to convince our customers and potential customers that our service is sufficiently useful and cost-effective, that it makes sense to maintain or establish home telephone services with us. Our growth could slow and our financial condition could be adversely affected if the trend of eliminating home telephone service continues or accelerates.

Our mobile platform, available to any consumer with a Wi-Fi® or cellular data connected mobile device, operates in a market that is fragmented and where it is difficult to gain consumer awareness. Many of our competitors in this market have been able to establish a significant user base and reputation in the market, which may make it more difficult for our products to be adopted. Furthermore, as new mobile devices are released, we may encounter difficulties supporting these devices and services, and we may need to devote significant resources to the creation, support, and maintenance of our mobile applications. Additionally, our competitors may allocate additional resources to marketing and promotion of their products, making it even more difficult to be noticed. It is also unclear how the adoption of “over-the-top” based communications will continue to grow. If the number of consumers using “over-the-top” based communications stagnates or declines, such movement may result in an intensified competition for consumers in this space.

We are expanding our international operations, which may expose us to significant risks.

To date, we have not generated significant revenue from outside of the U.S. and Canada, but we have expanded operations outside North America as we ramp up to provide services in certain countries internationally. The future success of our business will depend, in part, on our ability to expand our operations and customer base worldwide. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks different from those in the U.S. Because of our limited experience with international operations and developing and managing sales and distribution channels in international markets, our international expansion efforts may not be successful. In addition, we will face risks in doing business internationally that could materially and adversely affect our business, including:

- our ability to comply with differing technical and environmental standards, data privacy and telecommunications regulations, and certification requirements outside the U.S.;
- potential contractual and other liability to our business partners if we fail to meet their aggressive expansion schedules in new locations;
- difficulties and costs associated with staffing and managing foreign operations;
- potentially greater difficulty collecting accounts receivable and longer payment cycles;
- the need to adapt and localize our services for specific countries;
- the need to offer customer care in various native languages;
- reliance on third parties over which we have limited control, including international resellers, for marketing and reselling our services;
- availability of reliable broadband connectivity and wide area networks in targeted areas for expansion;
- lower levels of adoption of credit or debit card usage for internet related purchases by foreign customers and compliance with various foreign regulations related to credit or debit card processing and data privacy requirements;
- difficulties in understanding and complying with local laws, regulations, and customs in foreign jurisdictions;
- export controls and trade and economic sanctions administered by the Department of Commerce Bureau of Industry and Security and the Treasury Department's Office of Foreign Assets Control;
- tariffs and other non-tariff barriers, such as quotas and local content rules;
- tariffs imposed by the U.S. on goods from other countries and tariffs imposed by other countries on U.S. goods, including the tariffs implemented and additional tariffs that have been proposed by the U.S. government on various imports from China, Canada, Mexico and the EU, and by the governments of these jurisdictions on certain U.S. goods, and any other possible tariffs that may be imposed on services such as ours, the scope and duration of which, if implemented, remain uncertain;
- compliance with various anti-bribery and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act of 1977, as amended, or the FCPA;
- limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates, economic stability, and inflationary conditions which could increase the price of our services outside of the U.S., increase the expenses of our international operations, including expenses related to foreign contractors, and expose us to foreign currency exchange rate risk;
- exchange control regulations, which might restrict or prohibit our conversion of other currencies into U.S. Dollars;
- restrictions on the transfer of funds;
- international conflict and sanctions, such as those resulting from the Russian invasion of Ukraine in February 2022;
- public health crises, such as the COVID-19 pandemic, could worsen a slowdown in the global economy and demand for our products and services and limit the ability of our field sales teams to conduct sales efforts;
- deterioration of political relations between the U.S. and other countries; and
- political or social unrest or economic instability in a specific country or region, which could have an adverse impact on our third-party software development and quality assurance operations there.

Our failure to manage any of these risks successfully could harm our future international operations and our overall business.

Risks Related to Security, IT Systems and Intellectual Property

We have incurred, and expect to continue to incur, significant costs to protect against security breaches. We may incur significant additional costs in the future to address problems caused by any actual or perceived security breaches.

Any system failure or security breach that causes interruptions or data loss in our operations or in the computer systems of our customers or leads to the misappropriation of our or our customers' CPNI could result in significant liability to us. Such failure or breach could cause our service to be perceived as not being secure, subject us to regulatory requirements such as FCC notification, result in significant monetary costs, such as fines, legal fees and expenditures to improve and enhance our security measures, cause considerable harm to us and our reputation (including requiring notification to customers, regulators or the media) and deter current and potential customers from using our services.

Additionally, we could incur significant costs, both monetary and with respect to management's time and attention, to investigate and remediate a data security breach. Because our onboarding and billing functions are conducted primarily through a single data center, any security breach in that data center may cause an interruption in our business operations. If any of these events occurs, or is believed to occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such actual or perceived breaches, we could be exposed to a risk of loss, litigation or regulatory action and possible liability, and our ability to operate our business, including our ability to provide maintenance and support services to our channel partners and end-customers, may be impaired. If current or prospective channel partners and end-customers believe that our systems and solutions do not provide adequate security for their businesses' needs, our business and our financial results could be harmed. Actual, potential or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

Although we maintain privacy, data breach and network security liability insurance, we cannot be certain that our coverage will be adequate for liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. In addition, although we have developed an information security program, we cannot guarantee these measures would be sufficient to protect us from a network security incident. Any actual or perceived compromise or breach of our security measures, or those of our third-party service providers, or any unauthorized access to, misuse or misappropriation of personally identifiable information, channel partners' or end-customers information, or other information, could violate applicable laws and regulations, contractual obligations or other legal obligations and cause significant legal and financial exposure, adverse publicity and a loss of confidence in our security measures, any of which could have a material adverse effect on our business, financial condition and operating results.

Failures in internet infrastructure or interference with broadband access could cause current or potential customers to believe that our systems are unreliable, leading our current customers to switch to our competitors or potential customers to avoid using our services.

Many of our services depend on our customers' broadband access to the internet, usually provided through a cable or digital subscriber line, or DSL, connection. In addition, users who access our services and applications through mobile devices, such as smartphones and tablets, must have a high-speed connection, such as Wi-Fi, 3G, 4G, 5G or LTE, to use our services and applications. Currently, this access is provided by companies that have significant and increasing market power in the broadband and internet access marketplace, including incumbent phone companies, cable companies and wireless companies. Increasing numbers of users and increasing bandwidth requirements may degrade the performance of internet and mobile infrastructure, resulting in outages or deteriorations in connectivity and negatively impacting the quality with which we can deliver our solutions. As our customer base grows and their usage of communications capacity increases, we will be required to make additional investments in network capacity to maintain adequate data transmission speeds, the availability of which may be limited, or the cost of which may be on terms unacceptable to us. If adequate capacity is not available to us as our customers' usage increases, our network may be unable to achieve or maintain sufficiently high data transmission capacity, reliability or performance. Furthermore, as the rate of adopting new technologies increases, the networks on which our services and applications rely may not be able to sufficiently adapt to the increased demand for these services, including ours. In the past, we have experienced disruptions to our service and were able to restore service without incurring material expenses. Outages to date have not materially affected our results of operations. However, the costs incurred in correcting root causes for service outages may be substantial and these and other related consequences could negatively impact our results of operations.

Frequent or persistent interruptions could cause current or potential users to believe that our systems or services are unreliable, leading them to switch to our competitors or to avoid our services, and could permanently harm our reputation and brands. Because some of our services rely on integration between features that use both wired and wireless infrastructures, any of the aforementioned problems with either wired or wireless infrastructure may result in the inability of customers to take advantage of our integrated services and therefore may decrease the attractiveness of our collective services to current and potential customers.

The success of our business relies on customers' continued and unimpeded access to broadband service. Providers of broadband services may block or degrade our services or charge their customers more for using our services, which could adversely affect our revenue and growth.

Some of the providers of broadband internet access and high-speed mobile access, such as AT&T and Verizon, market and sell products and services to our current and potential customers that directly compete with our own offerings, which can potentially give such providers a competitive advantage. Broadband providers also may take measures that affect their customers' ability to use our service, such as degrading the quality of the data packets we transmit over their lines, giving those packets low priority, giving other packets higher priority than ours, blocking our packets entirely or attempting to charge their customers more for also using our services. In the past, actions like these taken by U.S. providers would violate the net neutrality rules adopted by the FCC and described below. However, the FCC has largely reversed the net neutrality rules, and most foreign countries have not adopted formal net neutrality or open internet rules, creating an increased risk broadband providers will engage in such anti-competitive measures against us in the United States and elsewhere.

Also, a number of states have enacted or are considering legislation or executive actions that would regulate the conduct of broadband providers. For example, on September 30, 2018, California enacted the California Internet Consumer Protection and Net Neutrality Act of 2018, making California the fourth state to enact a state-level net neutrality law since the FCC repealed its nationwide regulations, mandating that all broadband services in California must be provided in accordance with state net neutrality requirements. The law has been challenged by telecom and broadband industry groups. However, the Ninth Circuit Court of Appeals upheld the law on January 28, 2022. It is possible the plaintiffs will petition the court to review the decision *en banc* or petition the United States Supreme Court for review. We cannot predict whether the FCC orders or state initiatives will be modified, overturned, or vacated by legal action of the court, federal or state legislation, or the FCC. The FCC's orders could affect the market for broadband internet access service in a way that impacts our business, for example by increasing the cost of broadband internet service and thereby depressing demand for our services, by increasing the costs of services we purchase or by creating tiers of internet access service and by either charging us for or prohibiting us from being available through these tiers, and we cannot predict the impact of these events upon our business and results of operations.

If we experience excessive fraudulent activity or cannot meet evolving credit card association merchant standards, we could incur substantial costs and lose the right to accept credit cards for payment, which could cause our customer base to decline significantly.

A majority of our customers authorize us to bill their credit card accounts directly for service fees that we charge. If people pay for our services with stolen credit cards, we could incur substantial third-party vendor costs for which we may not be reimbursed. Further, our customers provide us with credit card billing information online or over the phone, and we do not review the physical credit cards used in these transactions, which increases our risk of exposure to fraudulent activity. We also incur charges, which we refer to as chargebacks, from the credit card companies' claims that the customer did not authorize the credit card transaction to purchase our service, something we have experienced in the past. If the number of unauthorized credit card transactions becomes excessive, we could be assessed substantial fines for excess chargebacks and we could lose the right to accept credit cards for payment. We have also been affected by the credit card breaches at various retail stores, which have caused millions of consumers to cancel credit cards as a result of the breach. We have found that some consumers do not renew their services after a card cancellation, which can have a material negative impact on our revenue. In addition, credit card issuers may change merchant standards, including data protection and documentation standards, required to utilize their services from time to time.

We are currently not in compliance with all of the applicable technical requirements of the Payment Card Industry Data Security Standard, or PCI, but we are working to become fully compliant as soon as is practicable. If we fail to become compliant or maintain compliance with current merchant standards, such as PCI, or fail to meet new standards, the credit card associations may fine us or, while unusual, may impose certain restrictions on our ability to accept credit cards or terminate our agreements with them, rendering us unable to accept credit cards as payment for our services. Our services have been in the past, and may also be in the future, subject to fraudulent or abusive usage in violation of applicable law or our acceptable use policies, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams, and other fraudulent schemes, any of which could result in our incurring substantial costs for the completion of calls. Although our customers are required to set passwords and Personal Identification Numbers, or PINs, to protect their accounts and may configure in which destinations international calling is enabled from their extensions, third parties have accessed and used our customers' accounts and extensions through fraudulent means in the past, and they may do so in the future, which also could result in substantial call completion and other costs for us. In addition, third parties may have attempted in the past, and may attempt in the future, to fraudulently induce domestic and international employees or consultants into disclosing customer credentials and other account information. Communications fraud can result in unauthorized access to customer accounts and customer data, unauthorized use of customers' services, and charges to customers for fraudulent usage and expenses we must pay to carriers. We may be required to pay for these

charges and expenses with no reimbursement from the customer, and our reputation may be harmed if our services are subject to fraudulent usage.

Although we implement multiple fraud prevention and detection controls, we cannot assure you that these controls will be adequate to protect against fraud. Substantial losses due to fraud or our inability to accept credit card payments, which could cause our paid customer base to significantly decrease, could have a material adverse effect on our results of operations, financial condition and ability to grow our business.

Accusations of infringement of third-party intellectual property rights could materially and adversely affect our business.

There has been substantial litigation in the sectors in which we operate regarding intellectual property rights. In the past, we have been sued by third parties claiming infringement of their intellectual property rights and we were able to settle such litigation. However, we may be sued for infringement from time to time in the future, and we cannot assure you that we will be able to settle any future claims or, if we are able to settle any such claims, that the settlement will be on terms favorable to us. Our broad range of technology may increase the likelihood that third parties will claim that we infringe their intellectual property rights.

We have in the past received, and may in the future receive, notices of claims of infringement, misappropriation or misuse of other parties' proprietary rights. Notwithstanding their merits, accusations and lawsuits like these often require significant time and expense to defend, may negatively affect customer relationships, may divert management's attention away from other aspects of our operations and, upon resolution, may have a material adverse effect on our business, results of operations, financial condition and cash flows.

Certain technology necessary for us to provide our services may, in fact, be patented by other parties either now or in the future. If such technology were validly patented by another person, we would have to negotiate a license for the use of that technology. We may not be able to negotiate such a license at a price that is acceptable to us or at all. The existence of such a patent, or our inability to negotiate a license for any such technology on acceptable terms, could force us to cease using the technology and cease offering products and services incorporating the technology, which could materially and adversely affect our business and results of operations. If we were found to be infringing on the intellectual property rights of any third party, we could be subject to liability for such infringement, which could be material. We could also be prohibited from using or selling certain products or services, prohibited from using certain processes, or required to redesign certain products or services, each of which could have a material adverse effect on our business and results of operations.

These and other outcomes may:

- result in the loss of a substantial number of existing customers or prohibit the acquisition of new customers;
- cause us to pay license fees for intellectual property we are deemed to have infringed;
- cause us to incur costs and devote valuable technical resources to redesigning our services;
- cause our cost of revenue to increase;
- cause us to accelerate expenditures to preserve existing revenue;
- cause existing or new vendors to require prepayments or letters of credit;
- materially and adversely affect our brand in the marketplace and cause a substantial loss of goodwill;
- cause us to change our business methods or services;
- require us to cease certain business operations or offering certain products, services or features; and
- lead to our bankruptcy or liquidation.

Any failure to obtain registration or protection of our intellectual property rights could materially and adversely affect our business.

We rely, in part, on patent, trademark, copyright and trade secret law to protect our intellectual property in the U.S. and abroad. We cannot assure you that the particular forms of intellectual property protection we seek, including business decisions about when to file patents and when to maintain trade secrets, will be adequate to protect our business. We seek to protect our technology, software, documentation and other information under trade secret and copyright law, which afford only limited protection. For example, we typically enter into confidentiality agreements with our employees, consultants, third-party contractors, customers and vendors in an effort to control access to use and distribution of our technology, software, documentation and other information. These agreements may not effectively prevent unauthorized use or disclosure of confidential information and may not provide an adequate remedy in the event of such unauthorized use or disclosure, and it may be possible for a third party to legally reverse engineer, copy or otherwise obtain and use our technology without authorization. In addition, improper disclosure of trade secret information by our current or former employees, consultants, third-party contractors, customers or vendors to the public or others who could make use of the trade secret information would likely preclude that information from being protected as a trade secret.

We cannot predict whether our pending patent applications will result in issued patents or whether any issued patents will effectively protect our intellectual property. Even if a pending patent application results in an issued patent, the patent may be circumvented or its validity may be challenged in various proceedings in U.S. District Court, before the U.S. Patent and Trademark Office or before their foreign equivalents, such as reexamination, which may require legal representation and involve substantial costs and diversion of management time and resources. In addition, we cannot assure you that every significant feature of our solutions is protected by our patents, or that we will mark our products with any or all patents they embody. As a result, we may be prevented from seeking damages in whole or in part for infringement of our patents.

The unlicensed use of our brand, including domain names, by third parties could harm our reputation, cause confusion among our customers and impair our ability to market our products and services. To that end, we have registered numerous trademarks and service marks, have applied for registration of additional trademarks and service marks and have acquired a number of domain names in and outside the U.S. to establish and protect our brand names as part of our intellectual property strategy. If our applications receive objections or are successfully opposed by third parties, it will be difficult for us to prevent third parties from using our brand without our permission. Moreover, successful opposition to our applications might encourage third parties to make additional oppositions or commence trademark infringement proceedings against us, which could be costly and time consuming to defend against. There have been in the past, and may be in the future, instances where third parties have used our trade names, or have adopted confusingly similar trade names to ours. If we are not successful in protecting our trademarks, our trademark rights may be diluted and subject to challenge or invalidation, which could materially and adversely affect our brand.

Despite our efforts to implement our intellectual property strategy, we may not be able to protect or enforce our proprietary rights in the U.S. or internationally (where effective intellectual property protection may be unavailable or limited). For example, we have entered into agreements containing confidentiality and invention assignment provisions in connection with the outsourcing of certain software development, quality assurance and development activities to third-party contractors in a number of international locations. We have also entered into an agreement containing a confidentiality provision with a third-party contractor located in the Philippines, where we have outsourced a significant portion of our customer support function. Such agreements may not adequately protect our proprietary rights in the applicable jurisdictions and foreign countries, as their respective laws may not protect proprietary rights to the same extent as the laws of the U.S. In addition, our competitors may independently develop technologies similar or superior to our technology, duplicate our technology in a manner that does not infringe our intellectual property rights or design around any of our patents. Furthermore, detecting and policing unauthorized use of our intellectual property is difficult and resource-intensive. Moreover, litigation may be necessary in the future to enforce our intellectual property rights, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement or invalidity. Such litigation, whether successful or not, could result in substantial costs and diversion of management time and resources and could have a material adverse effect on our business, financial condition and results of operations.

We license technology from third parties we do not control and cannot be assured of retaining such licenses.

We rely upon certain technology, including hardware and software, licensed from third parties. These licenses are typically offered on standard commercial terms made generally available by the companies providing the licenses. There can be no assurance that the technology licensed by us will continue to provide competitive features and functionality or that the licenses for technology currently utilized by us or other technology which we may seek to license in the future, will be available to us on commercially reasonable terms or at all. The loss of, or inability to maintain, existing licenses could result in shipment delays or reductions until equivalent technology or suitable alternative products are developed, identified, licensed and integrated, and could harm our business.

Potential problems with our information systems could interfere with our business and operations.

We rely on our information systems and those of third parties for processing customer orders, distribution of our services, billing our customers, processing credit card transactions, customer relationship management, supporting financial planning and analysis, accounting functions and financial statement preparation and otherwise running our business. Information systems may experience interruptions, including interruptions of related services from third-party providers, which may be beyond our control. Such business interruptions could cause us to fail to meet customer requirements. All information systems, both internal and external, are potentially vulnerable to damage or interruption from a variety of sources, including without limitation, computer viruses, ransomware attacks or other security breaches, energy blackouts, natural disasters, terrorism, war, telecommunication failures, and employee or other theft, as well as third-party provider failures. Any disruption in our information systems and those of the third parties upon which we rely could have a significant impact on our business.

We may implement enhanced information systems in the future to meet the demands resulting from our growth and to provide additional capabilities and functionality. The implementation of new systems and enhancements is frequently disruptive to the underlying business of an enterprise, and can be time-consuming and expensive, increase management responsibilities and divert management attention. Any disruptions relating to our systems enhancements or any problems with the implementation, particularly any disruptions impacting our operations or our ability to accurately report our financial performance on a timely basis during the implementation period, could materially and adversely affect our business. Even if we do not encounter these material and adverse effects, the implementation of these enhancements may be much costlier than we anticipated. If we are unable to successfully implement the information systems enhancements as planned, our financial position, results of operations and cash flows could be negatively impacted.

Our use of open source technology could impose limitations on our ability to commercialize our services.

We use open source software in our platforms on which our services operate. There is a risk that the owners of the copyrights in such software may claim that such licenses impose unanticipated conditions or restrictions on our ability to market or provide our services. If such owners prevail in such claim, we could be required to make the source code for our proprietary software (which contains our valuable trade secrets) generally available to third parties, including competitors, at no cost, to seek licenses from third parties in order to continue offering our services, to re-engineer our technology, or to discontinue offering our services in the event re-engineering cannot be accomplished on a timely basis or at all, any of which could cause us to discontinue our services, harm our reputation, result in customer losses or claims, increase our costs or otherwise materially and adversely affect our business and results of operations. If a copyright holder of such open source software were to allege we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our solutions that contained the open source software and required to comply with the foregoing conditions, which could disrupt the distribution and sale of some of our solutions.

Regulatory and Tax Matters

Our services are subject to regulation and future legislative or regulatory actions could adversely affect our business and expose us to liability.

Federal Regulation. Our business is regulated by the FCC. As a communication services provider, we are subject to FCC regulations relating to privacy, disability access, law enforcement access, porting of numbers, revenue reporting, Federal USF contributions and other regulatory assessments, E-911, and other matters. If we do not comply with FCC rules and regulations, we could be subject to FCC enforcement actions, substantial fines, loss of licenses, potential private right of actions and possibly restrictions on our ability to operate or offer certain of our services. Any enforcement action by the FCC, which may include a public process, would hurt our reputation in the industry, possibly impair our ability to sell our services to customers and could have a materially adverse impact on our revenue.

State Regulation. We are also subject to state consumer protection laws, as well as U.S. state, municipal and local sales, use, excise, utility user and ad valorem taxes, fees or surcharges. The imposition of such regulatory obligations or the imposition of additional taxes on our services could increase our cost of doing business and limit our growth.

International Regulation. As we expand internationally, we may be subject to telecommunications, consumer protection, data privacy and other laws and regulations in the foreign countries where we offer our services. For example, we are subject to regulation in Canada by the CRTC, subject to Canadian federal privacy laws and provincial consumer protection legislation. Our international operations are potentially subject to country-specific governmental regulation and related actions that may increase our costs and prevent us from offering or providing our products and services in certain countries. Certain of our services may be used by customers located in countries where VoIP and other forms of IP communications may be illegal or require special licensing. In countries where local laws and regulations prohibit (or come to prohibit) the use of our products, users may continue to use our products and services, which could subject us to costly penalties or governmental action adverse to our business and damaging to our brand and reputation, our international expansion efforts, or our business and operating results.

The adoption of additional 911 requirements by the FCC could increase our costs that could make our service more expensive, decrease our profit margins, or both.

The FCC has adopted additional 911 requirements for interconnected VoIP providers, providers of enterprise telephone services, non-interconnected VoIP providers and texting providers. We may or may not be able to comply with these obligations. For example, beginning January 6, 2022, providers of non-fixed interconnected VoIP services must supply automated dispatchable location, if technically feasible, or either registered location information obtained by the customer or alternative location information. At present, we have no means to automatically identify the physical location of our customers. Our obligation to comply with the FCC's VoIP E-911 order and related costs puts us at a competitive disadvantage to VoIP service providers who are either not subject to the requirements or have chosen not to comply with the FCC's mandates. We cannot guarantee emergency calling service consistent with the VoIP E-911 order will be available to all of our customers, especially those accessing our services on a mobile device or from outside of the U.S. The FCC's current E-911 requirements and changes to those requirements, including their impact on our customers due to service price increases or other factors could have a material adverse effect on our business, financial condition or operating results.

If we cannot comply with the FCC's rules imposing call signaling requirements on VoIP providers like us, we may be subject to fines, cease and desist orders, or other penalties.

The FCC's rules regarding the system of compensation for various types of traffic require, among other things, interconnected VoIP providers like us, who originate interstate or intrastate traffic destined for the PSTN, to transmit the telephone number associated with the calling party to the next provider in the call path. Intermediate providers must pass unaltered calling party number or charge number signaling information they receive from other providers to subsequent providers in the call path. In addition, effective June 30, 2021, the FCC began requiring voice service providers in the U.S. either to fully implement "STIR/SHAKEN" technology on their entire networks or implement a robocall mitigation program on those portions of their networks that are not STIR/SHAKEN-enabled. Canada is also currently in the process of implementing STIR/SHAKEN requirements. Although we have implemented STIR/SHAKEN in the U.S. and are in the process of implementing STIR/SHAKEN in Canada, to the extent that we inadvertently pass traffic that does not have appropriate calling party number or charge number information, we could be subject to fines, cease and desist orders, or other penalties. Similarly, to the extent that we cannot authenticate our customers, their traffic may be more likely to be blocked or adversely labeled. Additionally, as a VoIP provider, we rely on the FCC to design rules that do not disadvantage our service relative to those of incumbent local exchange carriers and competitive local exchange carriers. Should the FCC decide to do so, it could result in an inferior user experience for Ooma's service, which may negatively impact our business.

We may not be able to comply with FCC rules governing completion of calls to rural areas and related reporting requirements.

The FCC's rules governing the completion of calls to rural areas and related reporting requirements require us, among other things, to monitor the performance of our intermediate providers – telecom companies we use to help complete telephone calls to rural areas and take steps to prevent rural call completion problems that may be caused by our intermediate providers, such as persistent low answer or completion rates, unexplained anomalies in performance, or repeated complaints to the FCC. Under certain circumstances, if our routing choices, meaning the intermediate providers we chose to help us complete calls to rural areas, result in lower quality service, we may be held liable for the actions taken by our intermediate providers. If we cannot comply with these rules, we could be subject to investigation and enforcement action and could be exposed to substantial liability. The FCC also has increased enforcement activity related to completion of calls to rural customers, and we could be subject to substantial fines and to conduct requirements that could increase our costs if we are the subject of an enforcement proceeding and cannot demonstrate calls from our customers to rural customers are completed at a satisfactory rate.

Failure to comply with communications and telemarketing laws could result in significant fines or place significant restrictions on our business.

We rely on a variety of marketing techniques in connection with our sales efforts, including telemarketing and email marketing campaigns. We also record certain telephone calls between our customers or potential customers and our sales and service representatives for training and quality assurance purposes. These activities are subject to a variety of state and federal laws such as the Telephone Consumer Protection Act of 1991 (also known as the Federal Do-Not-Call law, or the TCPA), the Telemarketing Sales Rule, the Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 (also known as the CAN-SPAM Act) and various U.S. state laws regarding telemarketing and telephone call recording. These laws are subject to varying interpretations by courts and governmental authorities and often require subjective interpretation, making it difficult to predict their application and therefore making our compliance efforts more challenging. We cannot be certain our efforts to comply with these laws, rules and regulations will be successful, or, if they are successful, that the cost of such compliance will not be material to our business. Changes to these or similar laws, or to their application or interpretation, or new laws, rules and regulations governing our communication and marketing activities could adversely affect our business. In the event that any of these laws, rules or regulations significantly restricts our business, we may not be able to develop adequate alternative communication and marketing strategies. Further, non-compliance with these laws, rules and regulations carries significant financial penalties and the risk of class action litigation, which would adversely affect our financial performance and significantly harm our reputation and our business.

The FCC has continued to increase regulation of interconnected VoIP services and may at any time determine certain VoIP services are telecommunications services subject to traditional common carrier regulation.

The FCC is considering, in various proceedings, issues arising from the transition from traditional copper networks to IP networks. The FCC is also considering whether interconnected VoIP services should be treated as telecommunications services, which could subject interconnected VoIP services to additional common carrier regulation. The FCC's efforts may result in additional regulation of IP network and service providers, which may negatively affect our business.

Reform of federal and state Universal Service Fund programs could increase the cost of our service to our customers, diminishing or eliminating our pricing advantage.

The FCC and a number of states are considering reform or other modifications to USF programs, including the manner in which companies, like us, contribute to the federal USF program, and whether certain non-interconnected VoIP providers and broadband providers, among others, should contribute to the USF. If the FCC or certain states adopt new contribution mechanisms or otherwise modify contribution obligations that continue to increase our contribution burden, we will either need to absorb the increased costs or raise the amount we currently collect from some of our customers to cover these obligations, which would either reduce our profit margins or diminish our price advantage. A number of states require us to contribute funds to state USF programs, while others are actively considering extending their programs to include the services we provide. We currently charge our customers certain fees and other surcharges, which may result in our services becoming less competitive as compared to those provided by others. If our pricing advantage is diminished or eliminated, or if we are required to absorb these increased costs and not pass-through to our customers, our results of operations would be negatively impacted.

Our products must comply with industry standards, FCC regulations, state, local, country-specific and international regulations, and changes may require us to modify existing products and/or services.

In addition to reliability and quality standards, the market acceptance of telephony over broadband IP networks is dependent upon the adoption of industry standards so that products from multiple manufacturers are able to communicate with each other. Our unique hybrid SaaS connectivity platforms rely on communication standards such as SIP, SRTP and network standards such as TCP/IP and UDP to interoperate with other vendors' equipment. There is currently a lack of agreement among industry leaders about which standard should be used for a particular application and about the definition of the standards themselves. We also must comply with certain rules and regulations of the FCC regarding electromagnetic radiation and safety standards established by Underwriters Laboratories ("UL"), as well as similar regulations and standards applicable in other countries. In addition, the market acceptance of POTS replacement products such as Ooma AirDial will depend on compliance with industry standards such as National Fire Protection Association NFPA 72, UL 864 and American Society of Mechanical Engineers ASME A17.1B. As standards evolve, we may be required to modify our existing products or develop and support new versions of our products. We must comply with certain federal, state and local requirements regarding how we interact with our customers, including marketing practices, consumer protection, privacy, and billing issues, the provision of 9-1-1 emergency service and the quality of service we provide to our customers. The failure of our products and services to comply, or delays in compliance, with various existing and evolving standards could delay or interrupt volume production of our VoIP telephony products, subject us to fines or other imposed penalties, or harm the perception and adoption rates of our service, any of which would have a material adverse effect on our business, financial condition or operating results.

We process, store, and use personal information and other data, which subjects us and our customers to a variety of evolving industry standards, contractual obligations and other legal rules related to privacy, which may increase our costs, decrease adoption and use of our products and services, and expose us to liability.

There are numerous U.S. federal, state and local, and foreign laws and regulations, as well as contractual obligations and industry standards, that provide for certain obligations and restrictions with respect to data privacy and security, and the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure, and protection of personal information and other customer data. The scope of these obligations and restrictions is changing, subject to differing interpretations, and may be inconsistent among countries or conflict with other rules, and their status remains uncertain.

In the U.S. and in other jurisdictions, a variety of regulations are currently being proposed that would increase restrictions on online service providers in the field of data privacy and security, and we believe that the adoption of such increasingly restrictive regulation is likely. For example, the California Consumer Privacy Act (the "CCPA") regulates the processing of personal data, which could result in civil penalties for violations. In addition, a new privacy law, the California Privacy Rights Act ("CPRA") will take effect on January 1, 2023 (with certain provisions having retroactive effect to January 1, 2022). The CPRA's implementing regulations are expected on or before July 1, 2022, and enforcement is scheduled to begin July 1, 2023. We will continue to monitor developments related to the CPRA. The full impact of the CPRA on our business is yet to be determined. The CPRA modifies the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply.

In Canada, penalties for non-compliance with certain Canadian anti-spam legislation are considerable, including administrative monetary penalties of up to \$10 million and a private right of action.

Within the EU, strict laws apply in connection with the collection, storage, retention, use, processing, transmission, sharing, disclosure and protection of personal information, and other customer data. Data protection regulators within the EU and other jurisdictions have the power to fine non-compliant organizations significant amounts and seek injunctive relief, including the cessation of certain data processing activities. For example, the EU's General Data Protection Regulation, or GDPR, comprehensively regulates the processing of personal data of any individual residing in the EU. The GDPR provides for significant penalties in the event of violations, including fines of up to 4% of the violating company's worldwide revenue. We have taken administrative, contractual and other measures designed to achieve compliance with the GDPR, but we cannot guarantee these measures are sufficient. While the United Kingdom's Data Protection Act substantially implements the GDPR, the United Kingdom's exit from the European Union has created regulatory uncertainty, including the cross-border transfer of data. Such uncertainty may adversely impact the operations of our U.K. subsidiary by adding operational complexities and expenses. In addition, on July 16, 2020, the Court of Justice of the European Union, or the CJEU, invalidated the Privacy Shield program, which allowed transfers of EU personal data to the U.S. for participating companies consistent with European privacy requirements for transfer of such data to non-EU countries. The Court also raised concerns about transfer of personal data to the U.S. under standard contractual clauses, or SCCs. Although European regulators have since issued a new set of SCCs for data transfers to the U.S., the new SCCs do not address every concern raised by the CJEU. As a result, the CJEU decision has created uncertainty about data transfer to the U.S.

Obligations and restrictions imposed by current and future applicable laws, regulations, contracts and industry standards, in particular as we continue to expand our international operations, may increase the cost of our operations, affect our ability to provide all the current features of our business, residential and mobile products and services and our customers' ability to use our products and services, and could require us to modify the features and functionality of our products and services. Such obligations and restrictions may limit our ability to collect, store, process, use, transmit and share data, and to allow our customers to collect, store, retain, protect, use, process, transmit, share and disclose data with others through our products and services. Compliance with such obligations and restrictions could increase the cost of our operations. Failure to comply with obligations and restrictions related to data privacy and security could subject us to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity and other losses that could harm our business.

Our customers can use our services to store contact and other personal or identifying information, and to process, transmit, receive, store and retrieve a variety of communications and messages, including, for our Ooma Business customers, information about their own customers and other contacts. In addition, customers may use our services to transmit and store protected health information, or PHI, that is protected under the Health Insurance Portability and Accountability Act, or HIPAA. Noncompliance with laws and regulations relating to privacy such as HIPAA may lead to significant fines, penalties or liabilities. Our actual compliance, our customers' perception of our compliance, costs of compliance with such regulations and customer concerns regarding their own compliance obligations (whether factual or in error) may limit the use and adoption of our service and reduce overall demand. Furthermore, privacy concerns, including the inability or impracticality of providing advance notice to customers of privacy issues related to the use of our services, may cause our customers' customers to resist providing the personal data necessary to allow our customers to use our services effectively. Even the perception of privacy concerns, whether or not valid, may inhibit market adoption of our service in certain industries.

In addition to government activity, privacy advocacy groups and industry groups have adopted and are considering the adoption of various self-regulatory standards and codes of conduct that may place additional burdens on us and our customers, which may further reduce demand for our services and harm our business.

While we try to comply with all applicable data protection laws, regulations, standards, and codes of conduct, as well as our own posted privacy policies and contractual commitments to the extent possible, any failure by us to protect our users' privacy and data, including as a result of our systems being compromised by hacking or other malicious or surreptitious activity, could result in a loss of user confidence in our services and ultimately in a loss of users, which could materially and adversely affect our business. Our customers may also accidentally disclose their passwords, store them on a mobile device that is lost or stolen, or otherwise fall prey to attacks outside our system, creating the perception that our systems are not secure against third-party access. If our third-party contractors or vendors violate applicable laws or our policies, such violations may also put our customers' information at risk and could in turn have a material and adverse effect on our business.

Use or delivery of our services may become subject to new or increased regulatory requirements, taxes or fees.

The increasing growth and popularity of internet voice communications heighten the risk that governments will regulate or impose new or increased fees or taxes on internet voice communications services. To the extent the use of our services continues to grow, regulators may be more likely to seek to regulate or impose new or additional taxes, surcharges or fees on our services. Similarly, advances in technology, such as improvements in locating the geographic origin of internet voice communications, could cause our services to become subject to additional regulations, fees or taxes, or could require us to invest in or develop new technologies, which may be costly. In addition, as we continue to expand our user base and offer more services, we may become subject to new regulations, taxes, surcharges or fees. Increased regulatory requirements, taxes, surcharges or fees on internet voice communications services, which could be assessed by governments retroactively or prospectively, would substantially increase our costs, and, as a result, our business would suffer. In addition, the tax status of our services could subject us to conflicting taxation requirements and complexity with regard to the collection and remittance of applicable taxes. Any such additional taxes could harm our results of operations.

We are subject to anti-corruption and anti-money laundering laws with respect to our operations and non-compliance with such laws can subject us to criminal and/or civil liability and harm our business.

We are subject to the FCPA, the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, and possibly other anti-bribery and anti-money laundering laws in countries in which we conduct activities. Anti-corruption laws are interpreted broadly and prohibit companies and their employees and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector. We use third-party representatives for product testing, customs, export, and import matters outside of the U.S. As we increase our international sales and business, we may engage with business partners and third-party intermediaries to sell our products and services abroad and to obtain necessary permits, licenses, and other regulatory approvals. We or our third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities. We can be held liable for the corrupt or other illegal activities of these third-party intermediaries, our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities.

Noncompliance with anti-corruption and anti-money laundering laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, other enforcement actions, disgorgement of profits, significant fines, damages, other civil and criminal penalties or injunctions, suspension and/or debarment from contracting with certain persons, the loss of export privileges, reputational harm, adverse media coverage, and other collateral consequences. If any subpoenas or investigations are launched, or governmental or other sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations and financial condition could be materially harmed. In addition, responding to any action will likely result in a materially significant diversion of management's attention and resources, significant defense costs and other professional fees. Enforcement actions and sanctions could further harm our business, results of operations, and financial condition.

We are subject to governmental sanctions and export and import controls, economic embargoes and trade sanctions that could impair our ability to expand our business to, and compete in, international markets and could subject us to liability if we are not in compliance with applicable laws.

Our products and services are subject to export and import laws and regulations, including the U.S. Export Administration Regulations, U.S. Customs regulations, and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. U.S. export control laws and economic sanctions programs generally prohibit the export of certain products and services to countries, governments and persons subject to U.S. economic embargoes and trade sanctions unless a license, approval, or other authorization is obtained from the U.S. Government. Obtaining the necessary authorizations and licenses for a particular sale may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. If we fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil or criminal penalties, including the possible loss of export or import privileges, government investigations, reputational harm, fines which may be imposed on us and responsible employees or managers, and, in extreme cases, the incarceration of responsible employees or managers.

In addition, any changes in our products or services, or changes in applicable export, import, embargo and trade sanctions regulations, may create delays in the introduction and sale of our products and services in international markets or, in some cases, prevent the export or import of our products and services to certain countries, governments, or persons altogether. Any change in export, import, embargo, or trade sanctions regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could also result in decreased use of our products and services, or in our decreased ability to export or sell our products and services to existing or potential customers with international operations. Any decreased use of our products and services or limitation on our ability to export or sell our products and services would likely adversely affect our business.

We may be subject to liabilities on past services for taxes, surcharges and fees.

We collect and remit state or municipal sales, use, excise, utility user and ad valorem taxes, fees, or surcharges on the charges to our customers for our services or goods in only those jurisdictions where we believe we have a legal obligation to do so or for business reasons to reduce risk. In addition, we have historically substantially complied with the collection of certain California sales/use taxes and financial contributions to the California 9-1-1 system (the Emergency Telephone Users Surcharge) and federal USF. With limited exception, we believe we are generally not subject to taxes, fees, or surcharges imposed by other state and municipal jurisdictions or that such taxes, fees, or surcharges do not apply to our service. There is uncertainty as to what constitutes sufficient "in state presence" for a state or local municipality to levy taxes, fees and surcharges for sales made over the internet. Taxing authorities have in the past, and likely will in the future, challenge our position on the lack of enforceability of such taxes, fees and surcharges where we have no relevant presence, and audit our business and operations with respect to sales, use, telecommunications and other taxes, which could result in increased tax liabilities for us or our customers, which could materially and adversely affect our results of operations and our relationships with our customers. Finally, the application of other indirect taxes (such as sales and use tax, value added tax, or VAT, goods and services tax, business tax, and gross receipt tax) to e-commerce businesses, such as ours, is a complex and evolving area. The application of existing, new, or future laws, whether in the U.S. or internationally, could have adverse effects on our business, prospects, and results of operations. There have been, and will continue to be, substantial ongoing costs associated with complying with the various indirect tax requirements in the numerous markets in which we conduct or will conduct business.

Changes in effective tax rates, or adverse outcomes resulting from examination of our income or other tax returns, could adversely affect our results of operations and financial condition.

Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expiration of, or lapses in, the research and development tax credit laws;
- expiration or non-utilization of net operating loss carryforwards;
- tax effects of share-based compensation;
- certain non-deductible expenses as a result of acquisitions;
- expansion into new jurisdictions;
- potential challenges to and costs related to implementation and ongoing operation of our intercompany arrangements; and
- changes in tax laws and regulations and accounting principles, or interpretations or applications thereof.

As we expand our operations outside the U.S. and Canada, certain changes to U.S. tax laws, including limitations on the ability to defer U.S. taxation on earnings outside of the U.S. until those earnings are repatriated to the U.S. could affect the tax treatment of our foreign earnings. Any changes in our effective tax rate could adversely affect our results of operations.

We may be unable to use some or all of our net operating loss carryforwards, which could materially and adversely affect our reported financial condition and results of operations.

As of January 31, 2022, we had federal and state net operating loss carryforwards, or NOLs, of \$125.1 million and \$94.8 million, respectively, available to offset future taxable income, which will begin to expire in 2030 if not utilized. We also have federal and research and development tax credit carryforwards that will begin to expire in 2030 and California research and development tax credit carryforwards with no expiration date. Realization of these net operating loss and research tax credit carryforwards depends on future income, and there is a risk that our existing carryforwards could expire unused and be unavailable to offset future income tax liabilities, which could materially and adversely affect our results of operations. No deferred tax assets have been recognized on our balance sheet related to these NOLs, as they are fully reserved by a valuation allowance. If we have previously had, or have in the future, one or more Section 382 "ownership changes", or if we do not generate sufficient taxable income, we may not be able to utilize a material portion of our NOLs, even if we achieve profitability. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. This could materially and adversely affect our results of operations.

Risks Related to Being a Public Company

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results in a timely manner, which may adversely affect investor confidence in our company and, as a result, the value of our common stock.

Pursuant to Section 404 of the Sarbanes-Oxley Act, we are required to make a formal assessment and provide an annual management report on the effectiveness of our internal control over financial reporting. We expect that the requirements of these rules and regulations will continue to increase our compliance costs, make some activities more difficult, time-consuming and costly, and place significant demands on our financial and operational resources, as well as IT systems. Our control environment may not be sufficient to remediate or prevent future material weaknesses or significant deficiencies from occurring. A control system, no matter how well designed and operated, can provide only reasonable assurance that the control system's objectives will be met. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and all instances of fraud will be detected.

Our independent registered public accounting firm is required to and has issued an attestation report on the effectiveness of our internal control over financial reporting as of January 31, 2022. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion as to the effectiveness of our internal control over financial reporting, investors could lose confidence in the accuracy and reliability of our financial reports, which would cause the price of our common stock to decline, and we could be subject to sanctions or investigations by regulatory authorities, including the SEC and the New York Stock Exchange.

Our actual operating results may differ significantly from our guidance.

From time to time, we plan to release earnings guidance in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, regarding our future performance that represents our management's estimates as of the date of release. This guidance, which will include forward-looking statements, will be based on projections prepared by our management. Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We intend to state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed but are not intended to imply that actual results could not fall outside of the suggested ranges. The principal reason that we release guidance is to provide a basis for our management to discuss our business outlook with analysts and investors. Accordingly, we do not accept any responsibility for any projections or reports published by any such third parties.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results may vary from our guidance and the variations may be material. In light of the foregoing, investors are urged not to rely upon our guidance in making an investment decision regarding our common stock.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this "Risk Factors" section in this report could result in the actual operating results being different from our guidance, and the differences may be adverse and material.

Risks Related to Ownership of Our Common Stock

Our stock price has been and may continue to be volatile, or may fluctuate or decline, resulting in a substantial loss of your investment.

Our stock price may fluctuate in response to a number of events and factors, such as quarterly operating results; changes in our financial projections provided to the public or our failure to meet those projections; our operating and financial performance and prospects and the performance of other similar companies; the public's reaction to our press releases, other public announcements and filings with the SEC; significant transactions, or new features, products or services by us or our competitors; changes in financial estimates and recommendations by securities analysts; failure of securities analysts to cover or track our common stock; media coverage of our business and financial performance; trends in our industry; any significant change in our management; sales of common stock by us, our investors or members of our management team; and changes in general market, economic and political conditions in the U.S. and global economies or financial markets, including as a result of public health crises.

The market price of our common stock could be subject to wide fluctuations in response to, among other things, the factors described in this "Risk Factors" section or otherwise, and other factors beyond our control, such as fluctuations in the valuations of companies perceived by investors to be comparable to us. In addition, the stock market in general, and the market prices for companies in our industry, have experienced volatility that often has been unrelated to operating performance. These broad market and industry fluctuations may adversely affect the price of our stock, regardless of our operating performance. In the past, many companies that have experienced volatility in their stock price have become subject to securities class action litigation. We have been subject to this type of litigation in the past and may continue to be a target in the future. Securities litigation against us has resulted and could result in substantial costs and has and would divert our management's attention from other business concerns, any of which could harm our business.

If we fail to meet expectations related to future growth, profitability, or other market expectations, our stock price may decline significantly, which could have a material adverse impact on investor confidence and employee retention.

Sales of a substantial number of shares of our common stock in the public market, or the perception these sales might occur, could cause our stock price to decline.

Sales of a substantial number of shares of our common stock in the public market, or the perception these sales might occur, could cause the market price of our common stock to decline and could impair our ability to raise capital through the sale of additional equity securities. In addition, we have registered shares of common stock which we may issue under our employee stock plans and they may be sold freely in the public market upon issuance. We may issue our shares of common stock or securities convertible into our common stock from time to time in connection with a financing, acquisition, and investments or otherwise. Any such issuance could result in substantial dilution to our existing stockholders and cause the trading price of our common stock to decline.

If securities analysts do not publish or cease publishing research or reports about our business or if they publish negative evaluations of our stock, the price of our stock could decline.

We expect that the trading price for our common stock will be affected by any research or reports that industry or financial analysts publish about us or our business. If one or more of the analysts who elect to cover us downgrade their evaluations of our stock or provide more favorable relative recommendations about our competitors, the price of our stock could decline. If one or more of these analysts cease coverage of our company, our stock may lose visibility in the market, which in turn could cause its price to decline.

We have never paid cash dividends and do not anticipate paying any cash dividends on our common stock.

We do not anticipate paying any cash dividends on our common stock in the foreseeable future. If we do not pay cash dividends, you would receive a return on your investment in our common stock only if the market price of our common stock increases before you sell your shares.

Our charter documents and Delaware law could prevent a takeover that stockholders consider favorable and could also reduce the market price of our stock.

Our Amended and Restated Certificate of Incorporation and our Amended and Restated Bylaws contain provisions that could delay or prevent a change in control of our company. These provisions could also make it more difficult for stockholders to elect directors and take other corporate actions. These provisions include:

- providing for a classified board of directors with staggered, three-year terms;
- authorizing the issuance of "blank check" preferred stock that our board of directors could issue to increase the number of outstanding shares to discourage a takeover attempt;
- prohibiting cumulative voting in the election of directors;

- providing that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum;
- prohibiting stockholder action by written consent;
- limiting the persons who may call special meetings of stockholders; and
- requiring advance notification of stockholder nominations and proposals.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, the provisions of Section 203 of the Delaware General Corporate Law may prohibit large stockholders, in particular those owning 15% or more of our outstanding voting stock, from merging or combining with us for a certain period of time without the consent of our board of directors. These and other provisions in our amended and restated certificate of incorporation and our bylaws and under Delaware law could discourage potential takeover attempts, reduce the price investors might be willing to pay in the future for shares of our common stock and result in the market price of our common stock being lower than it would be without these provisions.

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

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the sole and exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, any action asserting a claim against us arising pursuant to any provisions of the General Corporation Law of the State of Delaware, our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. While the Delaware Supreme Court determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring such a claim arising under the Securities Act of 1933, as amended, against us, our directors, officers, or other employees in a venue other than in the federal district courts of the United States of America. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation, and this may require significant additional costs associated with resolving such action in other jurisdictions.

We were subject to a securities class action litigation in connection with our initial public offering, are currently subject to a class litigation, and may be subject to other litigation in the future.

The Company, its directors, and certain officers were named as defendants in a consolidated securities class action in connection with its initial public offering. On October 18, 2019, the Court dismissed the class action lawsuit with prejudice and the plaintiff released all claims against the Company and all other defendants relating to the allegations in the class action. In addition, in February 2021 the Company and Ooma Canada Inc. were named as defendants in a class action complaint in the Federal Court of Canada, alleging violations of Canada's Trademarks Act and Competition Act. In the future, especially following periods of volatility in the market price of our shares, additional purported class action or derivative complaints may be filed against us. The outcome of any pending and potential future litigation is difficult to predict and quantify and the defense of such claims or actions can be costly. In addition to diverting financial and management resources and general business disruption, we may suffer from adverse publicity that could harm our brand or reputation, regardless of whether the allegations are valid or whether we are ultimately held liable. A judgment or settlement that is not covered by or is significantly in excess of our insurance coverage for any claims, or our obligations to indemnify the underwriters and the individual defendants, could materially and adversely affect our financial condition, results of operations and cash flows.

General Risk Factors

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future growth and success depends, in part, on our continued ability to hire and retain highly skilled personnel. We believe there is, and will continue to be, intense competition for highly skilled technical, sales and other personnel with experience in our industry in the San Francisco Bay Area, where our headquarters is located, and in other parts of the United States and Canada. We have from time to time experienced, and we expect to continue to experience, challenges in hiring and retaining skilled personnel with appropriate qualifications. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. If we and/or our partners are unable to hire, retain and motivate the existing workforce or attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of existing and new services, which could have a material adverse effect on our business, financial condition, and results of operations. To the extent we hire personnel from competitors, we may be subject to allegations such personnel have been improperly solicited or divulged proprietary or other confidential information.

Catastrophic events or political instability could disrupt and cause harm to our business, operating results, or financial condition.

Our corporate headquarters, offices, warehouses and one of our data center facilities are located in Northern California, a region that frequently experiences earthquakes. We also maintain an office in Boca Raton, Florida, an area that has been prone to severe weather events, such as hurricanes. In addition, our third-party contract manufacturer facilities in China and our sole third-party customer service and support facility in the Philippines are located on the Pacific Rim near known earthquake fault zones that are vulnerable to damage from earthquakes, tsunamis, volcanic eruptions and/or typhoons. We and our contractors are also vulnerable to other types of disasters, such as power loss, fire, floods, pandemics, cyber-attack, war, political or civil unrest and terrorist attacks and similar events that are beyond our control. In particular, we depend on third-party contractors located in Russia for engineering and development services. We cannot assure you that our ability to continue transacting with third-party contractors in Russia would not be impacted by the effects of Russia's invasion of Ukraine in February 2022 or any resulting international sanctions. If any disasters were to occur, our ability to operate our business could be seriously impaired, and we may endure system interruptions, reputational harm, loss of intellectual property, delays in our services development, lengthy interruptions in our services, breaches of data security and loss of critical data, all of which could harm our future results of operations. Such events may also reduce demand for our products and services because of reduced global or national economic activity and can cause disruptions and extreme volatility in global financial markets, increase rates of default and bankruptcy, and impact levels of business and consumer spending. In addition, we do not carry earthquake insurance and we may not have adequate insurance to cover our losses resulting from other disasters or other similar significant business interruptions. Any significant losses not recoverable under our insurance policies could seriously impair our business and financial condition.

Climate change may have an impact on our business.

Any of our primary locations may be vulnerable to the adverse effects of climate change. For example, our offices and facilities in California have experienced, and are projected to continue to experience, climate-related events at an increasing frequency, including drought, heat waves, wildfires and power shutoffs associated with wildfire prevention. Furthermore, it may be more difficult to mitigate the impact of these events on some of our employees while they continue to work from home as a result of the COVID-19 pandemic. Changing market dynamics, global policy developments and the increasing frequency and impact of extreme weather events on critical infrastructure in the U.S. and elsewhere have the potential to disrupt our business, the business of our third-party suppliers and the business of our customers, and may cause us to experience higher churn, losses and additional costs to maintain or resume operations.

ITEM 1B. Unresolved Staff Comments

None.

ITEM 2. Properties

Our corporate headquarters are located in Sunnyvale, California and consists of leased office space totaling approximately 33,400 square feet. We lease additional office and warehouse space in the San Francisco Bay Area for various product development, operational and customer support purposes. We also lease offices in Boca Raton, Florida and several other locations throughout the U.S. as well as Vancouver, British Columbia.

We lease space from third-party data centers under co-location agreements that support our cloud infrastructure, the most significant locations being San Jose, California; Dallas, Texas; Ashburn, Virginia; and other small locations internationally.

We believe our existing facilities are adequate to meet our current requirements. If we were to require additional space, we believe that we will be able to obtain such space on acceptable, commercially reasonable terms. See Note 7: Operating Leases of the accompanying notes of our consolidated financial statements for more information about our lease commitments.

ITEM 3. Legal Proceedings

For a discussion of legal proceedings, see Note 11: Commitments and Contingencies – Legal Proceedings in the notes to our consolidated financial statements included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Form 10-K, which information is incorporated herein by reference.

ITEM 4. Mine Safety Disclosures

Not applicable.

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

Market Information for Common Stock. Our common stock has been trading on the NYSE under the symbol “OOMA” since July 17, 2015.

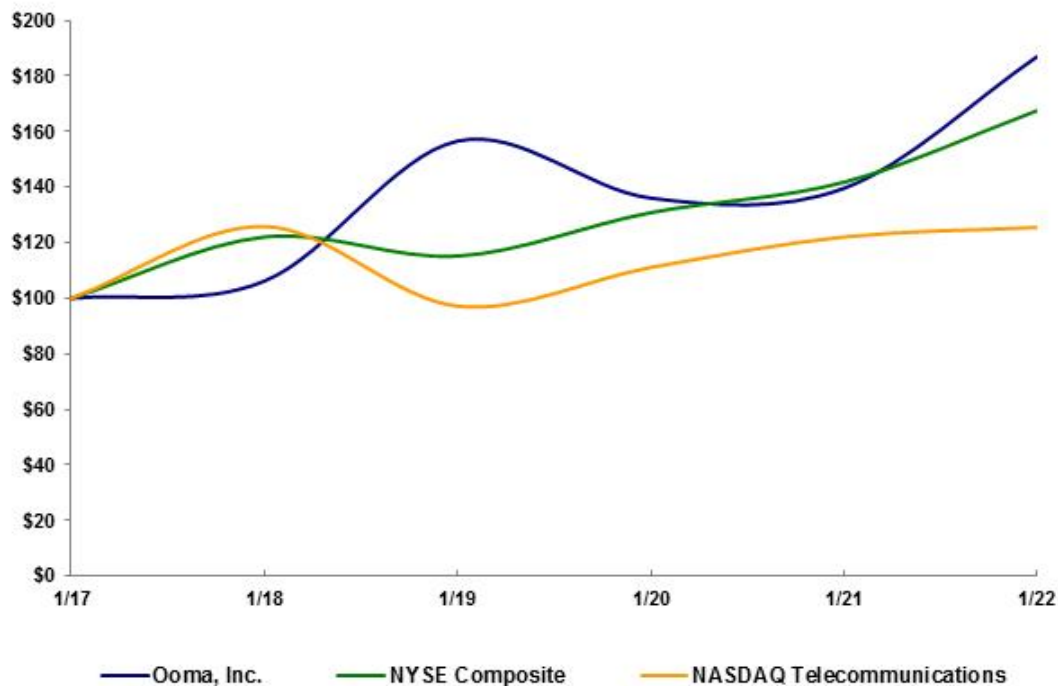
Holders of Record. As of January 31, 2022, there were approximately 66 holders of record of our common stock. Because many of our shares of common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Dividend Policy. We have not declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our capital stock.

Stock Price Performance Graph. The graph below compares the cumulative total return on our common stock with that of the NASDAQ Telecommunications Index and the NYSE. The graph assumes \$100 was invested at the close of market on the last trading day of fiscal 2017 in our common stock, the NASDAQ Telecommunications Index and the NYSE, and its relative performance is tracked through January 31, 2022, the last trading day of our fiscal year 2022.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Ooma, Inc., the NYSE Composite Index
and the NASDAQ Telecommunications Index



This performance graph shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or incorporated by reference into any filing of Ooma, Inc. under the Securities Act of 1933, as amended, or the Securities Act, except as shall be expressly set forth by specific reference in such filing. The stock price performance on this performance graph is not necessarily indicative of future stock price performance.

Sales of Unregistered Securities. Not applicable.

Use of Proceeds. Not applicable.

ITEM 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with our consolidated financial statements and the related notes to those statements included elsewhere in this Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of many factors, including those discussed under “Risk Factors” and elsewhere in this Form 10-K. The last day of our fiscal year is January 31, and we refer to our fiscal year ended January 31, 2022 as fiscal 2022, our fiscal year ended January 31, 2021 as fiscal 2021 and our fiscal year ended January 31, 2020 as fiscal 2020. All other references to years are references to calendar years.

This section of this Form 10-K generally discusses fiscal 2022 and 2021 items and year-to-year comparisons between fiscal 2022 and 2021. Discussion regarding our financial condition and results of operations for fiscal 2021 as compared to 2020 is included in Item 7 of our Annual Report on Form 10-K for the year ended January 31, 2021, filed with the SEC on April 7, 2021.

Executive Overview

Ooma provides leading communications services and related technologies that bring unique features, ease of use, and affordability to businesses of all sizes and residential customers through our smart SaaS and unified communications platforms. For businesses, we deliver advanced voice and collaboration features including messaging, intelligent virtual attendants, and video conferencing to help them run more efficiently. For consumers, our residential phone service provides PureVoice high-definition voice quality, advanced functionality and integration with mobile devices.

We generate subscription and services revenue by selling subscriptions and other services for our communications services, as well as other connected services. We generate our product and other revenue from the sale of our on-premise devices and end-point devices. We primarily offer our solutions in the U.S. and Canada.

We refer to Ooma Office and Ooma Enterprise collectively as Ooma Business. Ooma Residential includes Ooma Telo basic and premier services as well as our smart security solutions. See Item 1. Business above for additional information regarding our business, including products and services offered, competitive market and regulatory matters.

Fiscal 2022 Financial Performance

- Total revenue was \$192.3 million, up 14% year-over-year, primarily driven by the continued growth of Ooma Business.
- Subscription and services revenue from Ooma Business and Ooma Residential grew 23% and 3% year-over-year, respectively.
- Subscription and services gross margin was 72%, up from 71% in fiscal 2021. Total gross margin was 62%, consistent with fiscal 2021.
- GAAP net loss was \$1.8 million, improved from a net loss of \$2.4 million in fiscal 2021, largely driven by our revenue growth and higher gross margins for subscription and services.
- Non-GAAP net income was \$12.6 million, compared to \$11.5 million in fiscal 2021.
- Adjusted EBITDA was \$15.6 million, compared to \$14.0 million in fiscal 2021.
- As of January 31, 2022, we had total cash, cash equivalents and short-term investments of \$31.3 million, up \$3.0 million from \$28.3 million as of January 31, 2021.

COVID-19 Update

During fiscal 2022, we remained focused on executing our growth strategy while adapting to the evolving changes in our market environment and business activities driven by the COVID-19 pandemic. We have continued to evaluate and refine our return to work strategy, as well as our investments in our go-to-market, channel development and product development efforts. We and our third-party reseller partners have experienced, and expect to continue to experience, challenges in attracting and retaining sales employees and contractors, which we believe is largely attributable to the ongoing effects of the pandemic.

The severity and duration of the pandemic, including any resurgences, and the extent to which it may impact our operations remains uncertain. In recent periods, we have increased our inventory levels to mitigate global supply chain disruptions caused by component shortages and longer lead times. These increased levels may result in excess and/or obsolete inventory in future periods. In addition, although we saw improvement in our customer churn rate from the increased levels that we experienced earlier in the pandemic, our churn could again increase in future periods which may result in a decline to our core user growth rate. The overall effects of the COVID-19 pandemic may not be fully reflected in our results of operations and overall financial performance until future periods.

The global macroeconomic effects of the COVID-19 pandemic and related impacts on our customers' business operations and their demand for our products and services may persist for an indefinite period, even after the pandemic has subsided. See "Risk Factors" in Part I, Item 1A above for more information on risks associated with the COVID-19 pandemic.

Key Factors Affecting Our Performance

Our historical financial performance and key business metrics have been, and we expect that our financial performance and key business metrics in the future will be, primarily driven by the following factors:

Core user growth. Our growth in the number of core users, a key business metric defined below, is a key indicator of our market penetration, the growth of our business and our anticipated future subscription and services revenue, especially Ooma Business.

Low core user churn. We believe that maintaining our current low core user churn is an important factor in our ability to continue to improve our financial performance and is a distinguishing advantage over many of our competitors. We focus on providing high-quality services and support to our users so they are motivated to remain with us. Our core user churn rate is higher for Ooma Business customers than Ooma Residential customers, which is driven in part by the failure rate of small businesses as well as the ongoing impact of the COVID-19 pandemic. Accordingly, we expect that our overall core user churn rate will increase to the extent that sales of our business products increase relative to sales of residential products.

Growth in additional services and products. We believe that there is significant opportunity for us to increase the additional subscription and services that our customers purchase from us in both the business and residential markets, which generates more value to Ooma over the life of our customer relationship. In order to drive adoption of additional services, we will need to continue to enhance our existing solutions and develop new connected services and products. We are investing in Ooma Business to develop additional features to continue our momentum serving businesses of all sizes and further increase our average revenue per user. For example, we plan to launch a third Ooma Office tier of service during fiscal 2023 that will contain features that are even more advanced than Office Pro. Additionally, we see opportunity to capitalize on Ooma AirDial as an integrated solution for businesses to replace legacy copper-wire analog phone service. We also plan to evolve our Ooma Connect and Wi-Fi solutions as part of our longer-term strategy to provide a more complete solution for small and medium-sized businesses.

Investing in long-term revenue growth. We believe that our total addressable market opportunity is large and we intend to continue significantly investing in sales and marketing to grow our user base in multiple verticals and channels. We expect the domestic and international markets in which we conduct our business will remain highly competitive. We plan to work together with our strategic partners to explore and pursue potential growth opportunities related to the market transition to 5G internet. We expect to continue investing in research and development to enhance our platforms and develop additional connected services and products, as well as launch our Ooma Business services in a number of international countries. We may evaluate additional possible acquisitions of businesses, products and technologies that are complementary to our business.

Key Business Metrics

We review the key metrics below to evaluate our business, measure our performance, identify trends affecting our business, formulate financial projections and make strategic decisions.

The following table sets forth our key business metrics for each of the periods indicated (in thousands, except percentages):

	As of January 31,					
	2022		2021		2020	
Core users		1,100		1,074		1,048
Annualized exit recurring revenue (AERR)	\$	176,937	\$	160,528	\$	143,190
Net dollar subscription retention rate		96%		96%		100%
Adjusted EBITDA	\$	15,568	\$	14,013	\$	966

Core Users increased year-over-year, which was primarily driven by growth in business users. As of January 31, 2022, Ooma Business users comprised approximately 28% of our total core users, up from 25% as of January 31, 2021. We believe that the number of our core users is an indicator of our market penetration, the growth of our business and our anticipated future subscription and services revenue. We define our core users as the number of active residential user accounts and office user extensions. We believe that the relationship that we establish with our core users positions us to sell additional premium communications services and other new connected services to them.

Annualized Exit Recurring Revenue grew year-over-year due to an increase in the average revenue per core user, which was largely driven by an increase in business users. We believe that AERR is an indicator of recurring subscription and services revenue for near-term future periods. We estimate our AERR by dividing our recurring quarterly subscription revenue (excluding Talkatone revenue) by the average number of core users each quarter and annualize by multiplying by four. We then multiply that result by the number of core users at the end of the period to calculate AERR.

Net Dollar Subscription Retention Rate was comparable on a year-over-year basis. We believe that our net dollar subscription retention rate provides insight into our ability to retain and grow our subscription and services revenue, and is an indicator of the long-term value of our customer relationships and the stability of our revenue base. It measures the percentage year-over-year change in our recurring subscription revenue per core user (excluding Talkatone revenue), which is then adjusted by factoring in the percentage of our core users we have retained during the same period. Our net dollar subscription retention rate is affected by changes in average amounts that our core users pay to us, fluctuations in the number of our core users, and our core user churn rate.

We calculate our estimated net dollar subscription retention rate for our core users by multiplying:

- (i) our year-over-year percentage change in annual recurring revenue per core user, which is calculated by:
 - determining the annual recurring revenue per core user by dividing annual recurring revenue for the period ended by the number of core users at the end of that particular period; and
 - calculating the year-over-year percentage change in annual recurring revenue per core user by dividing the current period recurring revenue per core user by the annual recurring revenue per core user for the same period in the prior year.

by:

- (ii) our core user annual retention rate, which is calculated by:
 - determining our core user churn, by identifying the number of paying core users who terminate service during a month, excluding infant churn, which we define as office extensions and home users who terminate service prior to the end of the second full calendar month after their activation date;
 - calculating our monthly churn rate by dividing our churn in a month by the number of core users at the beginning of that month; and
 - calculating our annual retention rate as one minus the sum of our monthly churn rates for the preceding 12-month period.

Adjusted EBITDA

In addition, we use Adjusted EBITDA (Earnings Before Interest, Tax and Depreciation and Amortization) to manage our business, evaluate our performance and make planning decisions. We consider this metric to be a useful measure of our operating performance, because it contains adjustments for unusual events or factors that do not directly affect what management considers being the core operating performance, and are used by our management for that purpose. We also believe this measure enables us to better evaluate our performance by facilitating a meaningful comparison of our core operating results in a given period to those in prior and future periods. Investors often use similar measures to evaluate the operating performance with competitors. Adjusted EBITDA represents net income before interest and other income, income tax provision or benefit, depreciation and amortization of capital expenditures, amortization of acquired intangible assets and other acquisition-related charges, stock-based compensation and related taxes, restructuring charges and certain litigation costs that are not representative of the ordinary course of our business.

Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- Adjusted EBITDA does not consider any expenses for assets being depreciated and amortized that are necessary to our business;
- Adjusted EBITDA does not consider the impact of income tax provisions or benefits, other income/expense, stock-based compensation and related taxes, amortization of acquired intangible assets and other acquisition-related charges, restructuring charges and certain litigation costs that are not recurring in nature; and
- Other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA alongside other financial performance measures, including net loss and our other GAAP results.

The following table provides a reconciliation of net loss (the most directly comparable GAAP financial measure) to Adjusted EBITDA for each of the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
GAAP net loss	\$ (1,751)	\$ (2,441)	\$ (18,801)
Reconciling items:			
Interest and other income, net	(179)	(419)	(780)
Income tax provision (benefit)	—	85	(130)
Depreciation and amortization of capital expenditures	3,117	2,877	2,548
Amortization of acquired intangible assets and acquisition-related costs	1,304	1,304	1,289
Stock-based compensation and related taxes	13,077	12,607	13,149
Restructuring charges	—	—	3,085
Litigation costs	—	—	606
Adjusted EBITDA	<u>\$ 15,568</u>	<u>\$ 14,013</u>	<u>\$ 966</u>

Components of Results of Operations

Revenue

Subscription and services revenue is derived primarily from recurring subscription fees related to service plans such as Ooma Business, Ooma Residential and other communications services, and to a lesser extent from payments associated with our Talkatone mobile application and prepaid international calls. We expect our subscription and services revenue to grow as we expand our core user base, driven primarily by growth in Ooma Business.

Product and other revenue consists primarily of sales of our on-premise devices and end-point devices used in connection with our services, including shipping and handling fees for our direct customers.

Cost of revenue and gross margin

Cost of subscription and services revenue includes payments made for third-party network operations and telecommunications services; certain telecom taxes and fees, including Federal USF contributions; credit card processing fees; costs to build out and maintain data centers; depreciation and maintenance of servers and equipment; personnel costs associated with customer care and network operations support and allocated overhead costs.

Cost of product and other revenue includes the costs associated with the manufacturing of our on-premise devices and end-point devices, as well as personnel costs for employees and contractors, costs related to porting our customers' phone numbers to our service, shipping and handling costs, tariffs imposed on imported product and allocated overhead costs.

Subscription and services gross margin may fluctuate from period-to-period based on the interplay of a number of factors, including revenue mix and fluctuations in the costs described above. We expect our subscription and services gross margin to increase over the long-term, primarily as we achieve scale efficiencies and as Ooma Business revenue becomes a larger portion of total subscription revenue.

Product and other gross margin may fluctuate from period-to-period based on a number of factors, including total units shipped as compared to the direct costs of production and relatively fixed personnel costs incurred. We sell our on-premise devices at aggressive price points to facilitate the adoption of our platforms and services. We expect our product and other gross margin to continue to be negative for the foreseeable future.

Our subscription and services gross margin is significantly higher than product and other gross margin. As a result, any significant change in revenue mix will cause our total gross margin to change. For example, in periods where we sell significantly more on-premise devices, we would expect our total gross margin to be impacted.

Operating expenses

Sales and marketing expenses consist primarily of personnel costs for employees and contractors, advertising and marketing costs, amortization of sales commissions paid to internal sales personnel and third parties, amortization of acquired intangible assets, travel expenses and allocated overhead costs. We expect our sales and marketing expenses to increase in absolute dollars as we continue to grow our business.

Research and development expenses are focused on developing new and expanded features for our services and improvements to our platforms and backend architecture. Research and development expenses consist primarily of personnel costs for employees and contractors, as well as license and product certification fees and allocated overhead costs. We expect our research and development expenses to increase in absolute dollars.

General and administrative expenses consist of personnel costs for our finance, legal, human resources and other administrative employees and contractors, as well as professional service fees and allocated overhead costs. We expect our general and administrative expenses to increase in absolute dollars.

Consolidated Results of Operations

The tables in this section set forth selected consolidated statements of operations data for each of the periods indicated (dollars in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Revenue:			
Subscription and services	\$ 175,942	\$ 156,873	\$ 139,499
Product and other	16,348	12,074	12,094
Total revenue	192,290	168,947	151,593
Cost of revenue:			
Subscription and services	49,563	46,134	43,748
Product and other	24,289	18,009	18,464
Total cost of revenue	73,852	64,143	62,212
Gross profit	118,438	104,804	89,381
Operating expenses:			
Sales and marketing	58,631	50,919	50,497
Research and development	38,193	36,079	37,770
General and administrative	23,544	20,581	20,825
Total operating expenses	120,368	107,579	109,092
Loss from operations	(1,930)	(2,775)	(19,711)
Interest and other income, net	179	419	780
Loss before income taxes	(1,751)	(2,356)	(18,931)
Income tax (provision) benefit	—	(85)	130
Net loss	\$ (1,751)	\$ (2,441)	\$ (18,801)

Costs and expenses included stock-based compensation expense and related payroll taxes as follows (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Cost of revenue	\$ 1,026	\$ 1,054	\$ 1,311
Sales and marketing	1,932	1,978	2,004
Research and development	4,373	4,387	4,773
General and administrative	5,746	5,188	5,061
Total stock-based compensation expense	\$ 13,077	\$ 12,607	\$ 13,149

Revenue

	Fiscal Year Ended January 31,			Change	
	2022	2021	2020	2022 vs. 2021	
Revenue:					
Subscription and services	\$ 175,942	\$ 156,873	\$ 139,499	\$ 19,069	12%
Product and other	16,348	12,074	12,094	4,274	35%
Total revenue	<u>\$ 192,290</u>	<u>\$ 168,947</u>	<u>\$ 151,593</u>	<u>\$ 23,343</u>	14%
Percentage of revenue:					
Subscription and services	91%	93%	92%		
Product and other	9%	7%	8%		
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>		

Fiscal 2022 Compared to Fiscal 2021

We derived approximately 49% and 44% of our total revenue from Ooma Business and approximately 49% and 54% from Ooma Residential in fiscal 2022 and 2021, respectively.

Subscription and services revenue increased \$19.1 million or 12% year-over-year, primarily attributable to an increase in our core users and an increase in the average revenue per user, driven by the growth in sales of Ooma Business and a higher mix of sales of our Office Pro tier service. Subscription and services revenue from Ooma Business and Ooma Residential grew 23% and 3% year-over-year, respectively.

Product and other revenue increased \$4.3 million or 35% year-over-year due to an increase in shipments of Ooma Business products, primarily driven by sales of our fixed wireless products to a strategic customer.

Cost of Revenue and Gross Margin

	Fiscal Year Ended January 31,			Change	
	2022	2021	2020	2022 vs. 2021	
Cost of revenue:					
Subscription and services	\$ 49,563	46,134	43,748	\$ 3,429	7%
Product and other	24,289	18,009	18,464	6,280	35%
Total cost of revenue	<u>\$ 73,852</u>	<u>\$ 64,143</u>	<u>\$ 62,212</u>	<u>\$ 9,709</u>	15%
Gross margin:					
Subscription and services	72%	71%	69%		
Product and other	(49)%	(49)%	(53)%		
Total	<u>62%</u>	<u>62%</u>	<u>59%</u>		

Fiscal 2022 Compared to Fiscal 2021

Subscription and services gross margin of 72% increased year-over-year from 71% reflecting the continued growth of Ooma Business revenues with higher average revenue per user and associated benefits of economies of scale. Cost of subscription and services revenue for fiscal 2022 increased \$3.4 million or 7% year-over-year, primarily due to a \$1.6 million increase in regulatory costs, a \$0.9 million increase in personnel-related costs and a \$0.8 million infrastructure costs that support the growth of Ooma Business.

Product and other revenue gross margin of negative 49% was comparable year-over-year. Cost of product and other revenue increased \$6.3 million or 35% year-over-year, primarily due to a significant increase in product sales volume as described above.

Operating Expenses

	Fiscal Year Ended January 31,			Change	
	2022	2021	2020	2022 vs. 2021	
Sales and marketing	\$ 58,631	50,919	50,497	\$ 7,712	15%
Research and development	38,193	36,079	37,770	2,114	6%
General and administrative	23,544	20,581	20,825	2,963	14%
Total operating expenses	\$ 120,368	\$ 107,579	\$ 109,092	\$ 12,789	12%

Fiscal 2022 Compared to Fiscal 2021

Sales and marketing expenses increased \$7.7 million or 15% year-over-year, primarily due to a \$6.4 million increase in advertising and marketing costs and a \$2.0 million increase in amortization of capitalized sales commissions, that were offset in part by a \$0.6 million decrease in personnel-related costs. Overall, the year-over-year increase in sales and marketing reflects our strategy to drive continued growth in sales of Ooma Business.

Research and development expenses increased \$2.1 million or 6% year-over-year, primarily due to a \$1.1 million increase in personnel-related costs and a \$0.5 million increase in facilities-related costs, driven by higher headcount, as well as a \$0.5 million increase in prototype-related and other engineering costs. Overall, the year-over-year increase in research and development supports our efforts in the development of new features for both Ooma Office and Ooma Enterprise, new products such as Ooma AirDial, and launching our Ooma Business services in a number of international countries.

General and administrative expenses increased \$3.0 million or 14% year-over-year, primarily due to a \$1.8 million increase in personnel-related costs, including stock-based compensation expense, a \$0.7 million increase in professional services related to our international expansion efforts, and a \$0.5 million increase in other administrative expenses.

Non-GAAP Financial Measures

This Form 10-K contains certain non-GAAP financial measures, including non-GAAP net income (loss) below and Adjusted EBITDA (see “Key Metrics” above). These non-GAAP financial measures exclude non-cash stock-based compensation expense and related taxes, amortization of acquired intangible assets and other acquisition-related charges, restructuring charges and certain litigation costs that are not representative of the ordinary course of our business.

These non-GAAP financial measures are presented to provide investors with additional information regarding our financial results and core business operations. We consider these non-GAAP financial measures to be useful measures of the operating performance of the Company, because they contain adjustments for unusual events or factors that do not directly affect what management considers to be our core operating performance, and are used by our management for that purpose. We also believe that these non-GAAP financial measures allow for a better evaluation of our performance by facilitating a meaningful comparison of our core operating results in a given period to those in prior and future periods. In addition, investors often use similar measures to evaluate the operating performance of a company.

Non-GAAP financial measures are presented for supplemental informational purposes only to aid an understanding of our operating results and should not be considered a substitute for financial information presented in accordance with GAAP and may be different from non-GAAP financial measures presented by other companies. A limitation of the non-GAAP financial measures presented is that the adjustments relate to items that the Company generally expects to continue to recognize. The adjustment of these items should not be construed as an inference that the adjusted expenses or gains are unusual, infrequent or non-recurring. Therefore, both GAAP financial measures of Ooma’s financial performance and the respective non-GAAP measures should be considered together.

The following table presents a reconciliation of GAAP net loss to non-GAAP net income (loss) for each of the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
GAAP net loss	\$ (1,751)	\$ (2,441)	\$ (18,801)
Stock-based compensation and related taxes	13,077	12,607	13,149
Amortization of acquired intangible assets and acquisition-related costs	1,304	1,304	1,289
Restructuring charges	—	—	3,085
Litigation costs	—	—	606
Non-GAAP net income (loss)	\$ 12,630	\$ 11,470	\$ (672)

Liquidity and Capital Resources

As of January 31, 2022, we had \$31.3 million of total cash, cash equivalents and investments, which we believe will be sufficient to meet our cash needs for at least the next 12 months. Our future capital requirements will depend on many factors, including our growth rate, the introduction of new and enhanced offerings, the timing and extent of our sales and marketing activities and research and development expenditures, the expansion of our business internationally and other factors. We may in the future make investments in or acquisitions of businesses or technologies, which may require the use of cash.

The table below provides selected cash flow information, for the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Net cash provided by (used in) operating activities	\$ 6,655	\$ 4,367	\$ (7,564)
Net cash (used in) provided by investing activities	(4,887)	229	2,866
Net cash provided by financing activities	601	1,022	1,008
Net increase (decrease) in cash and cash equivalents	<u>\$ 2,369</u>	<u>\$ 5,618</u>	<u>\$ (3,690)</u>

Operating Activities

The table below provides selected cash flow information, for the periods indicated (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Net loss	\$ (1,751)	\$ (2,441)	\$ (18,801)
Non-cash charges	20,095	19,700	19,645
Changes in operating assets and liabilities:			
(Increase) decrease in accounts receivable	(2,082)	(637)	135
(Increase) decrease in inventories	(1,571)	(3,378)	407
Increase in prepaid expenses and other assets	(4,609)	(5,496)	(4,965)
Decrease in accounts payable, accrued expenses and other liabilities	(3,599)	(3,911)	(4,089)
Increase in deferred revenue	172	530	104
Net cash provided by (used in) operating activities	<u>\$ 6,655</u>	<u>\$ 4,367</u>	<u>\$ (7,564)</u>

For fiscal 2022, our net loss of \$1.8 million included non-cash charges primarily related to stock-based compensation expense, operating lease expense and depreciation and amortization expense. Operating asset and liability changes for fiscal 2022 included:

- an increase of \$2.1 million in accounts receivable due to a higher volume of product shipments in the latter half of our fiscal fourth quarter and the timing of cash collections
- an increase of \$1.6 million in inventories to mitigate the risk of global supply chain disruptions caused by component shortages and longer lead times
- an increase of \$4.6 million in prepaid expenses and other current and non-current assets primarily due to the capitalization of sales commissions and the timing of payments
- a decrease of \$3.6 million in accounts payable, accrued expenses and other liabilities due to the timing of payments

Cash provided by operating activities for fiscal 2022 increased \$2.3 million year-over-year, which primarily reflected a decrease in net loss as well as working capital impacts resulting from the timing of payments.

Investing Activities

Cash used in investing activities was \$4.9 million for fiscal 2022, which consisted of \$17.5 million used for purchases of short-term investments and \$4.2 million used for capital expenditures, offset in part by proceeds of \$16.8 million from maturities and sales of short-term investments. Cash used by investing activities increased \$5.1 million year-over-year, which reflected higher capital expenditures and lower net proceeds from short-term investments.

Financing Activities

Cash provided by financing activities was \$0.6 million for fiscal 2022, which consisted of proceeds of \$2.7 million from the issuance of common stock from our Employee Stock Purchase Plan (“ESPP”) and stock option exercises, largely offset by payments of \$2.1 million related to shares repurchased for tax withholdings on vesting of restricted stock units (“RSUs”). Cash provided by financing activities decreased by \$0.4 million year-over-year, which primarily reflected lower proceeds from stock option exercises.

Revolving Credit Facility

In January 2021, we entered into a credit and security agreement with certain banks that provided for a secured revolving credit facility under which we may borrow up to an aggregate of \$25 million and, subject to certain conditions, may be increased to up to \$45 million. We currently have no outstanding borrowings. See Note 12: Financing Arrangements of the accompanying notes of our consolidated financial statements for more information.

Contractual Obligations and Commitments

As of January 31, 2022 and 2021, non-cancelable inventory purchase commitments to our contract manufacturers and other suppliers totaled approximately \$19.4 million and \$5.4 million, respectively. We have increased our purchase commitments during fiscal 2022 to mitigate supply disruptions caused by component shortages and longer lead times, as well as to secure our needs for new products.

Additionally, we have a non-cancelable service agreement with a telecommunications provider that contains total annual minimum purchase commitments of \$0.6 million between August 2021 and July 2022, \$1.5 million between August 2022 and July 2023 and \$2.5 million between August 2023 and July 2024.

As of January 31, 2022, our total future expected payment obligations under non-cancelable operating leases with initial terms longer than one year were approximately \$16.1 million. See Note 7: *Operating Leases* in the notes to our consolidated financial statements for a table of contractual obligations, including payments due by period.

Critical Accounting Policies and Estimates

We prepare our consolidated financial statements in accordance with U.S. GAAP, which requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, cash flows and the related disclosures. We base our estimates on historical experience and on other assumptions we believe to be reasonable under the circumstances. Actual results could differ materially from these estimates. Note 2 to the notes to consolidated financial statements of this Form 10-K describes the significant accounting policies and methods used in the preparation of the consolidated financial statements. We believe that the accounting policies discussed below are critical to understanding our historical and future performance as these policies involve a greater degree of judgment and complexity.

Revenue Recognition

Subscription and services revenue is derived primarily from recurring subscription fees related to service plans such as Ooma Business, Ooma Residential and other communications services. Subscription revenue is generally recognized ratably over the contractual service term. Product and other revenue is primarily generated from the sale of on-premise devices and end-point devices, including shipping and handling fees for our direct customers. We recognize product and other revenue from sales to direct end-customers and channel partners at the point in time that control transfers which is typically when we deliver the product.

Our contracts with customers typically contain multiple performance obligations that consist of communications services and related products. Judgment is required to properly identify the accounting units of multiple performance obligations and to determine the manner in which revenue should be allocated among the obligations. Individual performance obligations are accounted for separately if they are distinct. The contract transaction price is then allocated to the separate performance obligations on a relative stand-alone selling price (“SSP”) basis. We determine the SSP for our communications services based on observable historical stand-alone sales to customers, for which we require that a substantial majority of selling prices fall within a reasonably narrow pricing range. We determine the SSP for our on-premise devices and end-point devices based upon our best estimates and judgments, considering company-specific factors such as pricing strategies, discounting practices, and estimated product and other costs. The determination of SSP is made through consultation with and approval by our management. As our business offerings evolve over time, we may be required to modify our estimated selling prices in subsequent periods, and the timing of our revenue recognition could be affected.

Our distribution agreements with channel partners typically contain clauses for price protection and right of return. We record reductions to revenue for estimated product returns from end users and customer sales incentives at the time the related revenue is recognized. Product returns and customer sales incentives are estimated based on our historical experience, current trends and expectations regarding future experience. Trends are influenced by product life cycles, new product introductions, market acceptance of products, the type of customer, seasonality and other factors. Product return and sales incentive rates may fluctuate over time but are sufficiently predictable to allow our management to estimate expected future amounts. If actual future returns and sales incentives differ from past experience, additional reserves may be required. To date, actual results have not been materially different from our estimates.

Inventories

Inventories consist of raw materials and finished goods and are stated at the lower of actual cost and net realizable value on a first-in, first-out basis. At each balance sheet date, we determine excess or obsolete inventory write-downs based on multiple factors, including: forecast demand for our products within a specified time horizon, generally 12 months, product acceptance and competitiveness in the marketplace, product life cycles, product development plans, and current and historical sales levels. Inventory write-downs for excess and obsolete inventory are recorded in cost of goods sold within the consolidated statement of operations during the period in which such write-downs are determined as necessary by management. If actual future demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required. This would have a negative impact on our gross margin in that period. If in any period we are able to sell inventories that were not valued or that had been written down in a previous period, related revenues would be recorded without any offsetting charge to cost of sales resulting in a net benefit to our gross margin in that period. Overall, our estimates of inventory carrying value adjustments have been materially consistent with actual results.

ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Interest Rates

Our exposure to market risk for changes in interest rates primarily relates to our cash and cash equivalents and short-term investments. Our cash equivalents and investments are held in money market funds, U.S. treasury securities, U.S. agency debt securities, commercial papers, corporate debt securities and asset-backed securities. Due to the short-term nature of these instruments, we do not believe that an immediate 10% shift in interest rates would have a material effect on the fair value of our investment portfolio. We did not have any debt as of January 31, 2022 and 2021.

Foreign Currencies

To date, our revenue has been primarily denominated in U.S. dollars with a small portion denominated in Canadian dollars. As a result, some of our revenue is subject to fluctuations due to changes in the Canadian dollar relative to the U.S. dollar. Substantially all of our operating expenses have been denominated in U.S. dollars. The functional currency for all of our entities is the U.S. dollar. To date, gains and losses from foreign currency transactions have not been material to our consolidated financial statements, and we have not engaged in any foreign currency hedging transactions. A hypothetical 10% increase or decrease in overall foreign currency rates would not have had a material impact on our consolidated financial statements. As our international operations grow, we will continue to reassess our approach to managing the risks relating to fluctuations in currency rates.

ITEM 8. Consolidated Financial Statements and Supplementary Data

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors
Ooma, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheet of Ooma, Inc. and subsidiaries (the Company) as of January 31, 2022, the related consolidated statement of operations, stockholders' equity, and cash flows for the year ended January 31, 2022, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of January 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of January 31, 2022, and the results of its operations and its cash flows for the year ended January 31, 2022, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 31, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Basis for Opinions

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

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

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

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Sufficiency of audit evidence over subscription revenue

As discussed in Note 2 to the consolidated financial statements, the Company derives its revenue from subscription and services revenue as well as product and other revenue. The Company's subscription revenue recognition process is automated and revenue is recorded through reliance on customized and proprietary information technology (IT) systems. The Company recorded \$175.9 million of subscription and services revenue for the year ended January 31, 2022.

We identified the evaluation of the sufficiency of audit evidence over certain subscription revenue as a critical audit matter. This matter required especially subjective auditor judgment because the revenue recognition process is automated and reliant upon complex IT systems. Involvement of IT professionals with specialized skills and knowledge was required to assist with the performance of certain procedures and the determination of IT systems subject to testing.

The following are the primary procedures we performed to address this critical audit matter. We applied auditor judgment to determine the nature and extent of procedures to be performed over subscription revenue, including the determination of the IT systems subject to testing. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's subscription revenue process. We involved IT professionals with specialized skills and knowledge, who assisted in testing certain IT general and application controls that are used by the Company in its subscription revenue recognition process. We assessed the recorded subscription revenue by comparing revenue to underlying cash receipts. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of such evidence.

/s/ KPMG LLP

We have served as the Company's auditor since 2021.

Santa Clara, California
April 8, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Ooma, Inc. and subsidiaries (the "Company") as of January 31, 2021, the related consolidated statements of operations, stockholders' equity, and cash flows, for the years ended January 31, 2021 and 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 31, 2021, and the results of its operations and its cash flows for the years ended January 31, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ DELOITTE & TOUCHE LLP

San Jose, California

April 7, 2021 (April 8, 2022 as to the effects of the restatement discussed in Note 10)

We began serving as the Company's auditor in 2012. In 2021 we became the predecessor auditor.

OOMA, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share and per share data)

	January 31, 2022	January 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,667	\$ 17,298
Short-term investments	11,613	11,013
Accounts receivable, net	7,310	5,228
Inventories	13,841	12,233
Other current assets	13,598	10,222
Total current assets	66,029	55,994
Property and equipment, net	6,481	5,071
Operating lease right-of-use assets	14,396	6,045
Intangible assets, net	4,208	5,513
Goodwill	4,264	4,264
Other assets	13,875	12,210
Total assets	<u>\$ 109,253</u>	<u>\$ 89,097</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,507	\$ 7,499
Accrued expenses and other current liabilities	22,823	22,731
Deferred revenue	16,600	16,426
Total current liabilities	46,930	46,656
Long-term operating lease liabilities	11,194	2,815
Other long-term liabilities	73	75
Total liabilities	58,197	49,546
Commitments and contingencies (Note 11)		
Stockholders' equity:		
Preferred stock \$0.0001 par value: 10 million shares authorized; none issued and outstanding	—	—
Common stock \$0.0001 par value: 100 million shares authorized; 23.9 million and 22.9 million shares issued and outstanding, respectively	4	4
Additional paid-in capital	179,860	166,577
Accumulated other comprehensive (loss) income	(20)	7
Accumulated deficit	(128,788)	(127,037)
Total stockholders' equity	51,056	39,551
Total liabilities and stockholders' equity	<u>\$ 109,253</u>	<u>\$ 89,097</u>

See notes to consolidated financial statements.

OOMA, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except shares and per share data)

	Fiscal Year Ended January 31,		
	2022	2021	2020
Revenue:			
Subscription and services	\$ 175,942	\$ 156,873	\$ 139,499
Product and other	16,348	12,074	12,094
Total revenue	<u>192,290</u>	<u>168,947</u>	<u>151,593</u>
Cost of revenue:			
Subscription and services	49,563	46,134	43,748
Product and other	24,289	18,009	18,464
Total cost of revenue	<u>73,852</u>	<u>64,143</u>	<u>62,212</u>
Gross profit	118,438	104,804	89,381
Operating expenses:			
Sales and marketing	58,631	50,919	50,497
Research and development	38,193	36,079	37,770
General and administrative	23,544	20,581	20,825
Total operating expenses	<u>120,368</u>	<u>107,579</u>	<u>109,092</u>
Loss from operations	(1,930)	(2,775)	(19,711)
Interest and other income, net	179	419	780
Loss before income taxes	(1,751)	(2,356)	(18,931)
Income tax (provision) benefit	—	(85)	130
Net loss	<u>\$ (1,751)</u>	<u>\$ (2,441)</u>	<u>\$ (18,801)</u>
Net loss per share of common stock:			
Basic and diluted	\$ (0.07)	\$ (0.11)	\$ (0.89)
Weighted-average shares of common stock outstanding:			
Basic and diluted	<u>23,473,849</u>	<u>22,361,312</u>	<u>21,051,039</u>

See notes to consolidated financial statements.

OOMA, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands, except shares and share data)

	Common Stock and Additional Paid-in Capital		Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Stockholders' Equity
	Shares	Amount			
BALANCE - January 31, 2019	20,312,102	138,852	\$ (10)	\$ (105,795)	\$ 33,047
Issuance of common stock under equity-based plans	1,515,111	2,951	—	—	2,951
Shares repurchased for tax withholdings on vesting of RSUs	(111,085)	(1,523)	—	—	(1,523)
Stock-based compensation	—	12,717	—	—	12,717
Other comprehensive income	—	—	24	—	24
Net loss	—	—	—	(18,801)	(18,801)
BALANCE - January 31, 2020	21,716,128	152,997	14	(124,596)	28,415
Issuance of common stock under equity-based plans	1,279,820	2,950	—	—	2,950
Shares repurchased for tax withholdings on vesting of RSUs	(122,928)	(1,641)	—	—	(1,641)
Stock-based compensation	—	12,275	—	—	12,275
Other comprehensive income	—	—	(7)	—	(7)
Net loss	—	—	—	(2,441)	(2,441)
BALANCE - January 31, 2021	22,873,020	166,581	7	(127,037)	39,551
Issuance of common stock under equity-based plans	1,168,245	2,706	—	—	2,706
Shares repurchased for tax withholdings on vesting of RSUs	(105,072)	(2,105)	—	—	(2,105)
Stock-based compensation	—	12,682	—	—	12,682
Other comprehensive loss	—	—	(27)	—	(27)
Net loss	—	—	—	(1,751)	(1,751)
BALANCE - January 31, 2022	23,936,193	\$ 179,864	\$ (20)	\$ (128,788)	\$ 51,056

See notes to consolidated financial statements.

OOMA, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)

	Fiscal Year Ended January 31,		
	2022	2021	2020
Cash flows from operating activities:			
Net loss	\$ (1,751)	\$ (2,441)	\$ (18,801)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Stock-based compensation expense	12,682	12,275	12,761
Depreciation and amortization of capital expenditures	3,117	2,877	2,548
Amortization of intangible assets and acquisition-related items	1,304	1,304	1,027
Amortization of operating lease right-of-use assets	2,939	3,198	1,997
Non-cash restructuring charges	—	—	1,603
Deferred income taxes	—	—	(144)
Other	53	46	(147)
Changes in operating assets and liabilities:			
Accounts receivable, net	(2,082)	(637)	135
Inventories and deferred inventory costs	(1,571)	(3,378)	407
Prepaid expenses and other assets	(4,609)	(5,496)	(4,965)
Accounts payable, accrued expenses and other liabilities	(3,599)	(3,911)	(4,089)
Deferred revenue	172	530	104
Net cash provided by (used in) operating activities	6,655	4,367	(7,564)
Cash flows from investing activities:			
Proceeds from maturities of short-term investments	16,505	22,866	38,522
Proceeds from sales of short-term investments	300	600	5,924
Purchases of short-term investments	(17,488)	(20,077)	(31,234)
Capital expenditures	(4,204)	(3,160)	(3,273)
Business acquisition, net of cash assumed	—	—	(7,073)
Net cash (used in) provided by investing activities	(4,887)	229	2,866
Cash flows from financing activities:			
Proceeds from issuance of common stock	2,706	2,905	2,951
Shares repurchased for tax withholdings on vesting of RSUs	(2,105)	(1,641)	(1,523)
Payment of credit facility issuance costs	—	(242)	—
Payment of acquisition-related costs	—	—	(420)
Net cash provided by financing activities	601	1,022	1,008
Net increase (decrease) in cash and cash equivalents	2,369	5,618	(3,690)
Cash and cash equivalents at beginning of period	17,298	11,680	15,370
Cash and cash equivalents at end of period	<u>\$ 19,667</u>	<u>\$ 17,298</u>	<u>\$ 11,680</u>
Non-cash investing and financing activities:			
Capital expenditures included in accounts payable at period-end	\$ 324	\$ 1	\$ 413

See notes to consolidated financial statements.

Note 1: Overview and Basis of Presentation

Ooma, Inc. and its wholly-owned subsidiaries (collectively, “Ooma” or the “Company”) provides leading communications services and related technologies for businesses and consumers, delivered from its smart cloud-based SaaS and unified communications platforms. The Company is headquartered in Sunnyvale, California.

Principles of Presentation and Consolidation. The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and include the accounts of the Company and its wholly owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. In the opinion of the Company’s management, the consolidated financial statements reflect all adjustments, which are normal and recurring in nature, necessary for fair financial statement presentation.

Fiscal Year. The Company’s fiscal year ends on January 31. References to fiscal 2022, fiscal 2021 and fiscal 2020 refer to the fiscal years ended January 31, 2022, January 31, 2021 and January 31, 2020, respectively.

Use of Estimates. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the Company’s consolidated financial statements and accompanying notes. Significant estimates include, but are not limited to, those related to revenue recognition, inventory valuation, deferred sales commissions, valuation of goodwill and intangible assets, operating lease assets and liabilities, regulatory fees and indirect tax accruals, loss contingencies, stock-based compensation and income taxes (including valuation allowances). The Company bases its estimates and assumptions on historical experience, where applicable, and other factors that it believes to be reasonable under the circumstances. These estimates are based on information available as of the date of the consolidated financial statements, and assumptions are inherently subjective in nature. Therefore, actual results could differ from management’s estimates.

Comprehensive Loss. For all periods presented, comprehensive loss approximated net loss in the consolidated statements of operations and differences were not material. Therefore, the Consolidated Statements of Comprehensive Loss have been omitted.

Segment Reporting. The chief operating decision maker for the Company is the chief executive officer, who reviews the Company’s financial information presented on a consolidated basis for purposes of allocating resources and evaluating financial performance. Accordingly, management has determined that the Company operates in a single reportable segment.

Revenue was principally derived from customers located in the United States for all periods presented, with a small portion attributable to customers located in Canada and other countries. Long-lived assets located outside of the United States were not significant.

Note 2: Significant Accounting Policies

Revenue Recognition

The Company derives its revenue from two sources: (1) subscription and services revenue, which is derived primarily from the sale of subscription plans for communications services and other connected services; and (2) product and other revenue. Subscriptions and services are sold directly to end-customers. Products are sold to end-customers through several channels, including but not limited to distributors, retailers and resellers (collectively "channel partners"), and Ooma sales representatives.

The Company determines revenue recognition through the following steps:

- identification of the contract(s) with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, the Company satisfies a performance obligation

Subscription and Services Revenue. Most of the Company's revenue is derived from recurring subscription fees related to service plans such as Ooma Business, Ooma Residential and other communications services. Service plans are generally sold as monthly subscriptions; however, certain plans are also offered as annual or multi-year subscriptions. Subscription revenue is generally recognized ratably over the contractual service term. A small portion of total revenue is recognized on a point-in-time basis from services such as: prepaid international calls, directory assistance, and advertisements displayed through its Talkatone mobile application.

Product and Other Revenue. Product and other revenue is generated primarily from the sale of on-premise devices and end-point devices, and to a lesser extent from porting fees that enable customers to transfer their existing phone numbers. The Company recognizes product and other revenue from sales to direct end-customers and channel partners at the point-in-time that control transfers, which is typically when it delivers the product. The Company's distribution agreements with channel partners typically contain clauses for price protection and right of return. Credits and/or rebates issued for expected product returns and customer sales incentives are deemed to be variable consideration, which the Company estimates and records as a reduction to revenue at the point of sale. Product returns and sales incentives are estimated based on the Company's historical experience, current trends and expectations regarding future experience. As of January 31, 2022 and 2021, total reserves for product returns and sales incentives were approximately \$1.2 million and \$1.1 million, respectively.

Revenue is recorded net of any sales and telecommunications taxes collected from customers to be remitted to government authorities. Amounts billed to customers related to shipping and handling are classified as product and other revenue. Shipping and handling costs are expensed as incurred and classified as cost of revenue.

Multiple performance obligations. The Company's contracts with customers typically contain multiple performance obligations that consist of communications services and related product(s). For these contracts, individual performance obligations are accounted for separately if they are distinct. The contract transaction price is then allocated to the separate performance obligations on a relative stand-alone selling price basis. The Company determines the SSP for its communications services based on observable historical stand-alone sales to customers, for which a substantial majority of selling prices must fall within a reasonably narrow pricing range. The Company determines the SSP for its on-premise devices and end-point devices based upon management's best estimates and judgments, considering company-specific factors such as pricing strategies, discounting practices, and estimated product and other costs.

Cash Equivalents and Short-term Investments. All highly liquid investments with an original maturity of three months or less at the date of purchase are classified as cash equivalents. Short-term investments are classified as available-for-sale and carried at fair value, with unrealized gains and losses, net of tax, recorded as a separate component of stockholders' equity within accumulated other comprehensive (loss) income. The cost of securities sold is based upon the specific identification method.

Fair Value of Financial Instruments. The Company records its financial assets and liabilities at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the reporting date. The Company estimates and categorizes the fair value of its financial assets by applying the following hierarchy:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets.

Level 2: Observable prices based on inputs not quoted in active markets but are corroborated by market data.

Level 3: Unobservable inputs that are supported by little or no market activity

The carrying value of the Company's financial instruments, including cash equivalents, accounts receivable, inventory, accounts payable and other current assets and current liabilities approximates fair value due to their short maturities.

Concentrations. Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, short-term investments, accounts receivable and convertible note receivable (Note 5). The Company's cash, cash equivalents and short-term investments are held by financial institutions that management believes are of high-credit quality although the balances, at times, may exceed federally insured limits. The Company performs credit evaluations of its customers' financial condition and generally does not require collateral for sales made on credit.

Customers who represented 10% or more of net accounts receivable were as follows:

	As of	
	January 31, 2022	January 31, 2021
Customer A	19%	*
Customer B	11%	*
Customer C	*	10%

*As of January 31, 2022 and 2021, these customers accounted for less than 10% of net accounts receivable.

Accounts Receivable. Accounts receivable are recorded net of an allowance for doubtful accounts for estimated credit losses. Allowances are recorded based upon assessment of several factors, including historical experience, aging of receivable balances and economic conditions. As of January 31, 2022 and 2021, the allowance for doubtful accounts was \$0.3 million. Bad debt expense recorded in the consolidated statement of operations was not material for the periods presented.

Inventories. Inventories, which consist of raw materials and finished goods, include the cost to purchase manufactured products, allocated labor and overhead. Inventories are stated at the lower of actual cost and net realizable value on a first-in, first-out basis. The Company writes down the carrying value of inventory to net realizable value for estimated excess and obsolete inventory based upon assumptions about forecast demand and market conditions. Inventory carrying value adjustments are recognized as a component of cost of product and other revenue in the consolidated statement of operations.

Customer Acquisition Costs. Sales commissions and other costs paid to internal sales personnel, third-party sales entities and value-added resellers are considered incremental and recoverable costs of obtaining customer contracts. The resellers are selling agents for the Company and earn sales commissions that are directly tied to the value of the contracts that the Company enters with the end-user customers. These costs are capitalized and amortized on a systematic basis over the expected period of benefit of five years, or customer contractual term for multi-year contracts. The Company has determined the period of benefit taking into consideration both qualitative and quantitative factors, such as expected subscription term and expected renewal periods of its customer contracts, product life cycles and customer attrition. Amortization expense is recorded in sales and marketing expenses in the consolidated statement of operations.

The Company pays sales commissions on initial contracts, contracts for increased purchases with existing customers (expansion contracts) and certain contract renewals. The Company periodically evaluates whether there have been any changes in its business, the market conditions in which it operates or other events which would indicate that its amortization period should be changed or if there are potential indicators of impairment. To date, there have been no material impairment losses related to the costs capitalized.

Internal-Use Website Development Costs. The Company capitalizes certain costs to develop its customer-facing websites when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. Such costs primarily include payroll-related costs for engineers and contractors directly associated with the development project. Capitalized website development costs are included in property and equipment and are amortized on a straight-line basis over an estimated useful life of two years. Costs related to preliminary project activities and post-implementation activities are expensed as incurred.

Property and Equipment, net. Property and equipment, net is stated at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of those assets, generally two to five years. Leasehold improvements are amortized over the shorter of the lease term or estimated useful lives of the respective assets. Repairs and maintenance costs that do not extend the life or improve the asset are expensed as incurred.

Operating Leases. The Company determines if an arrangement is a lease at inception. The Company's leases primarily consist of office and data center space and are classified as operating leases. The Company does not have any finance leases nor material arrangements as a lessor. Right-of-use lease assets and lease liabilities are recognized at the lease commencement date based upon the present value of the remaining lease payments over the lease term. The Company uses its incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. Lease expense for lease payments is recognized on a straight-line basis over the term of the lease. The accounting lease term may include options to renew or extend when it is reasonably certain that the option will be exercised. Lease agreements that contain both lease and non-lease components are accounted for as a single component. Short-term leases with an initial term of twelve months or less are not recorded on the balance sheet.

Goodwill. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired in a business combination. The Company evaluates goodwill for impairment annually in the fourth quarter of its fiscal year, or more frequently if indicators of potential impairment arise. The Company has a single reporting unit and consequently evaluates goodwill for impairment based on an evaluation of the fair value of the Company as a whole. No impairment has been recognized for any of the periods presented.

Intangible Assets. Acquired intangible assets other than goodwill, which primarily consist of customer relationships, are amortized over their useful lives unless the lives are determined to be indefinite. For intangible assets acquired in a business combination, the estimated fair values of the assets received are used to establish their recorded values. Valuation techniques consistent with the market approach, income approach and/or cost approach are used to measure fair value.

Impairment of Long-Lived Assets. Long-lived assets, such as property and equipment, capitalized website development costs, and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset.

The Company did not record any material impairment charges for fiscal 2022 or fiscal 2021. During fiscal 2020, the Company recorded impairment charges of \$0.7 million to cost of product revenue for abandoned developed technology and trade names associated with the Ooma Smart Cam, which was acquired through the fiscal 2018 acquisition of Butterfleye, Inc. and discontinued in October 2019.

Research and Development. Research and development costs are charged to operating expenses as incurred in the consolidated statements of operations, except for internal-use website development costs that qualify for capitalization, as per above. Research and development expenses consist primarily of personnel-related costs for employees and contractors, including stock-based compensation, as well as license and product certification fees and allocated overhead costs.

Advertising. Advertising costs are included in sales and marketing and expensed as incurred, except for production costs associated with television and radio advertising, which are expensed on the first date of airing. Advertising costs were \$14.5 million, \$12.2 million and \$13.6 million for fiscal 2022, 2021 and 2020, respectively.

Advertising payments to the Company's channel partners recorded as a reduction in revenue totaled \$0.3 million, \$0.3 million and \$0.4 million for fiscal 2022, 2021 and 2020, respectively.

Stock-Based Compensation. Stock-based compensation expense for all stock-based awards granted to employees and non-employee directors are measured at the grant date fair value of the equity award. The fair value of options granted and purchase rights under the Company's ESPP are estimated on the date of grant using the Black-Scholes pricing model. The fair value of each RSU granted is determined using the closing market price of the Company's common stock on the date of grant. Compensation expense is recognized using the straight-line method over the requisite service period, which is generally the vesting period. Forfeitures are recorded in the period in which they occur.

Income Taxes. Income taxes are recorded using the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income (loss) in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. A tax position is recognized when it is more-likely-than-not that the tax position will be sustained upon examination, including resolution of any related appeals or litigation processes. A tax position that meets the more likely than not recognition threshold is measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement with a taxing authority.

Interest and penalties associated with unrecognized tax benefits are classified as income tax expense. The Company had no interest or penalty accruals associated with uncertain tax benefits in its consolidated balance sheets and statements of operations for any periods presented.

Foreign currency. The U.S. dollar is the functional currency of the Company's foreign subsidiaries. Remeasurement and transaction gains and losses are included in interest and other income, net and were not material for any periods presented.

Adopted Accounting Standards

Financial Instruments-Credit Losses. On February 1, 2021, the Company adopted Accounting Standards Update ("ASU") 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which simplified certain aspects of the accounting for income taxes as well as clarified and amended existing guidance to improve consistent application. Adoption did not have a material impact on the Company's consolidated financial statements and related disclosures.

Note 3: Revenue and Deferred Revenue

Disaggregated revenue

Revenue disaggregated by revenue source consisted of the following (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Subscription and services revenue	\$ 175,942	\$ 156,873	\$ 139,499
Product and other revenue	16,348	12,074	12,094
Total revenue	<u>\$ 192,290</u>	<u>\$ 168,947</u>	<u>\$ 151,593</u>

The Company derived approximately 49%, 44% and 39% of its total revenue from Ooma Business and approximately 49%, 54% and 58% of its total revenue from Ooma Residential and in fiscal 2022, 2021 and 2020, respectively.

No individual country outside of the United States represented 10% or more of total revenue for the periods presented. No single customer accounted for 10% or more of total revenue for the periods presented.

Deferred revenue primarily consists of billings or payments received in advance of meeting revenue recognition criteria. Deferred services revenue is recognized on a ratable basis over the term of the contract as the services are provided.

	As of	
	January 31, 2022	January 31, 2021
Subscription and services	\$ 16,614	\$ 16,433
Product and other	59	68
Total deferred revenue	<u>\$ 16,673</u>	<u>16,501</u>
Less: current deferred revenue	<u>16,600</u>	<u>16,426</u>
Non-current deferred revenue included in other long-term liabilities	<u>\$ 73</u>	<u>\$ 75</u>

During fiscal 2022, the Company recognized revenue of approximately \$16.4 million pertaining to amounts deferred as of January 31, 2021. As of January 31, 2022, the Company's deferred revenue balance was primarily composed of subscription contracts that were invoiced during fiscal 2022.

Remaining performance obligations. As of January 31, 2022, contract revenue that had not yet been recognized for open contracts with an original expected length of greater than one year was approximately \$9.1 million. The Company expects to recognize revenue on approximately 53% of this amount over the next 12 months, with the balance to be recognized thereafter.

Note 4: Fair Value Measurements

Financial assets measured at fair value on a recurring basis by level were as follows (in thousands):

	Balance as of January 31, 2022		
	Level 1	Level 2	Total
Cash and cash equivalents:			
Money market funds	\$ 2,275	\$ —	\$ 2,275
Total cash equivalents	\$ 2,275	\$ —	\$ 2,275
Cash			17,392
Total cash and cash equivalents			\$ 19,667

Short-term investments:			
U.S. treasury securities	\$ 7,065	\$ —	\$ 7,065
Commercial paper	—	4,548	4,548
Total short-term investments	\$ 7,065	\$ 4,548	\$ 11,613

	Balance as of January 31, 2021		
	Level 1	Level 2	Total
Cash and cash equivalents:			
Money market funds	\$ 1,657	\$ —	\$ 1,657
U.S. agency securities	—	1,000	1,000
U.S. treasury securities	250	—	250
Total cash equivalents	\$ 1,907	\$ 1,000	\$ 2,907
Cash			14,391
Total cash and cash equivalents			\$ 17,298

Short-term investments:			
U.S. treasury securities	\$ 9,782	\$ —	\$ 9,782
Corporate debt securities	—	929	929
Asset-backed securities	—	302	302
Total short-term investments	\$ 9,782	\$ 1,231	\$ 11,013

The Company classifies its cash equivalents and short-term investments within Level 1 or Level 2 because it uses quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value. The Company has no Level 3 assets or liabilities. For the periods presented, the amortized cost of cash equivalents and marketable securities approximated their fair value and there were no material realized or unrealized gains or losses, either individually or in the aggregate.

Contractual maturities of short-term investments were as follows (in thousands):

	As of	
	January 31, 2022	January 31, 2021
Due in one year or less	\$ 10,377	\$ 11,013
Due after one year to two years	1,236	—
Total	\$ 11,613	\$ 11,013

Note 5: Balance Sheet Components

The following sections and tables provide details of selected balance sheet items (in thousands):

Inventories

	As of	
	January 31, 2022	January 31, 2021
Finished goods	\$ 10,452	\$ 11,057
Raw materials	3,389	1,176
Total inventory	<u>\$ 13,841</u>	<u>\$ 12,233</u>

Property and equipment, net

	Estimated life (in years)	As of	
		January 31, 2022	January 31, 2021
Computer hardware and software	3-4	\$ 6,996	\$ 6,944
Network and engineering equipment	3-5	4,979	4,164
Website development costs	2	4,816	3,191
Customer premise equipment	3	3,965	2,041
Leasehold improvements	1-5	447	418
Office furniture and fixtures	5	124	124
Total property and equipment		21,327	16,882
Less: accumulated depreciation and amortization		(14,846)	(11,811)
Property and equipment, net		<u>\$ 6,481</u>	<u>\$ 5,071</u>

Depreciation and amortization of property and equipment totaled \$3.1 million, \$2.9 million and \$2.5 million in fiscal 2022, 2021 and 2020, respectively.

Other current and non-current assets

	As of	
	January 31, 2022	January 31, 2021
Deferred sales commissions, current	\$ 6,395	\$ 4,689
Prepaid expenses	4,239	3,152
Convertible note receivable (see "GTC" below)	1,773	1,605
Deferred inventory costs	344	381
Other current assets	847	395
Total other current assets	<u>\$ 13,598</u>	<u>\$ 10,222</u>
Deferred sales commissions, non-current	\$ 13,228	\$ 11,474
Other non-current assets	647	736
Total other non-current assets	<u>\$ 13,875</u>	<u>\$ 12,210</u>

Customer Acquisition Costs. Amortization expense for total deferred sales commissions was \$6.0 million, \$3.9 million and \$2.2 million for fiscal 2022, 2021 and 2020, respectively.

Global Telecom Corporation (“GTC”). In December 2018, the Company invested \$1.3 million in cash in GTC, a privately-held technology company, in exchange for a convertible promissory note that will convert to shares of GTC stock upon the occurrence of certain future events. As amended, the promissory note and accrued interest is due and payable upon the Company’s demand at any time after June 30, 2022. The Company has also partnered with GTC on certain inventory procurement and research and development activities. GTC is a variable interest entity for accounting purposes and the Company does not consolidate GTC into its financial statements because the Company is not the primary beneficiary. The Company’s maximum exposure to loss is equal to the carrying value of the convertible note receivable, including accrued interest. During fiscal 2022, the Company made total payments to GTC of approximately \$2.7 million for inventory purchases and related shipping costs. As of January 31, 2022 and 2021, the Company’s non-cancelable inventory purchase commitments to GTC were immaterial.

Accrued expenses and other current liabilities

	As of	
	January 31, 2022	January 31, 2021
Payroll and related expenses	\$ 10,853	\$ 11,062
Regulatory fees and taxes	3,933	4,141
Short-term operating lease liabilities	3,260	3,831
Customer-related liabilities	1,587	1,262
Other	3,190	2,435
Total accrued expenses and other current liabilities	\$ 22,823	\$ 22,731

Note 6: Acquired Intangible Assets

The gross value, accumulated amortization and carrying values of intangible assets were as follows (in thousands):

	Estimated life (in years)	As of January 31, 2022			As of January 31, 2021		
		Gross Value	Accumulated Amortization	Carrying Value	Gross Value	Accumulated Amortization	Carrying Value
Customer relationships	5-7	\$ 6,735	\$ (2,921)	\$ 3,814	\$ 6,735	\$ (1,908)	\$ 4,827
Developed technology	5	1,809	(1,584)	225	1,809	(1,385)	424
Trade names	5	564	(395)	169	564	(302)	262
Total intangible assets		\$ 9,108	\$ (4,900)	\$ 4,208	\$ 9,108	\$ (3,595)	\$ 5,513

Amortization expense was \$1.3 million, \$1.3 million and \$1.2 million in fiscal 2022, 2021 and 2020, respectively.

At January 31, 2022, the estimated future amortization expense for intangible assets is as follows (in thousands):

Fiscal Years Ending January 31,	Total
2023	\$ 1,304
2024	941
2025	852
2026	833
2027	278
Total	\$ 4,208

Note 7: Operating Leases

The Company leases its headquarters located in Sunnyvale, California, as well as office and data center space in several locations under non-cancelable operating lease agreements, with expiration dates through fiscal 2030. The lease agreements often include escalating rent payments, renewal provisions and other provisions which require the Company to pay common area maintenance costs, property taxes and insurance. The lease agreements do not contain any material residual value guarantees or material restrictive covenants.

Operating lease right-of-use assets and long-term operating lease liabilities are included on the face of the consolidated balance sheet. Short-term operating lease liabilities are presented within accrued expenses and other current liabilities.

Supplemental balance sheet information related to leases was as follows (in thousands):

	As of	
	January 31, 2022	January 31, 2021
Assets		
Operating lease right-of-use assets	\$ 14,396	\$ 6,045
Total leased assets	<u>\$ 14,396</u>	<u>\$ 6,045</u>
Liabilities		
Short-term operating lease liabilities	\$ 3,260	\$ 3,831
Long-term operating lease liabilities	11,194	2,815
Total lease liabilities	<u>\$ 14,454</u>	<u>\$ 6,646</u>
Weighted-average remaining lease term	5.8 years	2.2 years
Weighted-average discount rate	3.7%	4.6%

The components of lease expense were as follows (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Operating lease costs (1)	\$ 3,861	\$ 3,947	\$ 2,796
Variable lease costs (2)	972	948	1,062
Total lease cost	<u>\$ 4,833</u>	<u>\$ 4,895</u>	<u>\$ 3,858</u>

(1) Recognized on a straight-line basis over the lease term. Includes rent for leases with initial terms of twelve months or less, which were not material.

(2) Primarily included common area maintenance, utilities and property taxes and insurance, which were expensed as incurred.

Effective May 2021, the Company extended the sublease term for its corporate headquarters in Sunnyvale, California from an end date of January 31, 2022 to March 15, 2029. The total undiscounted rental payments associated with the sublease extension are approximately \$11.1 million from February 2022 onwards. The Company is also required to continue paying common area maintenance costs, property taxes and insurance. This sublease extension is a lease modification that qualifies as a change of accounting for the original sublease and not a separate contract. Accordingly, in the second quarter of fiscal 2022, the Company remeasured its operating lease liability using the present value of the revised rental payments and recognized the difference of \$9.5 million between the new lease liability and the old lease liability as an increase to the operating lease right-of-use asset.

Supplemental cash flow information related to leases was as follows (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Cash payments for operating leases	\$ 3,945	\$ 3,343	\$ 2,148
Right-of-use assets recognized in exchange for new operating lease obligations	\$ 11,289	\$ 1,196	\$ 5,856

As of January 31, 2022, maturities of operating lease liabilities were as follows (in thousands):

Fiscal Years Ending January 31,	January 31, 2022
2023	\$ 3,188
2024	3,175
2025	2,840
2026	1,662
2027	1,684
Thereafter	3,555
Total future minimum lease payments	16,104
Less: imputed interest	(1,650)
Present value of lease liabilities	<u>\$ 14,454</u>

Note 8: Stockholders' Equity

Common Stock Reserved for Future Issuance

The Company had shares of common stock reserved for issuance as follows (in thousands):

	As of	
	January 31, 2022	January 31, 2021
Restricted stock units outstanding	1,312	1,441
Options to purchase common stock	1,325	1,366
Shares available for future issuance under stock plans	2,354	1,887
Shares reserved under ESPP	1,370	1,131
Total shares reserved for issuance	6,361	5,825

Stock Options. Under the Company's 2015 Equity Incentive Plan, or the 2015 Plan, options to purchase shares of common stock may be granted to employees, non-employee directors and consultants. These options vest from the date of grant to up to four years and expire ten years from the date of grant. Options may be exercised anytime during their term in accordance with the vesting/exercise schedule specified in the recipient's stock option agreement and in accordance with the 2015 plan provisions.

Stock option activity for fiscal 2022 was as follows:

	Shares (in thousands)	Weighted-Average Exercise Price Per Share	Aggregate Intrinsic Value (in thousands)
Balance as of January 31, 2021	1,366	\$ 7.95	\$ 7,803
Granted	120	\$ 16.28	
Exercised	(125)	\$ 3.81	
Canceled	(36)	\$ 13.79	
Balance as of January 31, 2022	1,325	\$ 8.93	\$ 12,064
Vested and exercisable as of January 31, 2022	1,152	\$ 8.18	\$ 11,363

The aggregate intrinsic value of vested options exercised during fiscal 2022, 2021 and 2020 was \$1.9 million, \$1.4 million and \$2.2 million, respectively. The weighted-average grant date fair value of options granted during fiscal 2022, 2021 and 2020 was \$7.89, \$4.72 and \$7.13, respectively.

Restricted Stock Units. Under the 2015 Plan, RSUs may be granted to employees, non-employee directors and consultants. These RSUs vest ratably over a period ranging from one to four years, and are subject to the participant's continuing service to the Company over that period. Until vested, RSUs do not have the voting and dividend participation rights of common stock and the shares underlying the awards are not considered issued and outstanding.

RSU activity for fiscal 2022 was as follows:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value Per Share
Balance as of January 31, 2021	1,441	\$ 12.54
Granted	919	\$ 17.04
Vested	(824)	\$ 13.19
Canceled	(224)	\$ 13.93
Balance as of January 31, 2022	1,312	\$ 15.05

Vested RSUs included shares of common stock that the Company withheld on behalf of certain employees to satisfy the minimum statutory tax withholding requirements, as defined by the Company. The Company withheld an aggregate amount of \$2.1 million, \$1.6 million and \$1.5 million in fiscal 2022, 2021 and 2020, respectively, which were classified as financing cash outflows in the consolidated statements of cash flows. The Company canceled and returned these shares to the 2015 Plan, which are available under the plan terms for future issuance.

Employee Stock Purchase Plan

The ESPP allows eligible employees to purchase shares of common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to plan limitations. The ESPP provides for a 24-month offering period comprised of four purchase periods of approximately six months. Employees are able to purchase shares at 85% of the lower of the fair market value of the Company's common stock as of the first date or the ending date of each six-month offering period. The offering periods are scheduled to start on the first trading day on or after March 15 and September 15 of each year. During each of the fiscal years 2022, 2021 and 2020, employees purchased 0.2 million shares at a weighted-average purchase price of \$10.22, \$9.98 and \$9.97 per share, respectively.

Note 9: Stock-Based Compensation

Total stock-based compensation recognized for stock-based awards in the consolidated statements of operations was as follows (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Cost of revenue	\$ 979	\$ 1,015	\$ 1,262
Sales and marketing	1,856	1,910	1,929
Research and development	4,216	4,267	4,610
General and administrative	5,631	5,083	4,960
Total stock-based compensation expense	<u>\$ 12,682</u>	<u>\$ 12,275</u>	<u>\$ 12,761</u>

The income tax benefit related to stock-based compensation expense was zero for all periods presented due to a full valuation allowance on the Company's deferred tax assets (see Note 10: Income Taxes below). As of January 31, 2022, there was \$19.0 million of unrecognized stock-based compensation expense related to unvested RSUs, stock options and ESPP that will be recognized on a straight-line basis over the remaining weighted-average vesting period of approximately 2.5 years.

The fair value of employee stock options and ESPP was estimated using the Black-Scholes model with the following assumptions:

	Fiscal Year Ended January 31,		
	2022	2021	2020
Stock Options:			
Expected volatility	51%	47%	44%
Expected term (in years)	6.1	6.1	6.1
Risk-free interest rate	0.9%	0.6%	2.5%
Dividend yield	NA	NA	NA

	Fiscal Year Ended January 31,		
	2022	2021	2020
ESPP:			
Expected volatility	41%-58%	46%-83%	40%-51%
Expected term (in years)	0.5-2.0	0.5-2.0	0.5-2.0
Risk-free interest rate	0.1%-0.2%	0.1%-0.4%	1.7%-2.5%
Dividend yield	NA	NA	NA

The expected term of options granted to employees is based on the simplified method as the Company does not have sufficient historical exercise data, and the expected term of the ESPP is based on the contractual term. For fiscal 2022, expected volatility is derived from the average historical volatility of the Company's own common stock. In prior fiscal years, expected volatility was derived from a combination of the average historical volatility of the Company's own common stock and a group of comparable publicly traded companies. The risk-free interest rate is based on the yields of U.S. Treasury securities with maturities similar to the expected term.

Note 10: Income Taxes

Loss before income taxes consisted of the following components (in thousands):

	Fiscal Year Ended January 31,		
	2022	2021	2020
United States	\$ 1,340	\$ (120)	\$ (17,051)
Foreign	(3,091)	(2,236)	(1,880)
Loss before income taxes	<u>\$ (1,751)</u>	<u>\$ (2,356)</u>	<u>\$ (18,931)</u>

Income tax provision (benefit) differed from the amount computed by applying the U.S. federal income tax rate to pre-tax loss as a result of the following (dollars in thousands):

	Fiscal Year Ended January 31,					
	2022	Rate	2021	Rate	2020	Rate
Federal tax at statutory rate	\$ (368)	21%	\$ (495)	21%	\$ (3,975)	21%
State taxes, net of federal benefit	52	(3)%	75	(3)%	12	—
Foreign income and withholding taxes	(185)	11%	(87)	3%	(98)	1%
Permanent tax adjustment	58	(3)%	163	(7)%	114	(1)%
Section 162(m)	1,050	(60)%	598	(25)%	606	(3)%
Stock-based compensation	(1,545)	88%	(251)	11%	(624)	3%
Change in valuation allowance	2,959	(169)%	185	(8)%	5,445	(29)%
Research and development credit	(1,980)	113%	(243)	10%	(1,279)	7%
Other	(41)	2%	140	(6)%	(331)	2%
Income tax provision (benefit) at effective tax rate	<u>\$ —</u>	<u>(0)%</u>	<u>\$ 85</u>	<u>(4)%</u>	<u>\$ (130)</u>	<u>1%</u>

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and liabilities are as follows (in thousands):

	As of January 31,	
	2022	2021
Deferred tax assets:		
Net operating loss carryforwards	\$ 34,808	\$ 33,211
Tax credit carryover	10,905	8,963
Operating lease right-of-use assets	3,482	1,686
Stock-based compensation	1,114	1,101
Acquired intangible assets	256	53
Deferred revenue	18	19
Other	26	14
Gross deferred tax assets	50,609	45,047
Valuation allowance	(45,111)	(42,153)
Net deferred tax assets	<u>\$ 5,498</u>	<u>\$ 2,894</u>
Deferred tax liabilities:		
Operating lease liabilities	\$ (3,468)	\$ (1,533)
Accruals and reserves	(1,994)	(1,265)
Fixed assets depreciation	(36)	(96)
Gross deferred tax liabilities	\$ (5,498)	\$ (2,894)
Net deferred taxes	<u>\$ —</u>	<u>\$ —</u>

Management believes that, based upon the available evidence, both positive and negative, it is more likely than not that the deferred tax assets will not be utilized, such that a full valuation allowance has been recorded. The net change in the total valuation allowance for fiscal 2022 and 2021 were increases of \$3.0 million and \$0.6 million, respectively.

As of January 31, 2022, the Company had net operating loss carryforwards for federal and state tax purposes of approximately \$125.1 million and \$94.8 million, respectively, available to offset future taxable income. If not utilized, these available carryforward losses will expire in various amounts for federal and state tax purposes beginning in 2030. In addition, the Company had research and development tax credits for federal and state purposes of approximately \$10.5 million and \$9.8 million, respectively, available to offset future taxes. If not utilized, the available federal credits will begin to expire in 2030. California state research and development tax credits can be carried forward indefinitely.

Immaterial Corrections of Prior Period Disclosures. Subsequent to the Company's filing of its Annual Report on Form 10-K for the year ended January 31, 2021, the Company identified certain errors relating to its presentation of deferred tax assets, specifically net operating loss carryforwards and the associated valuation allowance for state tax purposes. As a result, the previously reported net operating loss carryforwards deferred tax asset and the valuation allowance were each reduced by \$7.4 million. These corrections had no impact on the Company's income tax provision (benefit) reported in the consolidated statements of operations and no impact on net deferred taxes in the consolidated balance sheet as of and for the year ended January 31, 2021. The Company has evaluated the materiality of these errors based on an analysis of quantitative and qualitative factors and concluded they were not material to the prior period financial statements, individually or in the aggregate.

Uncertain Tax Positions

The Company has unrecognized tax benefits of approximately \$8.1 million as of January 31, 2022. Deferred tax assets associated with these unrecognized tax benefits are fully offset by a valuation allowance. If recognized, these benefits would not affect the effective tax rate before consideration of the valuation allowance.

The following table summarizes the activity related to unrecognized tax benefits (in thousands):

Balance at January 31, 2020	\$	6,017
Decrease related to prior year positions		(362)
Increase related to current year tax positions		987
Balance at January 31, 2021		6,642
Increase related to current year tax positions		1,448
Balance at January 31, 2022	\$	<u>8,090</u>

The Company had no interest or penalty accruals associated with uncertain tax benefits in its balance sheets and statements of operations. The Company does not have any tax positions for which it is reasonably possible the total amount of gross unrecognized benefits will increase or decrease within 12 months of the year ended January 31, 2022.

Because the Company has net operating loss and credit carryforwards, there are open statutes of limitations in which federal, state and foreign taxing authorities may examine the Company's tax returns for all tax years from 2009 through the current period.

Note 11: Commitments and Contingencies

Purchase Commitments

As of January 31, 2022 and 2021, non-cancelable inventory purchase commitments to contract manufacturers and other parties were approximately \$19.4 million and \$5.4 million, respectively.

Additionally, the Company has a non-cancelable service agreement with a telecommunications provider that contains total annual minimum purchase commitments of \$0.6 million between August 2021 and July 2022, \$1.5 million between August 2022 and July 2023 and \$2.5 million between August 2023 and July 2024.

Legal Proceedings

In addition to the litigation matters described below, from time to time, the Company may be involved in a variety of other claims, lawsuits, investigations, and proceedings relating to contractual disputes, intellectual property rights, employment matters, regulatory compliance matters, and other litigation matters relating to various claims that arise in the normal course of business. Defending such proceedings is costly and can impose a significant burden on management and employees, the Company may receive unfavorable preliminary or interim rulings in the course of litigation, and there can be no assurances that favorable final outcomes will be obtained.

The Company determines whether an estimated loss from a contingency should be accrued by assessing whether a loss is deemed probable and can be reasonably estimated. The Company assesses its potential liability by analyzing specific litigation and regulatory matters using reasonably available information. The Company develops its views on estimated losses in consultation with inside and outside counsel, which involves a subjective analysis of potential results and outcomes, assuming various combinations of appropriate litigation and settlement strategies. Legal fees are expensed in the period in which they are incurred.

As of January 31, 2022 and 2021, the Company does not have any accrued liabilities recorded for loss contingencies in its consolidated financial statements.

Oregon Tax Litigation

On August 30, 2016, the Oregon Department of Revenue (the "DOR") issued tax assessments against the Company for the Oregon Emergency Communications Tax (the "Tax"), which the DOR alleges Ooma should have collected from its subscribers in Oregon and remitted to the DOR during the period between January 1, 2013 and March 31, 2016 (collectively, the "Assessments"). The Company believes that the Commerce Clause of the United States Constitution bars the application of the Tax and the Assessments to the Company, since the Company has no employees, property or other indicia of a "substantial nexus" with the State of Oregon.

On March 2, 2020, Oregon Tax Court issued a decision upholding the Assessments. On April 1, 2020, the Company filed a Notice of Appeal with the Supreme Court of the State of Oregon and on December 23, 2021, the Supreme Court of Oregon issued a decision upholding the assessment. The Company intends to file a petition for writ of certiorari with the United States Supreme Court. Litigation is unpredictable and there can be no assurances that the Company will obtain a favorable final outcome, even assuming the United States Supreme Court grants the Company's petition. In prior fiscal years, the Company recorded and has paid cumulative charges of \$0.6 million to the DOR as its best estimate of probable loss related to the Assessments.

Canadian Litigation

On February 3, 2021, plaintiff Fiona Chiu filed a class action complaint against the Company and Ooma Canada Inc. in the Federal Court of Canada, alleging violations of Canada's Trademarks Act and Competition Act. The complaint seeks monetary and other damages and/or injunctive relief enjoining the Company to cease describing and marketing its Basic Home Phone using the word "free" or otherwise representing that it is free. On November 9, 2021, the Federal Court of Canada removed Ms. Chiu and substituted John Zanin as the new plaintiff in the proceeding. In connection with the substitution of Mr. Zanin as the new plaintiff, the Federal Court of Canada deemed the proceeding as having commenced on November 8, 2021 instead of February 3, 2021. During the week of January 17, 2022, the Federal Court of Canada heard arguments from counsel representing each of the Company and Mr. Zanin regarding jurisdiction and class action certification issues, and the parties are awaiting the Court to issue its ruling. The Company intends to continue to defend itself vigorously against this complaint. Based on the Company's current knowledge, the Company has determined that the amount of any reasonably possible loss resulting from the Canadian Litigation is not estimable.

Indemnification

The Company enters into standard indemnification arrangements in the ordinary course of business. Pursuant to these arrangements, the Company indemnifies, holds harmless and agrees to reimburse the indemnified parties for certain losses suffered or incurred by the indemnified party. In some cases, the term of these indemnification agreements is perpetual. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable because it involves claims that may be made against the Company in the future but have not yet been made.

The Company has entered into indemnification agreements with its directors and officers that may require the Company to indemnify its directors and officers against liabilities that may arise by reason of their status or service as directors or officers, other than liabilities arising from willful misconduct of the individual. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is unlimited; however, the Company has director and officer insurance coverage that reduces the Company's exposure and enables the Company to recover a portion of any future amounts paid. To date the Company has not incurred costs to defend lawsuits or settle claims related to these indemnification agreements. No liability associated with such indemnifications has been recorded to date.

Note 12: Financing Arrangements

Revolving Credit Facility

On January 8, 2021, the Company, as borrower, entered into a three year credit and security agreement ("Credit Agreement") with KeyBank National Association as Administrative Agent ("Agent") and lender, and KeyBanc Capital Markets Inc. as sole lead arranger and sole book runner. The Credit Agreement provides for a secured revolving credit facility ("Credit Facility") under which the Company may borrow up to an aggregate amount of \$25.0 million, which includes a \$10.0 million sub-facility for letters of credit. The Company and its lenders may increase the total commitments under the Credit Facility to up to an aggregate amount of \$45.0 million, subject to certain conditions. Funds borrowed under the Credit Agreement may be used for working capital and other general corporate purposes.

Loans under the Credit Agreement will bear interest, at the Company's option, at either a rate equal to the "Base Rate" (as defined in the Credit Agreement) or (b) "Eurodollar Rate" (as defined in the Credit Agreement) plus 2.50%. The Base Rate is the highest of (i) the Agent's prime rate, (ii) the federal funds effective rate plus 0.5%, and (iii) the Eurodollar Rate with an interest period of one month plus 1%. The Eurodollar Rate is the London Interbank Offered Rate with various interest periods as may be selected by the Company but shall not be less than 0.75%. Upon the occurrence of any event of default, the interest rate on any borrowings increases by 2.0%. The Credit Agreement also contains customary provisions for the replacement of the London Interbank Offered Rate/Eurodollar Rate. The Company is required to pay a commitment fee on the unused portion of the Credit Facility of 0.25% per annum.

The Credit Agreement contains customary representations, warranties, affirmative and negative covenants, events of default and indemnification provisions in favor of the Agent, lenders and their affiliates. Among other covenants, the Credit Agreement includes restrictive financial covenants that require the Company to meet minimum recurring revenue levels and maintain specified amounts of available liquidity on a quarterly basis.

As of January 31, 2022, the Company had zero outstanding borrowings and was in compliance with the covenants contained in the Credit Agreement. Accordingly, \$25.0 million of borrowing capacity was available for the purposes permitted by the Credit Agreement.

Note 13: Business Acquisitions

Broadsmart Global, Inc.

On May 24, 2019, the Company acquired all outstanding stock of Broadsmart, a provider of cloud-based UCaaS solutions based in Florida. The cash consideration transferred for Broadsmart was \$7.1 million, net of cash assumed of \$0.6 million. The Company acquired Broadsmart to provide scale for the Ooma Office and Ooma Enterprise platforms, which aligns with the Company's overall enterprise growth strategy.

The fair values of assets acquired and liabilities assumed as of the date of acquisition was as follows (in thousands):

	Fair Value
Cash	\$ 649
Accounts receivable	1,003
Other current and non-current assets	639
Intangible assets	6,107
Goodwill	366
Accounts payable and other liabilities	(1,043)
Net assets acquired	<u>\$ 7,721</u>

Intangible assets acquired consisted of customer relationships of \$5.8 million and trade names of \$0.3 million. The acquisition of Broadsmart was treated as an asset purchase for income tax purposes, and therefore, the transaction did not result in the recording of deferred taxes as the Company's tax basis in the acquired assets equaled its book basis. The resulting goodwill from this acquisition was deductible for U.S. income tax purposes.

Note 14: Net Loss Per Share

Basic and diluted net loss per share of common stock is calculated by dividing the net loss allocable to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted net loss per share of common stock is the same as basic net loss per share because the effects of potentially dilutive securities are antidilutive because the Company reported net losses for all periods presented.

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except share and per share data):

	Fiscal Year Ended January 31,		
	2022	2021	2020
Numerator			
Net loss	\$ (1,751)	\$ (2,441)	\$ (18,801)
Denominator			
Weighted-average common shares	23,473,849	22,361,312	21,051,039
Basic and diluted net loss per share	<u>\$ (0.07)</u>	<u>\$ (0.11)</u>	<u>\$ (0.89)</u>

Potentially dilutive securities of approximately 2.8 million, 3.3 million and 3.2 million were excluded from the computation of diluted net loss per share for fiscal 2022, 2021 and 2020, respectively. These shares include the Company's outstanding RSUs, outstanding stock options and shares to be purchased under the ESPP at the end of the respective purchase period. In the event the Company reported net income for the periods presented, a portion of these outstanding securities would be reflected in weighted-average shares outstanding for diluted earnings per share by application of the treasury method.

Note 15: Retirement Plan

The Company offers a qualified 401(k) defined contribution plan to eligible full-time employees that provides for discretionary employer matching and profit-sharing contributions. The Company matches the lower of 50% of employee contributions or 50% of the first 6% of each employee's eligible compensation that is contributed to the 401(k) plan. Contributions made by the Company vest 100% upon contribution and are expensed as incurred as compensation costs. The Company's matching contributions to the plan were \$0.7 million for each of the fiscal years 2022, 2021 and 2020.

ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

ITEM 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our Management, with the participation of our chief executive officer and our chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of January 31, 2022. The term “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to 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, 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. Based on the evaluation of our disclosure controls and procedures as of January 31, 2022, our chief executive officer and chief financial officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Management’s Annual Report on Internal Control Over Financial Reporting. Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Management conducted an assessment of the effectiveness of our internal control over financial reporting based on the criteria set forth in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on the assessment, management has concluded that its internal control over financial reporting was effective as of January 31, 2022 to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. The effectiveness of our internal control over financial reporting as of January 31, 2022 has been audited by KPMG LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting. There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended January 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. We have not experienced any significant impact to our internal controls over financial reporting despite the fact that most of our employees who are involved in our financial reporting processes and controls are continuing to work remotely.

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

ITEM 9B. Other Information

None.

ITEM 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

Not applicable.

PART III

ITEM 10. Directors, Executive Officers and Corporate Governance

The information required by this item will be included under the caption “Directors, Executive Officers and Corporate Governance” in our Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended January 31, 2022, which we refer to as our 2022 Proxy Statement, and is incorporated herein by reference. The Company has a “Code of Ethics and Business Conduct for Employees, Officers and Directors” that applies to all of our employees, including our Principal Executive Officer, Principal Financial Officer, Principal Accounting Officer and our Board of Directors. A copy of this code is available on our website at <http://investors.ooma.com>. We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendment to, or waiver from, a provision of our Code of Ethics and Business Conduct for Employees, Officers and Directors by posting such information on our investor relations website under the heading “Corporate Governance—Governance Documents” at <http://investors.ooma.com>.

ITEM 11. Executive Compensation

The information required by this item will be included under the captions “Executive Compensation” and under the subheadings “Board’s Role in Risk Oversight,” “Outside Director Compensation,” and “Compensation Committee Interlocks and Insider Participation” under the heading “Directors, Executive Officers and Corporate Governance” in the 2022 Proxy Statement and is incorporated herein by reference.

ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be included under the captions “Security Ownership of Certain Beneficial Owners and Management” and under the subheading “Potential Payments upon Termination or Change in Control” and “Equity Compensation Plan Information” under the heading “Executive Compensation” in the 2022 Proxy Statement and is incorporated herein by reference.

ITEM 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be included under the captions “Certain Relationships and Related Transactions” and “Directors, Executive Officers and Corporate Governance—Director Independence” in the 2022 Proxy Statement and is incorporated herein by reference.

ITEM 14. Principal Accounting Fees and Services

The information required by this item will be included under the caption “Proposal Two: Ratification of Selection of Independent Registered Public Accountants” in the 2022 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. Exhibits, Financial Statement Schedules

Documents filed as part of this report are as follows:

(a) Consolidated Financial Statements

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

(b) Consolidated Financial Statement Schedules

All financial statement schedules are omitted because the information called for is not required or is shown either in the consolidated financial statements or in the notes thereto.

(c) Exhibits

The exhibits filed or incorporated by reference as part of this Annual Report on Form 10-K are listed in the Exhibit Index below. We have identified in the Exhibit Index each management contract and compensation plan filed as an exhibit to this Annual Report on Form 10-K in response to Item 15(a)(3) of Form 10-K.

The documents listed in the Exhibit Index of this report are incorporated by reference or are filed with this Annual Report on Form 10-K, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

ITEM 16. Form 10-K Summary

None.

EXHIBITS

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit Number	Date Filed
3.1	Amended and Restated Certification of Incorporation	10-Q	3.1	9/11/2015
3.2	Amended and Restated Bylaws	10-Q	3.2	9/11/2015
4.1	Form of common stock certificate.	S-1/A	4.1	7/6/2015
4.3	Form of Senior Indenture	S-3	4.2	12/23/2019
4.4	Form of Subordinated Indenture	S-3	4.4	12/23/2019
4.5	Description of Securities	10-K	4.5	4/14/2020
10.1+	2005 Stock Incentive Plan and forms of agreements thereunder.	S-1	10.1	6/15/2015
10.2+	2015 Equity Incentive Plan and forms of agreements thereunder.	S-1/A	10.2	7/6/2015
10.3+	2015 Employee Stock Purchase Plan and form of agreement thereunder.	S-1/A	10.3	7/6/2015
10.4+	Executive Incentive Bonus Plan.	S-1	10.4	6/15/2015
10.5+	Executive Change in Control and Severance Agreement by and between the Company and Eric B. Stang, dated June 9, 2015.	S-1	10.5	6/15/2015
10.6+	Offer Letter by and between the Company and James A. Gustke, dated July 30, 2010.	S-1	10.7	6/15/2015
10.7	Change in Control Letter Agreement between the Company and James A. Gustke, dated August 31, 2016.	10-K	10.8	4/11/2017
10.8	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-1	10.8	6/15/2015
10.9+	Form of Restricted Stock Unit Agreement under the 2015 Equity Incentive Plan (effective for grants made on or after March 14, 2018).	10-Q	10.1	06/08/2018
10.10	Sublease Agreement dated as of August 6, 2019 by and among the Company and Alibaba Group (U.S.) Inc.	10-Q	10.1	12/06/2019
10.11	Credit and Security Agreement by and among the Company and KeyBank National Association, dated as of January 8, 2021	10-K	10.12	04/07/2021
10.12	First Amendment to the Sublease Agreement by and among the Company and Alibaba Group (U.S.) Inc.	10-Q	10.13	06/09/2021
10.13+	Transition and Consulting Agreement between the Company and Ravi Narula dated June 15, 2021	Filed herewith		

Exhibit Number	Description	Incorporated by Reference		
		Form	Exhibit	Date Filed
10.14+	Letter Agreement by and between the Company and Shig Hamamatsu, dated July 3, 2021	10-Q	10.14	12/08/2021
10.15+	Executive Change in Control and Severance Agreement by and between the Company and Shig Hamamatsu, dated September 7, 2021	10-Q	10.15	12/08/2021
10.16+	Amendment No. 1 to the Executive Change in Control and Severance Agreement by and between the Company and Eric Stang, dated September 20, 2021	10-Q	10.16	12/08/2021
10.17+	Amendment No. 1 to the Executive Change in Control and Severance Agreement by and between the Company and Jenny Yeh, dated September 20, 2021	10-Q	10.17	12/08/2021
10.18+	Amended Form of Executive Change in Control and Severance Agreement	10-Q	10.18	12/08/2021
21.1	List of subsidiaries of the Registrant.	Filed herewith.		
23.1	Consent of KPMG LLP, Independent Registered Public Accounting Firm	Filed herewith.		
23.2	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm	Filed herewith.		
31.1	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13(a)-14(a)/15d-14(a), by President and Chief Executive Officer.	Filed herewith.		
31.2	Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, Rule 13(a)-14(a)/15d-14(a), by Chief Financial Officer.	Filed herewith.		
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by President and Chief Executive Officer.	Furnished herewith.		
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Chief Financial Officer.	Furnished herewith.		
101.INS	Inline XBRL Instance Document	Filed herewith.		
101.SCH	Inline XBRL Taxonomy Extension Schema Document	Filed herewith.		
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	Filed herewith.		
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	Filed herewith.		
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	Filed herewith.		
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	Filed herewith.		
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)	Filed herewith.		

+ Indicates a management contract or compensatory plan.

SIGNATURES

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

April 8, 2022

Ooma, Inc.

By: /s/ Eric B. Stang
Eric B. Stang
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints Eric B. Stang, Shig Hamamatsu and Jenny C. Yeh, and each of them individually, as his or her attorney-in-fact, each with full power of substitution, for him or her in any and all capacities to sign any and all amendments to this Annual Report on Form 10-K, and to file the same with, with exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, hereby ratifying and confirming all that said attorney-in-fact, or his or her substitute, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated:

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Eric B. Stang</u> Eric B. Stang	President and Chief Executive Officer and Chairman of the Board of Directors (Principal Executive Officer)	April 8, 2022
<u>/s/ Shig Hamamatsu</u> Shig Hamamatsu	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	April 8, 2022
<u>/s/ Susan Butenhoff</u> Susan Butenhoff	Director	April 8, 2022
<u>/s/ Andrew Galligan</u> Andrew Galligan	Director	April 8, 2022
<u>/s/ Peter J. Goettner</u> Peter J. Goettner	Director	April 8, 2022
<u>/s/ Judi A. Hand</u> Judi A. Hand	Director	April 8, 2022
<u>/s/ Russell Mann</u> Russell Mann	Director	April 8, 2022
<u>/s/ William D. Pearce</u> William D. Pearce	Lead Director	April 8, 2022
<u>/s/ Jenny Yeh</u> Jenny Yeh	Vice President, General Counsel and Director	April 8, 2022

OOMA, INC.

TRANSITION AND CONSULTING AGREEMENT

This Transition and Consulting Agreement (this "Agreement") is made as of June 15, 2021, by and between Ooma, Inc., a Delaware corporation (the "Company"), and Ravi Narula ("Executive" or "Consultant").

1. **Resignation.** Executive hereby resigns from his position as Chief Financial Officer ("CFO") and as a member of the Board of Directors, effective as of June 15, 2021 ("Resignation Date"). On the Resignation Date, the Company will pay Executive all accrued wages earned through the Resignation Date, subject to standard payroll deductions and withholdings, which Executive is entitled to regardless of whether or not Executive signs this Agreement.
 2. **Consulting Agreement.** In order to assist the Company with a smooth transition after the Resignation Date, the Company will retain Consultant as an independent contractor under the terms specified below if Consultant executes this Agreement, complies with its terms, confirm his release of claims by executing the General Release attached as Exhibit A hereto on or within 21 days after the Resignation Date, and allow it to become effective in accordance with its terms.
 3. **Consulting Services.** Consultant agrees to provide consulting services for the Company in any area of his expertise, including but not limited to generally supporting finance, accounting, business planning and reporting activities, supporting the transition of responsibilities to the interim Chief Financial Officer and full-time Chief Financial Officer, when hired, being available for questions and issues that arise related to the Company's fiscal 2022 financial plan, the closing of fiscal quarters, and tax, facilities, and investors relations matters, including being available for questions from the Company's analysts and investors (the "Services"). During the Consulting Period (as defined below), Consultant will report directly to the Chief Executive Officer (the "CEO") of the Company or as otherwise specified by the CEO. Consultant agrees to exercise the highest degree of professionalism and utilize his expertise and creative talents in performing these services. Consultant agrees to make himself available to perform such consulting services throughout the Consulting Period, up to a maximum of 25 hours per month, to performance of the Services. Consultant will not be required to report to the Company's offices during the Consulting Period, except as specifically requested by the Company.
 4. **Consulting Consideration.** The Company shall provide to Consultant the consideration specified in Exhibit B hereto (the "Consulting Consideration"). For the avoidance of doubt, Consultant shall not be entitled to any other payment or consideration in exchange for the Services except as otherwise specified in Exhibit B.
 5. **Expenses.** Consultant shall not be authorized to incur on behalf of the Company any expenses and will be responsible for all expenses incurred while performing the Services unless otherwise agreed to by the CEO, which consent shall be evidenced in writing for any expenses in excess of \$100.00. As a condition to receipt of reimbursement, Consultant shall be required to submit to the Company reasonable evidence that the amount involved was both reasonable and necessary to the Services provided under this Agreement.
 6. **Stock Options, Stock, and Restricted Stock Units.** Executive currently has options to purchase shares of the Company's common stock (the "Options") and restricted stock units ("RSUs") pursuant to the Company's 2015 Equity Incentive Plan (the "Plan"). Under the terms of the Plan (and the Executive's award agreements), vesting of the Options and RSUs will continue during the Consulting Period based on Consultant's having been continuously a Service Provider (as defined in the Plan) and will cease as of the end of the Consulting Period. Except as provided in Exhibit B hereto, Consultant's rights to exercise his vested Options will be as set forth in the Plan. Consultant's unvested RSUs and unvested Options will expire upon the termination of his being a Service Provider but in no event later than the end of the Consulting Period. Except as provided in Exhibit B, nothing herein shall be deemed to modify the terms of Executive's Options or RSUs.
 7. **Other Compensation or Benefits.** Executive acknowledges that, except as expressly provided in this Agreement, Executive will not receive any additional compensation, severance or benefits after the Resignation Date.
-

8. **Consulting Term and Termination.** Consultant shall serve as a consultant to the Company for a period commencing on the Resignation Date and terminating on November 1, 2021 (the "Consulting Period"). Notwithstanding the above, without waiving any other rights or remedies, the Company may immediately terminate the Consulting Period and its corresponding obligation to pay the Consultant the Consulting Consideration upon the Consultant's breach of any provision of this Agreement. In the event of such termination, Consultant shall not be provided consideration for any portion of the Services that have been performed prior to the termination. Further, Consultant may terminate the Consulting Period at any time, for any reason, upon written notice to the Company, which termination shall extinguish the Company's obligation to provide the Consultant any Consulting Consideration.

9. **Independent Contractor.** Consultant's relationship with the Company will be that of an independent contractor and not that of an employee. Consultant will not be entitled to any of the benefits which the Company may make available to its employees, including but not limited to, group health or life insurance, profit-sharing or retirement benefits.

10. **Method of Provision of Services.** Consultant shall be solely responsible for determining the method, details and means of performing the Services. Consultant may, at Consultant's own expense, employ or engage the services of such employees, subcontractors, partners or agents, as Consultant deems necessary to perform the Services (collectively, the "Assistants"). The Assistants are not and shall not be employees of the Company, and Consultant shall be wholly responsible for the professional performance of the Services by the Assistants such that the results are satisfactory to the Company. Consultant shall expressly advise the Assistants of the terms of this Agreement, and shall require each Assistant to execute and deliver to the Company a Confidential Information and Invention Assignment Agreement substantially in the form attached to this Agreement as Exhibit D hereto (the "Confidentiality Agreement").

(a) **No Authority to Bind Company.** Consultant acknowledges and agrees that Consultant and its Assistants have no authority to enter into contracts that bind the Company or create obligations on the part of the Company without the prior written authorization of the Company.

(b) **No Benefits.** Consultant acknowledges and agrees that Consultant and its Assistants shall not be eligible for any Company employee benefits and, to the extent Consultant otherwise would be eligible for any Company employee benefits but for the express terms of this Agreement, Consultant (on behalf of itself and its employees) hereby expressly declines to participate in such Company employee benefits.

(c) **Withholding; Indemnification.** Consultant shall have full responsibility for applicable withholding taxes for all compensation paid to Consultant or its Assistants under this Agreement, and for compliance with all applicable labor and employment requirements with respect to Consultant's self-employment, sole proprietorship or other form of business organization, and with respect to the Assistants, including state worker's compensation insurance coverage requirements and any U.S. immigration visa requirements. Consultant agrees to indemnify, defend and hold the Company harmless from any liability for, or assessment of, any claims or penalties with respect to such withholding taxes, labor or employment requirements, including any liability for, or assessment of, withholding taxes imposed on the Company by the relevant taxing authorities with respect to any compensation paid to Consultant or its Assistants.

11. **Supervision of Consultant's Services.** All of the services to be performed by Consultant, including but not limited to the Services, will be as agreed between Consultant and the CEO. Consultant will be required to report to the Chief Executive Officer concerning the Services performed under this Agreement. The nature and frequency of these reports will be left to the discretion of the CEO.

12. **Consulting or Other Services for Competitors.** Consultant represents and warrants that Consultant does not presently perform or intend to perform, during the term of the Agreement, consulting or other services for, or engage in or intend to engage in an employment relationship with, companies whose businesses or proposed businesses in any way involve products or services which would be competitive with the Company's products or services, or those products or services proposed or in development by the Company during the term of the Agreement (except for those companies, if any, listed on Exhibit E hereto). If, however, Consultant decides to do so, Consultant agrees that, in advance of accepting such work, Consultant will promptly notify the Company in writing, specifying the organization with which Consultant proposes to consult, provide services, or become employed by and to provide information

sufficient to allow the Company to determine if such work would conflict with the terms of this Agreement, including the terms of the Confidentiality Agreement, the interests of the Company or further services which the Company might request of Consultant. If the Company determines that such work conflicts with the terms of this Agreement, the Company reserves the right to terminate this Agreement immediately. In no event shall any of the Services be performed for the Company at the facilities of a third party or using the resources of a third party.

13. **Confidential Information and Invention Assignment Agreement.** Consultant shall sign, or has signed, a Confidential Information and Invention Assignment Agreement in the form set forth as Exhibit D hereto, on or before the date Consultant begins providing the Services.

14. **Conflicts with this Agreement.** Consultant represents and warrants that neither Consultant nor any of the Assistants is under any pre-existing obligation in conflict or in any way inconsistent with the provisions of this Agreement. Consultant represents and warrants that Consultant's performance of all the terms of this Agreement will not breach any agreement to keep in confidence proprietary information acquired by Consultant in confidence or in trust prior to commencement of this Agreement. Consultant warrants that Consultant has the right to disclose and/or use all ideas, processes, techniques and other information, if any, which Consultant has gained from third parties, and which Consultant discloses to the Company or uses in the course of performance of this Agreement, without liability to such third parties. Notwithstanding the foregoing, Consultant agrees that Consultant shall not bundle with or incorporate into any deliveries provided to the Company herewith any third party products, ideas, processes, or other techniques, without the express, written prior approval of the Company. Consultant represents and warrants that Consultant has not granted and will not grant any rights or licenses to any intellectual property or technology that would conflict with Consultant's obligations under this Agreement. Consultant will not knowingly infringe upon any copyright, patent, trade secret or other property right of any former client, employer or third party in the performance of the Services.

15. **Miscellaneous.**

(a) **Governing Law.** The validity, interpretation, construction and performance of this Agreement, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto shall be governed, construed and interpreted in accordance with the laws of the state of California, without giving effect to principles of conflicts of law.

(b) **Entire Agreement.** This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

(c) **Amendments and Waivers.** No modification of or amendment to this Agreement, nor any waiver of any rights under this Agreement, shall be effective unless in writing signed by the parties to this Agreement. No delay or failure to require performance of any provision of this Agreement shall constitute a waiver of that provision as to that or any other instance.

(d) **Successors and Assigns.** Except as otherwise provided in this Agreement, this Agreement, and the rights and obligations of the parties hereunder, will be binding upon and inure to the benefit of their respective successors, assigns, heirs, executors, administrators and legal representatives. The Company may assign any of its rights and obligations under this Agreement. No other party to this Agreement may assign, whether voluntarily or by operation of law, any of its rights and obligations under this Agreement, except with the prior written consent of the Company.

(e) **Notices.** Any notice, demand or request required or permitted to be given under this Agreement shall be in writing and shall be deemed sufficient when delivered personally or by overnight courier or sent by email, or 48 hours after being deposited in the U.S. mail as certified or registered mail with postage prepaid, addressed to the party to be notified at such party's address as set forth on the signature page, as subsequently modified by written notice, or if no address is specified on the signature page, at the most recent address set forth in the Company's books and records.

(f) **Severability.** If one or more provisions of this Agreement are held to be unenforceable under applicable law, the parties agree to renegotiate such provision in good faith. In the event that the parties cannot reach a mutually agreeable and enforceable replacement for such provision, then (i) such provision shall be excluded from this Agreement, (ii) the balance of the Agreement shall be interpreted as if such provision were so excluded and (iii) the balance of the Agreement shall be enforceable in accordance with its terms.

(g) **Construction.** This Agreement is the result of negotiations between and has been reviewed by each of the parties hereto and their respective counsel, if any; accordingly, this Agreement shall be deemed to be the product of all of the parties hereto, and no ambiguity shall be construed in favor of or against any one of the parties hereto.

(h) **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be deemed an original, and all of which together shall constitute one and the same agreement.

(i) **Electronic Delivery.** The Company may, in its sole discretion, decide to deliver any documents related to this Agreement or any notices required by applicable law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. Consultant hereby consents to receive such documents and notices by such electronic delivery and agrees to participate through an on-line or electronic system established and maintained by the Company or a third party designated by the Company.

[signature page follows]

The parties have executed this Agreement as of the date first written above.

THE COMPANY:

OOMA, INC.

By: /s/ Eric B. Stang
Name: Eric B. Stang
Title: CEO
Date: June 15, 2021

Address: 525 Almanor Avenue
Sunnyvale, CA 94085
United States

CONSULTANT:

By: /s/ Ravi Narula
Print Name: Ravi Narula
Date: June 15, 2021

Address:
Email:

EXHIBIT A**GENERAL RELEASE**

Pursuant to the Transition and Consulting Agreement entered into by and between Ooma, Inc., a Delaware corporation (the “Company”), and Ravi Narula (“Executive”), dated June 15, 2021 (the “Agreement”), Executive hereby enters into this General Release (the “Release”). Any term not otherwise defined herein shall have the meaning ascribed in the Agreement.

1. **General Release.** In consideration for the Consulting Consideration, and for other good and valuable consideration, the sufficiency of which Executive hereby acknowledges, Executive hereby waives and releases to the maximum extent permitted by applicable law any and all claims or causes of action, whether known or unknown, against the Company and/or its predecessors, successors, past or present subsidiaries, affiliates (within the meaning set forth in Rule 12b-2 promulgated under the Securities Exchange Act of 1934, as amended), investors, branches or related entities (collectively, including the Company, the “Entities”) and/or the Entities’ respective past, present, or future insurers, officers, directors, agents, attorneys, employees, stockholders, assigns and employee benefit plans (collectively with the Entities, the “Released Parties”), with respect to any matter, including, without limitation, any matter related to Executive’s employment with the Company or the termination of that employment relationship. This waiver and release includes, without limitation, claims to unpaid wages, including overtime or minimum wages, bonuses, incentive compensation, equity compensation, vacation pay or any other compensation or benefits; any claims for failure to provide accurate itemized wage statements, failure to timely pay final pay or failure to provide meal or rest breaks; claims for any loss, cost, damage, or expense arising out of any dispute over the non-withholding or other tax treatment or employment classification; claims for attorneys’ fees or costs; claims for penalties; any and all claims for stock, stock options or other equity securities of the Company; claims of wrongful discharge, constructive discharge, emotional distress, defamation, invasion of privacy, fraud, breach of contract, and breach of the covenant of good faith and fair dealing; any claims of discrimination, harassment, or retaliation based on sex, age, race, national origin, disability or on any other protected basis, under any applicable human rights law prohibiting discrimination, harassment and/or retaliation; breaches of applicable employment standards and occupational health and safety legislation, or damages for wrongful dismissal including, without limitation, all claims in respect of statutory entitlements and common law notice; and claims under all other laws, ordinances and regulations.

Executive covenants not to sue the Released Parties for any of the claims released above, agrees not to participate in any class, collective, representative, or group action that may include any of the claims released above, and will affirmatively opt out of any such class, collective, representative or group action. Further, Executive agrees not to participate in, seek to recover in, or assist in any litigation or investigation by other persons or entities against the Released Parties, except as required by law. Nothing in this Release precludes Executive from participating in any investigation or proceeding before any government agency or body. However, while Executive may file a charge and participate in any such proceeding, by signing this Release, Executive waives any right to bring a lawsuit against the Released Parties and waives any right to any individual monetary recovery in any such proceeding or lawsuit. Nothing in this Release is intended to impede Executive’s ability to report possible securities law violations to the government, or to receive a monetary award from a government administered whistleblower-award program. Executive does not need the prior authorization of the Company to make any such reports or disclosures or to participate or cooperate in any governmental investigation, action or proceeding, and Executive is not required to notify the Company that Executive has made such reports and disclosures or has

participated or cooperated in any governmental investigation, action or proceeding. Nothing in this Release waives Executive's right to testify or prohibits Executive from testifying in an administrative, legislative, or judicial proceeding concerning alleged criminal conduct or alleged sexual harassment when Executive has been required or requested to attend the proceeding pursuant to a court order, subpoena or written request from an administrative agency or the applicable legislature.

This waiver and release covers only those claims that arose prior to Executive's execution of this Release. The waiver and release contained in this Release does not apply to any claim which, as a matter of law, cannot be released by private agreement. If any provision of the waiver and release contained in this Release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and a court shall enforce all remaining provisions to the full extent permitted by law.

2. Unknown Claims Waiver. Executive understands and acknowledges that Executive is releasing potentially unknown claims, and that Executive may have limited knowledge with respect to some of the claims being released. Executive acknowledges that there is a risk that, after signing this Release, Executive may learn information that might have affected Executive's decision to enter into this Release. Executive assumes this risk and all other risks of any mistake in entering into this Release. Executive agrees that this Release is fairly and knowingly made. In addition, Executive expressly waives and releases any and all rights and benefits under any applicable law, which may read substantially as follows: "A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS THAT THE CREDITOR OR RELEASING PARTY DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE AND THAT, IF KNOWN BY HIM OR HER, WOULD HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR OR RELEASED PARTY."

Executive understands and agrees that claims or facts in addition to or different from those which are now known or believed by Executive to exist may hereafter be discovered, but it is Executive's intention to release all claims that Executive has or may have against the Released Parties, whether known or unknown, suspected or unsuspected.

3. ADEA. Executive acknowledges that Executive is knowingly and voluntarily waiving and releasing any rights Executive may have under the Federal Age Discrimination in Employment Act ("ADEA Waiver") and that the consideration given for the ADEA Waiver is in addition to anything of value to which Executive is already entitled. Executive further acknowledges that: (a) Executive's ADEA Waiver does not apply to any claims that may arise after Executive signs this Release; (b) Executive should consult with an attorney prior to executing this Release; (c) Executive has 21 calendar days within which to consider this Release (the "Deadline Date"), although Executive may choose to execute this Release earlier; (d) Executive has 7 calendar days following the execution of this Release to revoke the Release; and (e) this Release will not be effective until the eighth (8th) day after Executive signs this Release provided that Executive has not revoked it (the "Effective Date"). Executive agrees that any modifications, material or otherwise, made to this Release do not restart or affect in any manner the original 21-day consideration period provided in this section. To revoke the Release, Executive must provide a written notice of revocation to the Company prior to the end of the 7-day period. Executive acknowledges that Executive's consent to this Release is knowing and voluntary. The offer described in this Release will be automatically withdrawn if Executive does not sign the Agreement within the 21-day consideration period.

4. Additional Acknowledgements. Executive understands and agrees that Executive's agreement with the terms and conditions of this Release is signified by Executive's signature hereto and is voluntary, deliberate and informed. Executive acknowledges that this Release provides consideration of value to Executive and that Executive was free to consult an attorney before signing this Release. Executive agrees to strictly comply with all the terms and conditions of this Release and the Agreement. Furthermore, Executive acknowledge that Executive has read and understands this Release and that Executive signs this release of all claims voluntarily, with full appreciation that at no time in the future may Executive pursue any of the rights Executive has waived in this Release.
5. Breach. In the event that Executive breaches any of Executive's obligations under this Release or as otherwise imposed by law, the Company will be entitled to recover all consideration paid or provided under this Release and to obtain all other relief provided by law or equity. Any compensation paid or payable to Executive pursuant to the Agreement and this Release which is subject to recovery under any law, government regulation, order or stock exchange listing requirement, or under any policy of the Company adopted from time to time, will be subject to such deductions and clawback (recovery) as may be required to be made pursuant to such law, government regulation, order, stock exchange listing requirement or policy of the Company. Executive specifically authorizes the Company to withhold from future salary or wages any amounts that may become due under this provision.
6. No Admission. Nothing contained in this Release shall constitute or be treated as an admission by the Company of any liability, wrongdoing, or violation of law.
7. No Other Amounts/Benefits Owed. Executive acknowledges and agrees that Executive has been paid for all of Executive's services with the Company and Executive has not earned any wages, salary, incentive compensation, bonuses, commissions or similar payments or benefits or any other compensation or amounts that have not already been paid to Executive. Executive further agrees that, prior to the execution of this Release, Executive was not entitled to receive any further payments or benefits from the Company, and the only payments and benefits that Executive is entitled to receive from the Company in the future are those specified in the Agreement.
8. Entire Agreement. This Release, together with the Agreement, embodies the entire agreement of the Company and Executive regarding the subject matter of this Release and, except as specifically provided herein, no provisions of any employee manual, personnel policies, corporate directives or other agreement or document shall be deemed to modify the terms of this Release or the Agreement. No amendment or modification of this Release shall be valid or binding upon Executive or the Company unless made in writing and signed by the Company and Executive. This Release, together with the Agreement, supersedes all prior understandings and agreements addressing severance or separation pay to which Executive and the Company or an affiliate are or were parties, including any previous change in control agreement, severance plan, offer letter provisions, or other employment agreements.
9. Governing Law. The Release shall be construed, administered and governed in all respects under and by the applicable laws of the State of California.
10. Severability. The invalidity or unenforceability of any provision of this Release shall not affect the validity or enforceability of any other provision of this Release, which shall remain in full force and effect. If a judicial determination is made that any provision of this Release constitutes an unreasonable or otherwise unenforceable restriction against Executive, such provision shall be rendered void only to the extent that such judicial determination finds the provision to be

unreasonable or otherwise unenforceable with respect to Executive. In this regard, Executive hereby agrees that any judicial authority construing this Release shall be empowered to reform any portion of this Release, and to apply the provisions of this Release and to enforce against Executive the remaining portion of such provisions as the judicial authority determines to be reasonable and enforceable.

11. Counterparts. This Release may be executed in several counterparts, each of which shall be deemed to be an original but all of which together will constitute one and the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by “.pdf” format or scanned pages shall be effective as delivery of a manually executed counterpart to this Release.

[Remainder of page left intentionally blank.]

IN WITNESS WHEREOF, the parties have signed this Release to be effective as of the Effective Date.

OOMA, INC.

By: /s/ Eric B. Stang
Name: Eric B. Stang
Title: CEO
Date: June 15, 2021

EXECUTIVE:

By: /s/ Ravi Narula
Print Name: Ravi Narula
Date: June 15, 2021

EXHIBIT B**CONSULTING CONSIDERATION**

The Company acknowledges that the Executive's transition from an employee to consultant pursuant to this Agreement will not result in any interruption in the Executive's being continuously a Service Provider within the meaning of the Company's 2015 Equity Incentive Plan (the "Plan") and forms of agreement thereunder during the term of the Consulting Period. The Consultant's performance of the Services in accordance with the terms of this Agreement shall qualify Consultant as a Service Provider, and each of the Consultant's unvested Options and RSUs will continue to vest according to its applicable Vesting Schedule until the expiration of the Consulting Period, except if the Consulting Period is terminated pursuant to Section 8 of the Agreement. Upon expiration of the Consulting Period, (i) the Consultant's status as a Service Provider will end, and (ii) the Term/Expiration Date of all of the Consultant's vested but unexercised Options will be extended to June 15, 2022. For the avoidance of doubt, in no event may any of the Consultant's Options be exercised after June 15, 2022 as provided above and may be subject to earlier termination as provided in Section 13 of the Plan.

Capitalized terms used in the Exhibit B and not otherwise defined have the meanings given in the Plan.

EXHIBIT C

ALLOWABLE EXPENSES

None.

EXHIBIT D

**CONFIDENTIAL INFORMATION AND
INVENTION ASSIGNMENT AGREEMENT**

EXHIBIT E

**LIST OF COMPANIES
EXCLUDED UNDER SECTION 12**

FinancialForce

No conflicts

Additional Sheets Attached

Signature of Consultant: /s/ Ravi Narula

Print Name of Consultant: Ravi Narula

Date: June 15, 2021

List of Subsidiaries

<u>Name</u>	<u>Jurisdiction of Incorporation</u>
Talkatone, LLC	Delaware
Ooma International Operations, LLC	Delaware
Ooma International Ltd.	United Kingdom
Ooma Australia Pty Ltd.	Australia
Voxter Communications, Inc.	British Columbia, Canada
Broadsmart Global, Inc.	Florida
Ooma Canada, Inc.	British Columbia, Canada
Ooma Ireland Limited	Ireland
Oomazing Telecom	South Africa
Ooma Columbia S.A.S.	Columbia
Ooma Peru S.A.C.	Peru

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the registration statement (No. 333-235673) on Form S-3, and in registration statements (Nos. 333-255093, 333-237662, 333-230693, 333-224086, 333-217254, 333-210717, 333-205719) on Form S-8, of our report dated April 8, 2022, with respect to the consolidated financial statements of Ooma, Inc. and the effectiveness of internal control over financial reporting

/s/ KPMG LLP

Santa Clara, California
April 8, 2022

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-237662, 333-230693, 333-224086, 333-217254, 333-210717, 333-205719, and 333-255093 on Form S-8 of our report dated April 7, 2021 (April 8, 2022 as to the effects of the restatement discussed in note 10), relating to the consolidated financial statements of Ooma, Inc. and its subsidiaries appearing in this Annual Report on Form 10-K for the year ended January 31, 2022.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
April 8, 2022

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Eric B. Stang, certify that:

1. I have reviewed this Annual Report on Form 10-K of Ooma, Inc. for the fiscal year ended January 31, 2022;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: April 8, 2022

By: _____
/s/ Eric B. Stang
Eric B. Stang
Chief Executive Officer
(Principal Executive Officer)

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

I, Eric B. Stang, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Ooma, Inc. for the fiscal year ended January 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and result of operations of Ooma, Inc.

Date: April 8, 2022

By: /s/ Eric B. Stang
Eric B. Stang
Chief Executive Officer
(Principal Executive Officer)

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

I, Shig Hamamatsu, certify pursuant to Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Ooma, Inc. for the fiscal year ended January 31, 2022, fully complies with the requirements of Section 13(a) or 15(d) of the Exchange Act and that the information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and result of operations of Ooma, Inc.

Date: April 8, 2022

By: _____ /s/ Shig Hamamatsu
Shig Hamamatsu
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)