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 April 30, 2021

OR

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

For the transition period from __________ to __________

Commission File Number: 001-39744

C3.ai, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**26-3999357**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1300 Seaport Blvd, Suite 500 **Redwood City, CA**	**94063**
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (650) 503-2200

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, par value $0.001 per share	**AI**	**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 Section 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

Indicate by check 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 Act). Yes ☐ No ☒

The aggregate market value of voting stock held by non-affiliates of the registrant on April 30, 2021, based on the closing price of $66.26 for shares of the registrant's Class A common stock as reported by the New York Stock Exchange, was approximately $4.3 billion. The registrant has elected to use April 30, 2021 as the calculation date because on October 31, 2020 (the last business day of the registrant's second fiscal quarter), the registrant was a privately held company.

As of June 18, 2021, the registrant had outstanding 99,920,942 shares of Class A common stock and 3,499,992 shares of Class B common stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's definitive proxy statement relating to its 2021 annual meeting of shareholders (the "2021 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2021 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended April 30, 2021.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements about us and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this Annual Report on Form 10-K, including statements regarding our future results of operations or financial condition, business strategy, plans and objectives of management for future operations, and the benefits and timing of the rollout of new technology, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will" or "would" or the negative of these words or other similar terms or expressions. These forward-looking statements include, but are not limited to, statements concerning the following:

- our expectations regarding our revenue, expenses, and other operating results;
- our ability to acquire new customers and successfully retain existing customers;
- our ability to increase usage of our C3 AI Suite and C3 AI Applications;
- our ability to achieve or sustain profitability;
- future investments in our business, our anticipated capital expenditures, and our estimates regarding our capital requirements;
- the costs and success of our sales and marketing efforts, and our ability to promote our brand;
- our growth strategies for our C3 AI Suite and C3 AI Applications;
- our expectations regarding our C3 AI CRM solutions;
- the estimated addressable market opportunity for our C3 AI Suite and C3 AI Applications;
- our reliance on key personnel and our ability to identify, recruit, and retain skilled personnel;
- our ability to effectively manage our growth, including any international expansion;
- our ability to protect our intellectual property rights and any costs associated therewith;
- the effects of the coronavirus, or COVID-19, pandemic or other public health crises;
- our ability to compete effectively with existing competitors and new market entrants; and
- the growth rates of the markets in which we compete.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition and operating results. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "Risk Factors" contained in Part I, Item 1A of this Annual Report on Form 10-K and those elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. The results, events and circumstances reflected in the forward-looking statements may not be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe that such information provides a reasonable basis for these statements, that information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments.

SELECTED RISKS AFFECTING OUR BUSINESS

Investing in our Class A common stock involves numerous risks, including the risks described under “Risk Factors” in Part I, Item 1A of this Annual Report on Form 10-K. Below is a summary of some of the risks and uncertainties as of the date of the filing of this Annual Report on Form 10-K, any one of which could materially adversely affect our business, financial condition, operating results, and prospects. You should read this summary together with the more detailed description of each risk factor contained below.

Risks Related to Our Business and Our Industry

- We have a limited operating history, which makes it difficult to evaluate our prospects and future results of operations.
- Historically, a limited number of customers have accounted for a substantial portion of our revenue. If existing customers do not renew their contracts with us, or if our relationships with our largest customers are impaired or terminated, our revenue could decline, and our results of operations would be adversely impacted.
- Our business depends on our ability to attract new customers and on our existing customers purchasing additional subscriptions from us and renewing their subscriptions.
- We have a history of operating losses and may not achieve or sustain profitability in the future.
- We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition and results of operations.
- Our sales cycles can be long and unpredictable, particularly with respect to large subscriptions, and our sales efforts require considerable time and expense.
- If the market for our C3 AI Suite and C3 AI Applications fails to grow as we expect, or if businesses fail to adopt our C3 AI Suite and C3 AI Applications, our business, operating results, and financial condition could be adversely affected.
- If we fail to respond to rapid technological changes, extend our C3 AI Suite and C3 AI Applications or develop new features and functionality, our ability to remain competitive could be impaired.
- If we were to lose the services of our Chief Executive Officer (our “CEO”) or other members of our senior management team, we may not be able to execute our business strategy.
- The COVID-19 pandemic had and could continue to have an adverse impact on our business, our operations, and the markets and communities in which we, our partners, and our customers operate.
- Our actual or perceived failure to comply with privacy, data protection laws, regulations, and obligations could harm our business.
- If we or our third-party service providers experience a security breach or unauthorized parties otherwise obtain access to our customers’ data, our data, or our C3 AI Suite, our C3 AI Suite may be perceived as not being secure, our reputation may be harmed, demand for our platform may be reduced, and we may incur significant liabilities.

Risks Related to Our International Operations

- We are continuing to expand our operations outside the United States, where we may be subject to increased business and economic risks that could harm our business.
- We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we are not in compliance with applicable laws.

Risks Related to Taxes

- Our results of operations may be harmed if we are required to collect sales or other related taxes for our subscriptions in jurisdictions where we have not historically done so.

Risks Related to Our Intellectual Property

- We are currently, and may be in the future, party to intellectual property rights claims and other litigation matters, which, if resolved adversely, could harm our business.
- Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement and other losses.
- Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.
- Our use of third-party open source software could negatively affect our ability to offer and sell subscriptions to our C3 AI Suite and C3 AI Applications and subject us to possible litigation.

Risks Related to Ownership of Our Class A Common Stock

- The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.
- The dual class structure of our common stock has the effect of concentrating voting control to our Chairman and CEO, Thomas M. Siebel.
- Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us, and the market price of our Class A common stock may be lower as a result.

General Risks

- If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.
- Our business could be disrupted by catastrophic events.

PART I

ITEM 1. BUSINESS

Overview

C3 AI is the Enterprise AI application software company.

We provide software-as-a-service, or SaaS, applications that enable the rapid deployment of enterprise-scale AI applications of extraordinary breadth and complexity that offer significant social and economic benefit.

The C3 AI Suite, C3 AI Applications, and our patented model-driven architecture enable organizations to simplify and accelerate Enterprise AI application development, deployment, and administration. Our software platform enables developers to rapidly build applications by using conceptual models of all the elements required by an Enterprise AI application instead of having to write complex, lengthy, structured programming code to define, control, and integrate the many requisite data and microservices components to work together. We significantly reduce the effort and complexity of the Enterprise AI software engineering problem.

Enterprise AI Software Solutions

We have built a single, integrated solution that enables our customers to rapidly develop, deploy, and operate large-scale Enterprise AI applications across any infrastructure. Customers can deploy C3 AI products on all major public cloud infrastructures, private cloud or hybrid environments, or directly on their servers and processors. We provide four primary families of software solutions:

- The C3 AI Suite, our core technology, is a comprehensive application development and runtime environment that is designed to allow our customers to rapidly design, develop, and deploy Enterprise AI applications of any type.
- C3 AI Applications, built using the C3 AI Suite, include a large and growing family of industry-specific and application-specific turnkey AI solutions that can be immediately installed and deployed.
- C3 AI Ex Machina, our no-code solution that provides secure, easy access to analysis-ready data, and enables business analysts without data science training to rapidly perform data science tasks such as building, configuring, and training AI models.
- C3 AI CRM is the first enterprise-class, AI-first customer relationship management solution purpose-built for industries to drive customer-facing operations with predictive business insights.

In addition, we offer the C3 AI Virtual Data Lake, a capability of the C3 AI Suite that can also be licensed as a standalone product. It enables organizations to utilize existing enterprise systems, data stores, and data lake investments by unifying all enterprise and extraprise data into a secure, virtual, federated data image without the need to duplicate data. This dramatically reduces the time and cost of deploying and maintaining an enterprise data lake.

C3 AI Suite

We believe the C3 AI Suite is the only end-to-end Platform-as-a-Service allowing customers to design, develop, provision, and operate Enterprise AI applications at scale. Our customers can utilize the C3 AI Suite to build and operate their own custom Enterprise AI applications and to customize, operate, and manage C3 AI Applications. Customers can deploy C3 AI products on major public cloud infrastructures, the private cloud, hybrid environments, or directly on their on-premise servers and processors.

Designed with our model-driven architecture, the C3 AI Suite enables us and our customers to develop Enterprise AI applications by using conceptual models of all the elements required by the application—e.g., data objects (customer, order, contract, etc.), computing resources (database, storage, messaging), data processing services (stream processing, batch processing, etc.), AI and machine learning services (model training, model pipeline management, etc.)—instead of having to write complex, lengthy code. This approach vastly reduces technical complexity for developers and the amount of code they need to write. The C3 AI Suite provides comprehensive capabilities to rapidly develop, deploy, and operate Enterprise AI applications at scale, including:

- *Data Integration and Management Services.* Services to easily and automatically ingest and aggregate massive volumes of diverse data from numerous internal and external sources and unify the data in a common and extensible data image.
- *AI Application Development and Operationalization Services.* Automated services to explore data, build and train AI models, and operationalize AI models and applications at enterprise scale.
- *Operational and Security Services.* Cohesive core platform services (e.g., access control, data encryption, cybersecurity, time-series services, normalization, data privacy, etc.).
- *C3 AI Integrated Development Studio (C3 AI IDS).* A low-code/no-code visual toolkit for developing, deploying, and operating Enterprise AI applications.

C3 AI Applications

C3 AI Applications is an expanding portfolio of turnkey cross-industry and industry-specific Enterprise AI applications that address a range of mission-critical use cases. With C3 AI Applications, organizations can typically deploy production AI applications in one to six months. Each of these applications is extensible and customizable to meet customer requirements.

Cross-Industry Applications

Prebuilt cross-industry C3 AI Applications include:

- *C3 AI Inventory Optimization.* Applies advanced AI/machine learning and stochastic optimization techniques to help optimize raw material, in-process, and finished goods inventory levels, while ensuring stock availability when and where needed.
- *C3 AI Supply Network Risk*. Provides enterprise supply chain managers with visibility into risks of disruption throughout their supply chain operations.
- *C3 AI Customer Churn Management.* Enables account executives and relationship managers to monitor customer satisfaction using all available transactional, behavioral, and contextual information, and take proactive, early action to prevent customer churn with AI-based and human-interpretable predictions and advance warning.
- *C3 AI Production Schedule Optimization.* Dynamically optimizes production schedules to maximize throughput of high-profit-margin products while addressing customer demand and respecting production constraints.
- *C3 AI Predictive Maintenance*. Provides maintenance planners and equipment operators with insight into asset risk so they can maintain higher levels of asset availability across their entire operations.
- *C3 AI Fraud Detection.* Pinpoints patterns in event data streams that identify revenue leakage or maintenance and safety issues so investigation teams can act upon a single, continuously updated, and prioritized queue of leads.
- *C3 AI Energy Management.* Uses machine learning to help enterprises gain visibility into their energy expenditure and prioritize actions to reduce their operational costs while lowering their carbon footprint.

Industry-Specific Applications

We also offer integrated families of turnkey Enterprise AI applications to serve the needs of a growing list of vertical market segments including oil and gas, chemicals, utilities, manufacturing, financial services, defense, intelligence, aerospace, healthcare, and telecommunications. For each of these vertical markets we have deployed or are planning to deploy a complete family of integrated AI applications to address the entire value chain of each industry, including the following:

Financial Services

- *C3 AI Smart Lending.* Drives productivity and customer satisfaction within the credit application and approval process, providing credit officers with contextualized insights, enabling them to reduce time on easy approval or easy rejection decisions and focus on more nuanced credit applications.
- *C3 AI Cash Management.* Leverages advanced AI algorithms to quantify client treasury activity and predict the clients most likely to reduce or end their cash management and treasury services relationship with the bank.
- *C3 AI Securities Lending Optimization.* Helps banks automate and optimize securities lending operations by using machine learning to quantify client and lender uncertainties and subsequently automatically approve all executable client inquiries.
- *C3 AI Anti-Money Laundering.* Is an AI-enabled, workflow-centric application that uses comprehensive machine learning techniques to increase true Suspicious Activity Report identification while reducing false positive alerts.

Manufacturing

- *C3 AI Inventory Optimization.* Applies advanced AI/machine learning and stochastic optimization techniques to analyze variability in demand, supplier delivery times, quality issues, and product-line disruptions to build real-time recommendations and monitoring.
- *C3 AI Predictive Maintenance.* Provides manufacturing maintenance planners and equipment operators with comprehensive insight into asset risk, enabling them to maintain higher levels of asset availability, deliver services-based differentiation, and reduce maintenance costs.
- *C3 AI Energy Management.* Uses machine learning to enable accurate forecasting, benchmarking, building optimization, demand response, and anomaly detection, helping manufacturers to lower costs, improve operations, and meet energy-efficiency goals.
- *C3 AI Sensor Health.* Ensures the operational health and optimal deployment of IoT sensor devices, using AI/machine learning to predict sensor failures and identify sensor and network health issues with a high degree of precision.

Utilities

- *C3 AI Revenue Protection.* Identifies instances of energy theft to protect core revenue at higher accuracy and lower cost than conventional rules-based approaches.
- *C3 AI AMI Operations.* Integrates and analyzes near real-time advanced metering infrastructure data and utilizes supervised and unsupervised machine learning techniques to assess meter deployment and asset health.
- *C3 AI Customer Engagement Portals.* Combine data across multiple disparate customer systems, including billing, CRM, demographics, and AMI to provide a 360-degree customer profile to enable both utility customers and customer service representatives to understand and manage their energy usage and costs.

Oil and Gas

- *C3 AI Production Optimization.* Optimizes upstream production at-scale with detailed injection well influence, AI-based production forecasts, and artificial lift optimization.
- *C3 AI Reliability.* Integrates sensor networks, enterprise systems, and data historians to arm reliability engineers, process engineers, and maintenance managers with AI-enabled insights to address process and equipment performance risks in production facilities and refineries.
- *C3 AI Yield Optimization.* Integrates enterprise resource planning data, lab test data, asset data, and manufacturing systems data and deploys machine learning models to identify problems or opportunities for improvement at key points in process manufacturing.

Aerospace and Defense

- *C3 AI Readiness.* Integrates and unifies data from aircraft telemetry, mission file, maintenance, and operational systems and leverages advanced AI models to monitor subsystem health and predict component failures.
- *C3 AI Workforce Analytics.* Helps risk and compliance officers to efficiently parse financial, commercial, public, and law enforcement records to determine if individuals pose a security risk.
- *C3 AI Intelligence Analysis.* Generates knowledge graphs of entities extracted from both structured (e.g., existing curated databases) and unstructured (e.g., news sources, social media sources, academic reports, and patent databases) data sets.
- *C3 AI Intelligence Data Fusion.* Ingests intelligence data from disparate sources into a unified, federated data image to enable analysts to conduct their work faster.

C3 AI Ex Machina

C3 AI Ex Machina is a no-code solution that provides secure, easy access to analysis-ready data, and enables business analysts without data science training to rapidly perform data science tasks such as building, configuring, and training AI models. C3 AI Ex Machina can be used as a standalone application—providing a modern, cloud-native, highly scalable replacement for last-generation tools—and with the C3 AI Suite, typically as the primary tool used by non-developer business analysts to build, train, and tune models on the C3 AI Suite. C3 AI Ex Machina is targeted at the 'citizen' data scientist—a broad range of users, including business analysts and data analysts, who want to leverage AI capabilities, but lack advanced coding skills—and allows customers to sign up online and immediately begin using the product, including paid subscriptions and an initial no cost offering.

C3 AI CRM

C3 AI CRM is a new family of fully AI-enabled, industry-specific CRM solutions that combine the CRM technology leadership and market reach of our partner ecosystem. The C3 AI CRM product family will include sales, marketing, and customer service functionality. The products will be available in vertical market-specific offerings specifically designed to meet the needs of industries such as financial services, healthcare, telecommunications, oil and gas, manufacturing, utilities, aerospace, automotive, public sector, defense, and intelligence.

Lighthouse Customers

Our market-entry strategy has been to establish high-value customer engagements with large global early adopters, or lighthouse customers, in Europe, Asia, and the United States across a range of industries. These lighthouse customers serve as proof points for other potential customers in their particular industries. We have established intimate strategic relationships with our customers, including a number of large multinational corporations and government entities. We commonly enter into enterprise-wide agreements with entities that include multiple operating units or divisions.

The core of this strategy is to rapidly deliver high-value outcomes at large scale, that are broadly deployed into many industry leaders, including those in banking, oil and gas, utilities, defense, and manufacturing. We then use these cases and outcomes to initiate discussions at numerous other leading companies in each sector.

High-Value Outcomes

We are enabling the digital transformation of many of the world's leading organizations and, in the process, helping them to attain short time-to-value and exceptionally high economic returns. At some companies, based on feedback and other information provided from our customers, we estimate our solutions have returned hundreds of millions of dollars in economic benefit. We estimate, based on our C3 AI production roadmaps, that we may enable billions of dollars in annual economic benefit for many customers.

Rapid Time to Value

The key to our market success to date and our primary competitive differentiator is our ability to leverage the C3 AI Suite and C3 AI Applications to bring high-value Enterprise AI applications into production use rapidly. We have deployed

Enterprise AI applications into production use in as little as four weeks. Most C3 AI customers enjoy a rapid time to value from their investments in our offerings.

Average Total Subscription Contract Value

As a result of the high-value outcomes that we enable for our customers, we enjoy uncommonly high total subscription contract values for software subscriptions. Our average total contract value for contracts entered into in fiscal years 2017, 2018, 2019, 2020, and 2021 was $11.7 million, $10.8 million, $16.2 million, $12.1 million, and $7.2 million respectively.

The average total subscription contract value is decreasing and we expect it to continue to decrease as we have restructured our sales organization and expanded our market-partner ecosystem to effectively address small, medium, and large enterprise sales opportunities. We have seen significant progress to date in this regard, which is reflected in the decrease in the average total contract value over the last three years.

C3 AI Sales Cycle

Our typical sales cycle begins with one or more product and technical presentations about C3 AI, leading to a mapping of our capabilities to customer use cases. This frequently leads to a paid trial that lasts from eight to 16 weeks. During that period, we deploy a production-level application that is representative of our customer's Enterprise AI and digital transformation requirements. After completing a successful trial, our customers will frequently license one or more C3 AI Applications. Either concurrent with or subsequent to licensing C3 AI Applications, some of our customers will license additional C3 AI Applications or the C3 AI Suite. Over time, our customers tend to purchase additional C3 AI Applications and/ or additional C3 AI Suite developer seats and incur ongoing and increasing runtime fees as their usage scales.

Extensive Partner Ecosystem

We have established strategic relationships with technology leaders including Amazon Web Services, or AWS, Baker Hughes, Fidelity National Information Services, or FIS, Google, Microsoft, Raytheon, and Infor. These world-leading technology companies can marshal tens of thousands of talented resources to establish and serve small, medium, and large C3 AI customer relationships at global scale.

We form go-to-market and product co-development alliances with our partners that combine our Enterprise AI expertise and technology with our partners' deep domain expertise to bring next-generation C3 AI solutions to joint customers. Our partnerships include strategic alliances across four categories:

- *Industry Partners.* Each industry partnership focuses on a key vertical. We have formed global strategic alliances in the energy industry with France-based global energy leader ENGIE; in oil and gas with Baker Hughes, a global leader in oilfield services; in financial services with FIS, a leading technology provider to the global financial services industry; in the U.S. Federal and aerospace sectors with Raytheon, one of the world's largest aerospace and defense manufacturers; and in manufacturing with Infor, an ERP technology cloud leader.

- *Hyperscale Cloud and Infrastructure Partners.* We have formed global strategic go-to-market alliances with hyperscale cloud providers including Amazon, Microsoft, and Google. In addition, we have strategic alliances with leading hardware infrastructure providers to deliver our software optimized for their technology such as Hewlett Packard Enterprise and Intel.

- *Consulting and Services.* We have established partnerships with select specialized systems integrators that provide application design and development, data engineering, data science, and systems integration services, including: Aubay, BGP, Grupo CMC, Data Reply, Infoedge Technology, Informatica El Corte Ingles, Intelia, Neal Analytics, Ortec, Pariveda, SCAP, and Synechron. These alliances are focused on helping organizations accelerate their Enterprise AI and digital transformation programs.

- *Independent Software Vendors.* Our Independent Software Vendors, or ISV, partners develop, market, and sell application solutions that are natively built on or tightly integrated with the C3 AI Suite. The C3 AI Suite enables ISVs to deliver Enterprise AI capabilities to their installed user base that enhance or complement existing ISV application functionality. As of April 2021, ISV partners include ENGIE, FIS, Baker Hughes, Microsoft, Infor, and Ortec.

Sales Model

Our sales organization is organized both geographically and into vertical market segments that cooperate to sell to and service customers. We have a highly leveraged go-to-market model comprised of a global field sales force combined with significant alliance partnerships, that we believe will accelerate our entry into diverse global market segments. Each of our strategic partners—including AWS, Baker Hughes, FIS, Google, Microsoft, Infor, and Raytheon—has a large installed customer base with strong, established relationships, and a large global sales force that vastly extends our market coverage. We form specific sales targets and goals with each partner, enabling us to quickly and efficiently engage in customer accounts.

Historically, our strategy has been to achieve early leadership with a focus on large enterprise sales to establish successful lighthouse customers across a range of industries and geographies. We initially focused on the oil and gas, aerospace, defense, utilities, manufacturing, and financial services sectors, as those industries were early adopters in Enterprise AI. We intend to expand into additional industries such as high technology, telecommunications, retail, and precision medicine and expect to continue our market entry strategy of initially focusing on lighthouse customers in these industries. Our goal is to rapidly move down-market in the next few years to capture the small and medium business segments of each industry. We intend to leverage our partner ecosystem and establish telesales and direct marketing organizations to address the middle market.

Our average sales cycles have been decreasing over time. We believe this is due to increased acceptance of cloud adoption, increased prioritization of Enterprise AI, increasing corporate mandates for digital transformation, increased brand recognition of C3 AI, and increasing numbers of live, production C3 AI customers.

Revenue Model

Our revenue consists of subscription and professional services revenue. The bulk of our revenue is generated from subscriptions to our software. Our subscriptions include our software and our maintenance and support services. Our subscription contracts are generally non-cancelable and non-refundable, and typically three years in duration. We also generate additional runtime subscription fees, a type of consumption or usage-based revenue based on compute and storage resources required to run the C3 AI Suite. Our professional services primarily includes implementation services, training and prioritized engineering services.

Marketing

Our multichannel marketing function is focused on market education, brand awareness, thought leadership, and demand creation. We engage the market through digital, radio, television, outdoor, airport, and print advertising; virtual and physical events, including our C3 AI Transform annual customer conference; and C3 AI Live, a bi-weekly series of livestreamed events featuring C3 AI customers, C3 AI partners, and C3 AI experts in AI, machine learning, and data science. Our Chief Executive Officer, Tom Siebel—a recognized technology thought leader and author of the 2019 Wall Street Journal and Amazon best seller, *Digital Transformation: Survive and Thrive in an Era of Mass Extinction*—is a frequent industry keynote speaker and is often interviewed by leading media, including the *Wall Street Journal*, *Financial Times*, *The Economist*, *Fortune*, *Forbes*, BloombergTV, Yahoo! Finance, and others.

Professional Services

We maintain a professional services organization that offers resources, methodologies, and experience to help customers develop and deploy enterprise-scale AI applications. Our services are complemented by those of our partners.

C3 AI Implementation Services help ensure successful customer outcomes throughout the application development and deployment phases, including setup and configuration, machine learning model development and tuning, and integration of multiple complex source systems.

C3 AI Academy provides a role-based, in-person, and online curriculum to help developers, data scientists, administrators, and project personnel take advantage of C3 AI Suite capabilities quickly and robustly.

Our professional services strategy is to quickly train our customers to develop, customize, and deploy applications independently of us, making them rapidly self-sufficient. In those instances where a large or continuing professional services presence may be desired or necessary, we rely upon our partner ecosystem to provide those services. We believe this will enable us to maintain high gross margins and allow us to rapidly deploy trained professional services personnel at large scale any place on the planet.

Rich Human Capital

Our strongest asset is unquestionably the human capital that we have been able to attract, retain, and motivate. We have won the Glassdoor Best Place to Work award, were named a WayUp Top 100 Internship Program, and are consistently ranked among the best places to work. As a result, we attract exceptionally talented, highly educated, experienced, motivated employees. We received approximately 59,000 applications for those positions and conducted 13,559 interviews and skill assessments during the fiscal year ended April 30, 2021. Fifty-seven percent of our employees have advanced degrees, many from the world's most prestigious institutions.

We have built a culture of high performance based on four core values:

- *Drive and Innovation Propelling Growth.* We self-select for people who love to work hard, think with rigor, speak with purpose, and act to achieve great things.
- *Natural Curiosity to Solve the Impossible.* We are self-learners, always seeking knowledge to accelerate innovation.
- *Professional Integrity Governing All Endeavors.* We comport ourselves with unwavering ethical integrity, respect, and courtesy.
- *Collective Intelligence.* We believe the unity of our team is substantially greater than the sum of its parts.

Through our C3 AI Management Development Series, we train our managers to motivate and lead their teams by setting clear objectives with an outcomes-based approach. Our C3 AI Leadership Development Program equips aspiring managers with skills for future leadership roles. We offer cash incentives to employees who complete professional training and will even pay for employees to earn a master's degree in computer science.

Our talent acquisition team engages various constituency groups to recruit qualified under-represented minorities, women, and military veterans to job opportunities. We host tech talks and workshops at top universities across the nation with the Women in Computer Science Associations, the Society of Women in Engineering, the Society of Latinx Engineers, and the Society of Black Engineers. We joined with BreakLine to help support hiring military veterans. Our goal is to find and recruit the best talent in the world.

As of April 30, 2021, we had 574 full-time employees, with 482 based in the United States and 92 in our international locations.

Our Culture of High Performance

We are dedicated to achieving our mission to accelerate digital transformation of organizations globally by enabling the deployment of Enterprise AI at scale. Our people are domain experts in their respective fields. We are individuals with exceptional education and professional backgrounds. We are uncompromising in the quality of our work product. We build relationships with our customers grounded upon the highest levels of business ethics and professionalism, with a laser focus on customer success. We execute with precision.

Recognized Enterprise AI Industry Leadership

We are broadly recognized as a leader in Enterprise AI with many other industry recognitions, including CNBC Disruptor 50 (2020, 2019, 2018), BloombergNEF Pioneer (2020), Forbes Cloud 100 (2020, 2019, 2018, 2017), Deloitte Technology Fast 500 (2019), and EY Entrepreneur of the Year (2018, 2017) and have been named a leader by Forrester Wave: Industrial IoT Software Platforms (2019, 2018).

Sustainable Competitive Advantage: C3 AI Model-Driven Architecture

Our core technology, the C3 AI Suite, is a cohesive family of integrated software services developed over a decade, engineered with a proprietary model-driven architecture, that provides all the software services and microservices necessary and sufficient to rapidly develop and deploy Enterprise AI applications.

AI applications developed with the C3 AI Suite can leverage any open source software solutions and all of the cloud services of AWS, Azure, Google Cloud, and can operate on any of these cloud platforms, on-premises, or in a hybrid cloud.

Compared to the structured programming approach that most organizations typically attempt, our model-driven architecture with declarative programming speeds development by a factor of 26, while reducing the amount of code that must be written by up to 99%.

The big data and application demands of enterprise-scale AI applications require numerous underlying interdependent elements. These include enterprise data, extraprise data, sensor data, data persistence services, data streaming services, messaging services, analytics services, machine-learning services, security services, data visualization, application development services, application monitoring services, and scores to hundreds more. With a traditional structured programming approach, developers spend significant time and effort to write extensive code to define, manage, connect, and control each element. This often results in overwhelming complexity and highly brittle applications that can break any time an underlying element is changed or updated— we believe this is a primary reason why the vast majority of AI efforts have not been deployed into production at enterprise scale.

By contrast, our model-driven architecture provides an “abstraction layer,” that allows our partners and our customers, as well as our internal C3 AI developers, to build or customize Enterprise AI applications by using conceptual models of all the elements an application requires, instead of writing lengthy code. C3 AI provides a library of tens of thousands of prebuilt conceptual models, growing by more than 4,000 per year, that can be easily modified and extended, and developers can efficiently create their own models as well. These prebuilt, extensible models encompass a vast range of business objects (customer, order, contract, etc.), physical systems and subsystems (engine, boiler, chiller, compressor, etc.), computing resources and services (database, stream processing, etc.)—virtually anything an application requires can be represented as a model in our model-driven architecture. To ensure ongoing operability of our thousands of prebuilt and extensible models on different underlying infrastructure (e.g., AWS, Azure, etc.), our automated testing continuously executes approximately 60,000 tests and security scans with each change or update we make to our software or infrastructure.

Leveraging this model-driven architecture, application developers and data scientists can focus on delivering immediate value, without the need to manage the complex interdependencies of the underlying elements. These conceptual models can be reused by many applications, thereby accelerating development of new applications.

Compared to traditional structured programming, our model-driven architecture and declarative programming shorten time to value and reduce total cost of ownership by:

- Enabling developers to build Enterprise AI applications 26 times faster and with up to 99% less code than with other technologies, by using conceptual models (including tens of thousands of C3 AI’s prebuilt models).
- Reducing the resources required to build Enterprise AI applications.
- Making developers more productive by allowing them to ramp quickly on new application projects, through reuse of models across applications and reduced coding requirements.
- Decreasing application operating and maintenance requirements.
- Accelerating the ability to enhance applications with new features.

We believe our model-driven architecture and declarative programming approach provides significant competitive advantage both by enabling our customers and partners to successfully develop and deploy Enterprise AI applications faster, and by providing the foundation for C3 AI to rapidly extend our portfolio of cross-industry and industry-specific applications.

Strategic Competitive IP Advantage

We enjoy a rich patent portfolio that is a substantial competitive advantage, both offensive and defensive, in the Enterprise AI market—most notably, our most recently issued U.S. patents (No. 10,817,530 and No. 10,824,634) which were granted for systems, methods, and devices for an enterprise AI and internet-of-things platform.

Our patent portfolio covers the key capabilities of our model-driven architecture that are the foundation of our highly differentiated technology. This includes methods, systems, and devices for data aggregation and unification, times-series data processing, data abstraction, machine learning implementation, and much more.

As of April 30, 2021, our technology is protected by a broad patent portfolio, with eight issued patents in the United States, five issued patents in a number of international jurisdictions, 14 patent applications in the United States (including 1 allowed application and 3 provisional applications), and 32 patent applications pending internationally (including 2 allowed applications). Our issued patents expire between February 23, 2033 and July 30, 2039. We continually review our development efforts to assess the existence and patentability of new intellectual property.

Intellectual property is important to the success of our business. We rely on a combination of patent, copyright, trademark, and trade secret laws in the United States and other jurisdictions, as well as license agreements, confidentiality procedures, non-disclosure agreements with third parties, and other contractual protections, to protect our intellectual property rights, including our proprietary technology, software, know-how, and brand. Although we rely on intellectual property rights, including patents, copyrights, trademarks, and trade secrets, as well as contractual protections to establish and protect our proprietary rights, we believe that factors such as the technological and creative skills of our personnel, creation of new services, features and functionality, and frequent enhancements to our platform are more essential to establishing and maintaining our technology leadership position. See the section titled “Risk Factors—Risks Related to Our Intellectual Property” in Part I, Item 1A in this Annual Report on Form 10-K for a discussion of the risks associated with our intellectual property.

Our Secret Sauce: The C3 AI Model-Driven Architecture

Over the last four decades, the information technology industry has grown from about $120 billion globally in 1980 to more than $2 trillion today. During this time, the IT industry has experienced the transition from mainframe computing to minicomputers, to personal computing, to internet computing, and to handheld computing. The software industry has transitioned from custom applications based on mainframe standards such as MVS, VSAM, and ISAM, to applications developed on a relational database foundation, to enterprise application software, to SaaS and mobile apps, and now to the AI-enabled enterprise. The internet and the iPhone changed everything.

Each of these transitions represented a replacement market for its predecessor. Each delivered dramatic benefits in productivity. Each offered organizations the opportunity to gain competitive advantage. Companies that failed to take advantage of each new generation of technology ceased to be competitive. Today it is unimaginable that a major global corporation would try to close its books without an enterprise resource planning system or run its business solely on mainframe computers.

The IT industry is now undergoing another major transition. A new generation of 21st century technologies—including elastic cloud computing, the IoT, and AI—is driving digital transformation across industry, commerce, and government globally. Digital transformation presents a number of unique requirements that create the need for an entirely new software technology stack. The requirements are daunting.

Enterprise AI applications require a new digital transformation software stack. The traditional approach to developing AI and IoT enterprise software—i.e., using structured programming to build applications by assembling and integrating various open source components and cloud services—can be slow, costly, and ineffective. Based on experience and expertise, we believe that Enterprise-scale AI and IoT applications generally share a set of demanding requirements as described in greater detail below.

Requirements of the Model-Driven Architecture

To develop an effective Enterprise AI application, it is necessary to aggregate data from a variety of enterprise information systems, suppliers, distributors, markets, products in customer use, and sensor networks, in order to provide a view of the extended enterprise.

Today’s data velocities are dramatic, requiring the ability to ingest and aggregate data from hundreds of millions of endpoints at very high frequency, sometimes exceeding 1,000 Hz cycles. The data need to be processed at the rate they arrive, in a highly secure and resilient system that addresses persistence, event processing, machine learning, and visualization. This requires massively horizontally scalable elastic distributed processing capability offered only by modern cloud platforms and supercomputer systems.

The resultant data persistence requirements are staggering. These data sets rapidly aggregate into hundreds of petabytes, even exabytes. Each data type needs to be stored in an appropriate database capable of handling these volumes at high frequency. Relational databases, key-value stores, graph databases, distributed file systems, and blobs are all important to organizing and linking data across these divergent technologies.

Reference Enterprise AI Software Platform

The problems that have to be addressed to enable today's Enterprise AI and IoT applications are nontrivial. Massively parallel elastic computing and storage capacity are prerequisite. These services are provided today at increasingly low cost by AWS, Azure, and others. The elastic cloud is a major breakthrough that has dramatically transformed modern computing. In addition to the cloud, multiple data services are necessary to develop, provision, and operate Enterprise AI and IoT applications.

The array of capabilities and services necessary for building and operating Enterprise AI and IoT applications at scale represents a development problem on the order of magnitude of a relatively simple enterprise software application such as CRM. This is not a trivial problem. Consider just a few of these requirements.

- *Data Integration.* This problem has haunted the computing industry for decades. Prerequisite to machine learning and AI at industrial scale is the availability of a unified, federated image of all the data contained in the multitude of (1) enterprise information systems—ERP, CRM, SCADA, HR, MRP—typically thousands of systems in each large enterprise; (2) sensor IoT networks—SIM chips, smart meters, programmable logic arrays, machine telemetry, bioinformatics; and (3) relevant extraprise data—weather, terrain, satellite imagery, social media, biometrics, trade data, pricing, market data, etc.

- *Data Persistence.* The data aggregated and processed includes every type of structured and unstructured data imaginable. Personally identifiable information, census data, images, text, video, telemetry, voice, network topologies. There is no "one size fits all" database that is optimized for all of these data types. This results in the need for a multiplicity of database technologies including but not limited to relational, NoSQL, key-value stores, distributed file systems, graph databases, and blobs.

- *Platform Services.* A myriad of sophisticated platform services are necessary for any Enterprise AI or IoT application. Examples include access control, data encryption in motion, encryption at rest, ETL, queuing, pipeline management, autoscaling, multitenancy, authentication, authorization, cybersecurity, time-series services, normalization, data privacy, GDPR privacy compliance, NERC-CIP compliance, and SOC2 compliance.

- *Analytics Processing.* The volumes and velocity of data acquisition in such systems are blinding and the types of data and analytics requirements are highly divergent, requiring a range of analytics processing services. These include continuous analytics processing, MapReduce, batch processing, stream processing, and recursive processing.

- *Machine Learning Services.* The whole point of these systems is to enable data scientists to develop and deploy machine learning models. There is a range of tools necessary to enable that, including Jupyter Notebooks, Python, DIGITS, R, and Scala. Increasingly important is an extensible curation of machine learning libraries such as TensorFlow, Caffe, Torch, Amazon Machine Learning, and AzureML. An effective AI and IoT platform needs to support them all.

- *Data Visualization Tools.* Any viable AI architecture needs to enable a rich and varied set of data visualization tools including Excel, Tableau, Qlik, Spotfire, Oracle BI, Business Objects, Domo, Alteryx, and others.

- *Developer Tools and UI Frameworks.* An organization's IT development and data science teams each have adopted and become comfortable with a set of application development frameworks and user interface development tools. An AI and IoT platform must support all of these tools—including, for example, the Eclipse IDE, VI, Visual Studio, React, Angular, R Studio, and Jupyter—or it will be rejected as unusable by the IT development teams.

- *Open, Extensible, Future-Proof.* The current pace of software and algorithm innovation is accelerating. The techniques used today will likely be obsolete in five to 10 years. An AI and IoT platform architecture must therefore provide the capability to replace any components with their next-generation improvements. Moreover, the platform must enable the incorporation of any new open source or proprietary software innovations without adversely affecting the functionality or performance of an organization's existing applications. This is a level-zero requirement.

To meet this extensive set of requirements, C3 AI has spent the last decade and invested nearly $800 million researching and refining these requirements, and in developing and enhancing the C3 AI Suite to address these requirements. The C3 AI Suite has been refined, tested, and proven in some of the most demanding industries and production environments—electric utilities, manufacturing, oil and gas, and defense—comprising petabyte-scale datasets from thousands of vastly disparate source systems, massive volumes of high-frequency time series data from millions of devices, and hundreds of thousands of machine learning models.

Awash in "AI Platforms"

Industry analysts estimate that organizations will invest $170 billion annually in digital transformation software by 2024. According to a leading consulting firm, companies will generate $13 trillion annually in added value from the use of these new technologies. This is the fastest-growing enterprise software market in history and represents an entire replacement market for enterprise application software.

Today the market is awash in "AI Platforms" that purport to be solutions sufficient to design, develop, provision, and operate Enterprise AI applications, including Cassandra, Cloudera, DataStax, AWS IoT, and Hadoop. AWS, Azure, and Google, each of which offer an elastic cloud computing platform. In addition, each offers an increasingly innovative library of microservices that can be used for data aggregation, ETL, queuing, data streaming, MapReduce, continuous analytics processing, machine learning services, data visualization, etc. They all appear to do the same thing and they all appear to provide a complete Enterprise AI platform. While these products are useful, we believe that none offers the scope of utility necessary and sufficient to develop and operate an Enterprise AI or IoT application.

Consider Cassandra, for example. It is a key-value data store, a special-purpose database that is particularly useful for storing and retrieving longitudinal data, like telemetry. For that purpose, it is an effective product. But that functionality represents only a small fraction of the required solution. Likewise, HDFS is a distributed file system, useful for storing unstructured data. TensorFlow, a set of math libraries published by Google, is useful in enabling certain types of machine learning models. AWS IoT is a utility for gathering data from machine-readable IoT sensors. The point is: these utilities are all useful, but we believe none is sufficient by itself. Each addresses only a part of the problem required to develop and deploy an Enterprise AI or IoT application.

Moreover, our experience is that these utilities are written in different languages, with different computational models and potentially incompatible data structures, developed by programmers of varying levels of experience and training from a variety of sources, rather than being designed from the start to work together. In our experience, few, if any, were written to commercial programming standards necessary to meet the requirements of an enterprise-scale deployment. Many of these efforts have ultimately been contributed to the open source community, which includes a growing collection of hundreds of computer source code programs available for anyone to download, modify at will, and use at no cost, rather than being deployed as enterprise-scale commercial solutions.

"Do It Yourself" Enterprise AI?

Software innovation cycles follow a typical pattern. Early in the cycle, companies often take a "do it yourself" approach and try building the new technology themselves. In the 1980s, for example, when Oracle first introduced relational database management system, or RDBMS, software to the market, interest was high. RDBMS technology offered dramatic cost economies and productivity gains in application development and maintenance. We believe it proved an enabling technology for the next generation of enterprise applications that followed, including material requirements planning, or MRP, enterprise resource planning, or ERP, customer relationship management, or CRM, manufacturing automation, and others.

The early competitors in the RDBMS market included Oracle, IBM (DB2), Relational Technology (Ingres), and Sperry (Mapper). But the primary competitor to Oracle was not any of these companies. It was in many cases the CIO, who attempted to build the organization's own RDBMS with IT personnel, offshore personnel, or the help of a systems integrator. When those efforts failed, the CIO was replaced and the organization installed a commercial RDBMS.

When enterprise applications including ERP and CRM were introduced to the market in the 1990s, the primary competitors included Oracle, SAP, and Siebel Systems. But in the early years of that innovation cycle, many CIOs attempted to develop these complex enterprise applications internally. Hundreds of person-years and hundreds of millions of dollars were spent on those projects. A few years later, a new CIO would install a working commercial system.

Some of the most technologically astute companies—including Hewlett-Packard, IBM, and Compaq—repeatedly failed at internally developed CRM projects. All ultimately became successful Siebel Systems CRM customers.

Just as happened with the introduction of RDBMS, ERP, and CRM software in prior innovation cycles, the initial reaction of many IT organizations is to try to internally develop a general-purpose Enterprise AI and IoT platform, using open source software with a combination of microservices from cloud providers like AWS and Google. The process starts by taking some subset of myriad proprietary and open source solutions and organizing them into a platform architecture.

The next step is to assemble hundreds to thousands of programmers, frequently distributed around the world, using structured programming and application programming interfaces, or APIs, to attempt to stitch these various programs, data sources, sensors, machine learning models, development tools, and user interface paradigms together into a unified, functional, seamless whole that will enable the organization to excel at designing, developing, provisioning, and deploying numerous enterprise scale AI and IoT applications.

The complexity of such a system is much greater than developing a CRM or ERP system. There are a number of problems with this approach:

- *Complexity.* Using structured programming, the number of software API connections that one needs to establish, harden, test, and verify for a complex system can, in our estimation, approach the order of 10^{13}. The developers of the system need to individually and collectively grasp that level of complexity to get it to work. We believe the number of programmers capable of dealing with that level of complexity is quite small.

  Aside from the platform developers, the application developers and data scientists also need to understand the complexity of the architecture and all the underlying data and process dependencies in order to develop any application.

- *Brittleness.* Spaghetti-code applications of this nature are highly dependent upon each and every component working properly. If one developer introduces a bug into any one of the open source components, all applications developed with that platform may cease to function.

- *Future Proof.* As new libraries, faster databases, and new machine learning techniques become available, those new utilities need to be available within the platform. Consequently, every application that was built on the platform will likely need to be reprogrammed in order to function correctly. This may take months to years.

- *Data Integration.* An integrated, federated common object data model is absolutely necessary for this application domain. Using this type of structured programming, API-driven architecture may require hundreds of person-years to develop an integrated data model for any large corporation. This is the primary reason why tens to hundreds of millions of dollars are spent, and several years later, no applications are deployed. The Fortune 500 is littered with such disaster stories.

The Gordian Knot of Structured Programming

Structured programming is a technique introduced in the mid-1960s to simplify code development, testing, and maintenance. Prior to structured programming, software was written in large monolithic tomes replete with APIs and “go-to” statements. The resultant product might consist of millions of lines of code with thousands of such APIs and go-to statements that were difficult to develop, understand, debug, and maintain.

The essential idea of structured programming was to break the code into a relatively simple “main routine” and then use something called an application programming interface to call subroutines that were designed to be modular and reusable. Example subroutines might provide services like complete a ballistics calculation, or a fast Fourier transform, a linear regression, an average, a sum, or a mean. Structured programming remains the state of the art for many applications today, and has dramatically simplified the process of developing and maintaining computer code.

While this technique is appropriate for many classes of applications, it breaks down with the complexity and scale of the requirements for a modern Enterprise AI or IoT application, resulting in a Gordian knot.

Cloud Vendor Tools

An alternative to the open source cluster is to attempt to assemble the various services and microservices offered by the cloud providers into a working seamless and cohesive Enterprise AI and IoT platform. Leading vendors like AWS are developing increasingly useful services and microservices that in many cases replicate the functionality of the open source providers and in many cases provide new and unique functionality. The advantage of this approach over open source is that these products are developed, tested, and quality assured by highly professional enterprise engineering organizations. In addition, these services were generally designed and developed with the specific purpose that they would work together and interact in a common system. The same points hold true for Azure, Google, and IBM.

The problem with this approach is that because these systems lack a model-driven architecture like that of the C3 AI Suite, described in the following section, programmers still need to employ structured programming to stitch together the various services. This results in the same type of complexity previously described—many lines of spaghetti code and numerous interdependencies that create brittle applications that are difficult and costly to maintain.

The difference between using structured programming with cloud vendor services and using the model-driven architecture of the C3 AI Suite is dramatic. To demonstrate this stark difference, C3 AI commissioned a third-party consultancy to develop an AI predictive maintenance application designed to run on the AWS cloud platform. The consultancy—a Premier AWS Consulting Partner, with significant experience developing enterprise applications on AWS for Fortune 2000 customers—was asked to develop the application using two different approaches: the C3 AI Suite and structured programming.

The time to develop and deploy this application was approximately 120 person-days at a cost in 2019 dollars of approximately $458,000. The effort required writing 16,000 lines of custom code that must be maintained over the life of the application. The resulting application runs only on AWS. To run this application on Google, it may have to be completely rebuilt for each of those platforms at a similar cost, time, and coding effort.

By contrast, using the C3 AI Suite with its modern model-driven architecture, the same application, employing the same AWS services, was developed and tested in five person-days at a cost of approximately $19,000. Only 14 lines of code were generated, dramatically decreasing the lifetime cost of maintenance. Moreover, the application will run on any cloud platform without modification, eliminating any additional effort and cost of refactoring the application if moving it to a different cloud vendor.

C3 AI Suite: Model-Driven Architecture

The notion of a model-driven architecture was developed at the beginning of the 21st century in response to the growing complexity of enterprise application development requirements. Model-driven architecture provides the knife to cut the Gordian knot of structured programming for highly complex problems. The C3 AI Suite is designed and built with a model-driven architecture.

Central to a model-driven architecture is the concept of a “model” that serves as an abstraction layer to simplify the programming problem. Using models, the programmer or application developer does not have to be concerned with all the data types, data interconnections, and processes that act on the data associated with any given entity, e.g., customer, tractor, doctor, or fuel type. He or she simply needs to address the model for any given entity—e.g., customer—and all the underlying data, data interrelationships, pointers, APIs, associations, connections, and processes associated with or used to manipulate those data are abstracted in the model itself.

Using the C3 AI Suite and its model-driven architecture, virtually anything can be represented as a model—even, for example, applications, including databases, natural language processing engines, and image recognition systems. Models also support a concept called inheritance. An AI application built with the C3 AI Suite might include a model called relational database, that in turn serves as a placeholder that might incorporate any relational database system like Oracle, Postgres, Aurora, Spanner, or SQL Server. A key-value store model might contain Cassandra, HBase, Cosmos DB, or DynamoDB.

C3 AI Reduces Complexity, Simplifies Development

With its model-driven architecture, the C3 AI Suite provides an abstraction layer and semantics to represent the application. This frees the programmer from having to worry about data mapping, API syntax, and the mechanics of myriad computational processes such as ETL, queuing, pipeline management, encryption, etc.

The optimal design for an object model to address Enterprise AI and IoT applications uses abstract models as placeholders to which a programmer can link an appropriate application. The relational database model might link to Postgres. A report writer model might link to MicroStrategy. A data visualization model might link to Tableau. And so on. A powerful feature of a model-driven architecture is that as new open source or proprietary solutions become available, the object model library can simply be extended to incorporate that new feature.

Another important capability of the C3 AI Suite enabled by its model-driven architecture is that the applications developed on the platform are future-proofed: due to the modular nature of the model-driven architecture, new, upgraded, or enhanced services can be easily integrated with the C3 AI Suite. Suppose, for example, that an organization developed all its applications initially using Oracle as the relational database and then later decided to switch to an alternate RDBMS. The only modification required is to change the link in the RDBMS meta-model to point to the new RDBMS. All the applications deployed previously using Oracle as the RDBMS will continue to run without modification after that replacement. This enables organizations to immediately and easily take advantage of new and improved product offerings as they become available.

Platform Independence: Multi-Cloud and Polyglot Cloud Deployment

The rate of cloud computing adoption in recent years has been dramatic and continues to accelerate. As recently as 2011, the message delivered by chief executive officers and corporate leadership worldwide was clear: “Our data will never reside in the public cloud.” The message today is equally clear: “We have a cloud-first strategy. All new applications are being deployed in the cloud. Existing applications will be migrating to the cloud. But understand, we have a multi-cloud strategy.”

This 180-degree turn at global scale in the span of a few years is remarkable. But while corporate leaders are eagerly embracing the cloud, they are also very concerned about cloud vendor lock-in. They want to be able to continually negotiate. They want to deploy different applications in clouds from different vendors, and they want to be free to move applications from one cloud vendor to another.

Multi-cloud deployment is therefore an additional requirement of a modern model-driven software platform that is fully supported by the C3 AI Suite. Applications developed with the C3 AI Suite can run without modification on any cloud and on bare metal behind the firewall in a hybrid cloud environment.

A final requirement for the new AI technology stack—that the C3 AI Suite delivers—is polyglot cloud deployment capability: the ability to mix various services from multiple cloud providers and to easily swap and replace those services. The cloud vendors provide the market a great service by enabling instant access to virtually unlimited horizontally scalable computing capacity and effectively infinite storage capacity at exceptionally low cost. As the cloud vendors aggressively compete with one another on price, the cost of cloud computing and storage is consistently decreasing.

A second important service cloud vendors provide is rapid innovation of microservices. Microservices like TensorFlow from Google accelerate machine learning. Amazon Forecast facilitates deep learning for time-series data. Azure Stream Analytics integrates with Azure IoT Hub and Azure IoT Suite to enable powerful real-time analytics of IoT sensor data. It seems not a week goes by without another announcement of yet another useful microservice from AWS, Azure, and Google.

C3 AI Suite: A Tested, Proven, and Patented AI Suite

The model-driven approach to developing Enterprise AI and IoT applications using the C3 AI Suite has been tested and proven in dozens of large-scale, real-world deployments at some of the world’s largest organizations.

The C3 AI Suite provides a powerful platform enabling these and other leading organizations to develop and operate Enterprise AI and IoT applications at scale, with a fraction of the effort and resources required by other approaches. Applications built with the C3 AI Suite are flexible, easily upgraded, and can be ported across different cloud platforms with little or no modification, providing a solution that future-proofs customers’ investment in Enterprise AI and IoT application development.

Competition

Our main sources of current and potential competition fall into several categories:

- internal IT organizations that develop internal solutions and provide self-support for their enterprises;

- commercial enterprise and point solution software providers;
- open source software providers with data management, machine learning, and analytics offerings;
- public cloud providers offering discrete tools and micro-services with data management, machine learning, and analytics functionality;
- system integrators that develop and provide custom software solutions;
- legacy data management product providers; and
- strategic and technology partners who may also offer our competitors' technology or otherwise partner with them, including our strategic partners who may offer a substantially similar solution based on a competitor's technology or internally developed technology that is competitive with ours.

Our primary competition is largely do-it-yourself, custom-developed, company-specific AI platforms and applications developed by internal IT organizations. Such efforts usually involve the integration of internally developed tools, open source solutions, and point solutions offered by independent software vendors, and/or components offered in the AWS, Azure, or Google cloud platforms. Frequently these efforts will be managed as professional service projects by organizations like Accenture or Lockheed Martin. These tend to be very costly and time-consuming software engineering projects, often fail, and, if at all successful, usually require many years to realize economic return. Most of our customers have tried and failed at one or more such bespoke development efforts, sometimes at great expense, before turning to C3 AI for their AI solution.

We are unaware of any end-to-end Enterprise AI development platforms that are directly competitive with the C3 AI Suite. The commercial product offerings that were formerly positioned as functionally equivalent to C3 AI were GE Predix and IBM Watson, both multi-billion dollar software engineering efforts backed by massive promotional campaigns; however, we do not encounter them in competitive situations.

Sales Alliances

Strategic partnerships are core to our growth strategy with market-leading companies offering highly leveraged distribution channels to various markets. Examples of these partnerships are listed below:

- *Baker Hughes: Oil, Gas, and Chemicals.* In 2019, we a formed a strategic alliance with Baker Hughes, a $24 billion oil and gas services company. Under the terms of this alliance, Baker Hughes has standardized on C3 AI for all internal use AI applications. In addition, we are jointly marketing and selling a range of Enterprise AI solutions to address the entire value of upstream, mid-stream, and downstream activity under the BHC3.ai brand to oil and gas companies globally with the active engagement of Baker Hughes, which has a 12,000-person sales organization.
- *FIS: Financial Services.* In September 2020, we entered into a strategic alliance with FIS, a $10.3 billion technology provider to the global financial services industry whose systems process 75 billion transactions per year worth $9 trillion. This alliance brings together the extensive financial services domain expertise of FIS with C3 AI's Enterprise AI expertise to market and deploy the C3 AI Suite and C3 AI Applications, including C3 AI Anti-Money Laundering and C3 AI Securities Lending Optimization, into financial services businesses. FIS will also utilize the C3 AI Suite to develop AI applications.
- *Infor: Manufacturing.* In March 2021, we announced a wide-ranging strategic alliance with Infor, an ERP technology cloud leader. Infor plans to market, license, and deploy C3 AI prebuilt solutions to Infor customers under the Infor brand and to explore new solutions using the C3 AI Suite. Infor and C3 AI expect to leverage both companies' existing digital portfolios to collaborate on new integrated enterprise AI applications that can support specific industry needs. The initial focus will be on predictive maintenance surrounding Internet of Things (IoT) systems with the goal of providing a more proactive and accurate maintenance strategy within Infor's EAM (Enterprise Asset Management) solution.
- *AWS, Intel, and Microsoft.* In addition, we have announced global alliances with AWS, Intel, and Microsoft to jointly market, sell, and service our combined offerings across industry verticals.

In the majority of our sales opportunities we are aligned with one or more of our partners.

Thought Leadership

Our CEO, Tom Siebel, and our Chief Technology Officer, Ed Abbo, are recognized leaders in information technology, facilitating broad market validation by media, analysts, and industry groups. Their decades of technology leadership in enterprise software position them well to engage strategically with the executive leadership of leading corporations and government entities.

We have launched a communications strategy with the objective of establishing thought leadership in Enterprise AI and Digital Transformation. We believe our CEO's bestselling book, *Digital Transformation: Survive and Thrive in an Era of Mass Extinction*, has contributed to this effort. Digital Transformation is soon to be released for publication in French, Chinese, Russian, and Korean.

We will continue to expand our thought leadership in Enterprise AI through ongoing publications, industry conferences, advertising, keynote speeches, media interviews, television appearances, blog posts, and contributed articles.

Growth Strategy

We are substantially investing in the expansion of our direct enterprise sales and service organization both geographically and across vertical markets to expand the use of C3 AI solutions within existing customers and establish new customer relationships.

We are growing a middle market sales organization to address the needs of divisions of large organizations in addition to small and medium businesses.

We will expand our leveraged distribution channel with additional distribution partners.

We will continue to develop high volume distribution channels including digital marketing, telesales, and strategic distributors, particularly to address the needs of small and medium businesses.

We are bringing new product families to market, such as C3 AI CRM powered by Microsoft Dynamics 365 and Adobe Experience Cloud, that we believe will develop into substantial recurring revenue streams for C3 AI.

We expect to form additional strategic development and distribution agreements, like those we have in place with Microsoft and Baker Hughes, that we expect will provide us highly leveraged access to other vertical and horizontal markets.

We continue to invest heavily in research and development to maintain technology leadership. Our product roadmap includes a wide range of new functions and products to be released in the coming years that we expect to contribute to revenue growth with both new and existing customers.

University Relations: C3.ai Digital Transformation Institute

Established in February 2020, the C3.ai Digital Transformation Institute, or C3.ai DTI, is a research consortium dedicated to accelerating the benefits of artificial intelligence for business, government, and society. C3.ai DTI engages the world's leading scientists to conduct research and train practitioners in the new Science of Digital Transformation, which operates at the intersection of artificial intelligence, machine learning, cloud computing, internet of things, big data analytics, organizational behavior, public policy, and ethics.

The nine C3.ai DTI consortium member universities and laboratories are: University of Illinois at Urbana-Champaign, or UIUC, University of California, Berkeley, Carnegie Mellon University, Lawrence Berkeley National Laboratory, Massachusetts Institute of Technology, National Center for Supercomputing Applications, or NCSA, at UIUC, Princeton University, Stanford University, and the University of Chicago. Industry partners include C3 AI and Microsoft. To support C3.ai DTI, C3 AI is providing C3.ai DTI $57,250,000 in cash contributions over the first five years of operation. C3 AI and Microsoft will contribute an additional in-kind support, including use of the C3 AI Suite and Azure computing, storage, and technical resources to support C3.ai DTI research.

The goal of C3.ai DTI is to develop the field of Digital Transformation Science by leveraging laboratory and research facilities at UC Berkeley, UIUC, and consortium institutions. C3.ai DTI forms dynamic teams of the world's best researchers to interact with faculty and students to advance AI techniques for industrial, commercial, and public sector applications. At the heart of C3.ai DTI is a constant flow of new ideas and expertise provided by ongoing research, visiting scholars and research scientists, and educational programs. This rich ecosystem focuses on addressing some of the complex issues inherent in the digital transformation of society and developing the new Science of Digital Transformation. C3.ai DTI focuses research on the intersection of artificial intelligence, machine learning, internet of things, cloud computing, big data analytics, organizational behavior, public policy, and ethics.

Specifically, C3.ai DTI supports the development of machine learning algorithms, data security, and cybersecurity techniques to address and advance solutions related to predictive analytics, resilient operation under faults and cyberattack, and assured system security. C3.ai DTI research is engaged in analyzing new business operation models, developing methods for organizational change management, developing advanced methods of protecting privacy, and advancing dialog related to the ethical implications of AI. Central to C3.ai DTI's research is the development and validation of algorithms and designs that can dramatically affect societal systems.

In addition to contributing to the public good, C3.ai DTI exposes the capabilities of our AI Suite and AI Applications to potentially thousands of researchers, undergraduates, and graduate students at these world-renowned institutions. This helps to further build the community of C3 AI users and to establish C3 AI as the standard for developing and deploying large-scale Enterprise AI applications to solve the world's hardest problems.

C3.ai DTI Research Award Program

Through a Call for Research Proposals managed by UC Berkeley and UIUC, C3.ai DTI annually awards up to 26 grants, ranging from $100,000 to $500,000 and for 12 months in duration. In addition to the grants, C3.ai DTI provides recipients with significant cloud computing, supercomputing, data, and software resources. This includes unlimited use of the C3 AI Suite, free access to Azure, and access to the NCSA Blue Waters supercomputer at UIUC and the NERSC Perlmutter supercomputer at Lawrence Berkeley National Laboratory. Multidisciplinary and multi-institution projects are favored. Recipients are encouraged to conduct breakthrough research and to pursue and establish larger research projects with federal and other funding sources. Award recipients disseminate the results of their research during the award period, and all research results, methods, and algorithms, including algorithms and software from their research, are made available in the public domain (non-exclusive, royalty-free).

C3.ai DTI has initially funded 26 research projects to develop new AI techniques to address the challenges of the COVID-19 pandemic.

C3.ai DTI Visiting Scholars Program

C3.ai DTI Visiting Scholars participate in scholarly activities to promote the Science of Digital Transformation, including conducting research, organizing workshops, and developing curricula. All research results and curriculum development, including methods, algorithms, and software resulting from the collaborative research conducted by C3.ai DTI Visiting Scholars are made freely available in the public domain.

C3.ai DTI Data Analytics Platform

C3.ai DTI hosts an elastic cloud, big data, development, and operating platform, including the C3 AI Suite hosted in an Azure instance, for the purpose of supporting C3.ai DTI research, curriculum development, and classwork. In addition, UC Berkeley and UIUC provide additional cloud computing and storage resources as well as use of the National Energy Research Supercomputer NERSC-9 Perlmutter at Lawrence Berkeley National Laboratory and the NCSA Blue Waters at UIUC. These resources are available to award recipients to conduct research on the development of machine learning algorithms, data security techniques, and cybersecurity methodologies related specifically to AI and IoT. The AI/ML and data analytics platform will also serve as an instructional and research platform for Digital Transformation Science courses.

Government Regulation

Our business activities are subject to various federal, state, local, and foreign laws, rules, and regulations. Compliance with these laws, rules, and regulations has not had, and is not expected to have, a material effect on our capital expenditures, results of operations and competitive position as compared to prior periods. Nevertheless, compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, consumer and data protection, and taxes, could have a material impact on our business in subsequent periods. For more information on the potential impacts of government regulations affecting our business, see the section titled “Risk Factors” contained in Part I, Item 1A of this Annual Report on Form 10-K.

Available Information

Our website address is located at www.c3.ai, and our investor relations website is located at ir.c3.ai. We file electronically with the SEC our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. We make available on our investor relations website, free of charge, copies of these reports and other information as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC. These filings with the SEC are also available on the SEC’s website located at www.sec.gov.

We announce material information to the public through a variety of means, including filings with the SEC, press releases, public conference calls, our website (c3.ai) and the investor relations section of our website (ir.c3.ai). We use these channels to communicate with investors and the public about our company, our products and services and other matters. Therefore, we encourage investors, the media and others interested in our company to review the information we make public in these locations, as such information could be deemed to be material information. Further, corporate governance information, including our corporate governance guidelines, code of business conduct and ethics, and committee charters, is also available on our investor relations website.

The content of or accessible through our websites are not incorporated by reference into this Annual Report on Form 10-K or in any other report or document we file with the SEC, and any references to our websites are intended to be inactive textual references only.

ITEM 1A. RISK FACTORS

You should consider carefully the risks and uncertainties described below, together with all of the other information in this Annual Report on Form 10-K, including the section titled “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes. Our business, results of operations, financial condition and prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. Unless otherwise indicated, references to our business being harmed in these risk factors will include harm to our business, C3 AI Suite, C3 AI Applications, reputation, brand, financial condition, results of operations, and prospects. In such event, the market price of our Class A common stock could decline, and you could lose all or part of your investment.

Risks Related to Our Business and Our Industry

We have a limited operating history, which makes it difficult to evaluate our prospects and future results of operations.

We were founded in 2009. As a result of our limited operating history, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for and model future growth. Our historical revenue growth should not be considered indicative of our future performance. Further, in future periods, we expect our revenue growth to slow. A number of factors could cause our growth rate to be adversely impacted, including any reduction in demand for our C3 AI Suite and C3 AI Applications, increased competition, contraction of our overall market, our inability to accurately forecast demand for our C3 AI Suite and C3 AI Applications, or our failure, for any reason, to capitalize on growth opportunities. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as the risks and uncertainties described herein. If our assumptions regarding these risks and uncertainties, which we use to plan our business, are incorrect or change, or if we do not address these risks successfully, our business would be harmed.

Historically, a limited number of customers have accounted for a substantial portion of our revenue. If existing customers do not renew their contracts with us, or if our relationships with our largest customers are impaired or terminated, our revenue could decline, and our results of operations would be adversely impacted.

We derive a significant portion of our revenue from a limited number of existing customers. Our top two market partners, each of which has an enterprise agreement with us that may encompass multiple customers, together accounted for 31% and 36% of our revenue for the fiscal years ended April 30, 2021 and 2020, respectively. Further, these partners have been with us for an average of 3.9 years. Each of Baker Hughes Company, or Baker Hughes, and Engie accounted for greater than 10% of our revenue for fiscal years ended April 30, 2021 and 2020. In June 2016, we entered into a master license and services agreement with Engie whereby Engie partners with us to support their digital transformation with a non-exclusive, worldwide license to our C3 AI Suite and certain C3 AI Applications. This arrangement was revised in June 2019 to extend the term by an additional three years for a total of six years. Our master license and services agreement with Engie is terminable by either party upon 30 days' written notice if the other party materially breaches the agreement or applicable order form and does not cure such breach prior to the end of that 30 day period, and under certain circumstances in connection with a change of control of either party. In April 2019, we entered into a professional services agreement with Engie pursuant to which we develop a customized application for Engie on our C3 AI Suite. This arrangement has a three year term and permits Engie to terminate the contract at the start of the third year subject to a wind down fee of approximately €2.5 million payable by Engie. In October 2020, we entered into a professional services agreement with Engie pursuant to which we develop another customized application for Engie on our C3 AI Suite. This arrangement has a five year term and permits Engie to terminate the contract after the 20th month. Certain of our customers, including customers that, at the time, represented a significant portion of our business, have in the past reduced their spend with us or decided to not renew their subscriptions with us, which has reduced our anticipated future payments or revenue from these customers. It is not possible for us to predict the future level of demand from our larger customers for our C3 AI Suite and C3 AI Applications. In addition, our average total subscription contract value is decreasing, and we expect it to continue to decrease as we expand our customer base beyond a small number of large customers to a larger number of smaller customers.

Our commercial customers typically purchase three-year subscriptions which generally do not provide for a right to terminate the subscription for convenience. Our customers generally have no obligation to renew, upgrade, or expand their subscriptions with us after the terms of their existing subscriptions expire. In addition, our customers may opt to decrease their usage of our C3 AI Suite and C3 AI Applications. As a result, we cannot provide assurance that our customers will renew, upgrade, or expand their subscriptions with us, if they renew at all. If one or more of our customers elect not to renew their subscriptions with us, or if our customers renew their subscriptions with us for shorter time periods, or if our customers decrease their usage of our C3 AI Suite and C3 AI Applications, or if our customers otherwise seek to renegotiate terms of their existing agreements on terms less favorable to us, our business and results of operations would be adversely affected. This adverse impact would be even more pronounced for customers that represent a material portion of our revenue or business operations.

Our business depends on our ability to attract new customers and on our existing customers purchasing additional subscriptions from us and renewing their subscriptions.

To increase our revenue, we must continue to attract new customers. Our success will depend to a substantial extent on the widespread adoption of our C3 AI Suite and C3 AI Applications. Although demand for data management, machine learning, analytics, and artificial intelligence platforms and applications has grown in recent years, the market for these platforms and applications continues to evolve. Numerous factors may impede our ability to add new customers, including but not limited to, our failure to compete effectively against alternative products or services, failure to attract and effectively train new sales and marketing personnel, failure to develop or expand relationships with partners and resellers, failure to successfully innovate and deploy new applications and other solutions, failure to provide a quality customer experience and customer support, or failure to ensure the effectiveness of our marketing programs. If we are not able to attract new customers, it will have an adverse effect on our business, financial condition and results of operations.

In addition, our future success depends on our ability to sell additional subscriptions for our C3 AI Suite and C3 AI Applications to our existing customers, and our customers renewing their subscriptions when the contract term expires. Our commercial customers typically purchase three-year subscriptions which generally do not provide for a right to terminate the subscription for convenience. Our customers generally have no contractual obligation to renew, upgrade, or expand their subscriptions after the terms of their existing subscriptions expire. In addition, our customers may opt to decrease their usage of our C3 AI Suite and C3 AI Applications. Given our limited operating history, we may not be able to accurately predict customer renewal rates. Our customers' renewal and expansion commitments may decline or fluctuate as a result of a number of factors, including, but not limited to, their satisfaction with our C3 AI Suite, applications and our customer support, the frequency and severity of software and implementation errors or other reliability issues, the pricing of our subscriptions or competing solutions, changes in their IT budget, the effects of global economic conditions, and our customers' financial circumstances, including their ability to maintain or expand their spending levels or continue their operations. In order for us to maintain or improve our results of operations, it is important that our customers renew or expand their subscriptions with us. If our customers do not purchase additional subscriptions or seats or increase their usage or our customers do not renew their subscriptions, our business, financial condition, and results of operations may be harmed.

We have limited historical experience with supporting or selling to smaller, non-enterprise customers. We intend to grow our customer base and further contribute to our overall growth by introducing product offerings with a lower entry price point, such as our no-code offering C3 AI Ex Machina. However, by broadening our customer base to include smaller or mid-size customers pursuant to C3 AI Ex Machina or similar offerings, we will be faced with risks that may not be present or that are present to a lesser extent with respect to sales to large organizations. For example, purchases of our C3 AI Ex Machina offering do not typically require the customer to sign a three-year subscription. Because of our limited experience in supporting or selling to smaller, non-enterprise customers, we may be unsuccessful in our efforts to get future smaller customers to renew or expand their subscriptions to our offerings. If such customers do not renew their agreements or renew on less favorable terms or for less usage, our revenue may grow more slowly than expected or decline, and our business, financial condition, and results of operations may be harmed.

Achieving renewal or expansion of usage and subscriptions may require us to engage increasingly in sophisticated and costly sales and support efforts that may not result in additional sales. In addition, the rate at which our customers expand the deployment of our C3 AI Suite and C3 AI Applications depends on a number of factors. If our efforts to expand our relationships with our customers are not successful, our business, financial condition, and results of operations may be harmed.

Because we derive substantially all of our revenue from our C3 AI Suite and C3 AI Applications, failure of Enterprise AI solutions in general and our C3 AI Suite and C3 AI Applications in particular to satisfy customer demands or to achieve increased market acceptance would adversely affect our business, results of operations, financial condition, and growth prospects.

We derive and expect to continue for the foreseeable future to derive substantially all of our revenue from our C3 AI Suite and C3 AI Applications. As such, the market acceptance of Enterprise AI solutions in general, and our C3 AI Suite and C3 AI Applications in particular, are critical to our continued success. Market acceptance of an Enterprise AI solution depends in part on market awareness of the benefits that Enterprise AI can provide over legacy products, emerging point products, and manual processes. In addition, in order for cloud-based Enterprise AI solutions to be widely accepted, organizations must overcome any concerns with placing sensitive information on a cloud-based platform. In addition, demand for our platform in particular is affected by a number of other factors, some of which are beyond our control. These factors include continued market acceptance of our C3 AI Suite and C3 AI Applications, the pace at which existing customers realize benefits from the use of our platform and decide to expand deployment of our platform across their business, the timing of development and release of new products by our competitors, technological change, reliability and security, the pace at which enterprises undergo digital transformation, and developments in data privacy regulations. In addition, we expect that the needs of our customers will continue to rapidly change and increase in complexity. We will need to improve the functionality and performance of our platform continually to meet those rapidly changing, complex demands. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of Enterprise AI solutions in general or our platform in particular, our business operations, financial results, and growth prospects will be materially and adversely affected.

Our current C3 AI Suite and C3 AI Applications, as well as applications, features, and functionality that we may introduce in the future, may not be widely accepted by our customers or may receive negative attention or may require us to compensate or reimburse third parties, any of which may lower our margins and harm our business.

Our ability to engage, retain, and increase our base of customers and to increase our revenue will depend on our ability to successfully create new applications, features, and functionality, both independently and together with third parties. We may introduce significant changes to our existing C3 AI Suite and C3 AI Applications or develop and introduce new and unproven applications, including technologies with which we have little or no prior development or operating experience. These new applications and updates may fail to engage, retain, and increase our base of customers or may create lag in adoption of such new applications. New applications may initially suffer from performance and quality issues that may negatively impact our ability to market and sell such applications to new and existing customers. The short- and long-term impact of any major change to our C3 AI Suite and C3 AI Applications, or the introduction of new applications, is particularly difficult to predict. If new or enhanced applications fail to engage, retain, and increase our base of customers, we may fail to generate sufficient revenue, operating margin, or other value to justify our investments in such applications, any of which may harm our business in the short term, long term, or both.

In addition, our current C3 AI Suite and C3 AI Applications, as well as applications, features, and functionality that we may introduce in the future, may require us to compensate or reimburse third parties. In addition, new applications that we introduce in the future may similarly require us to compensate or reimburse third parties, all of which would lower our profit margins for any such new applications. If this trend continues with our new and existing C3 AI Suite and C3 AI Applications, it could harm our business.

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

We incurred net losses in each period since our founding in 2009. We generated net losses of approximately $55.7 million and $69.4 million for the fiscal years ended April 30, 2021 and 2020, respectively, and expect to continue to incur net losses for the foreseeable future. As a result, we had an accumulated deficit of $349.3 million as of April 30, 2021. These losses and accumulated deficit reflect the substantial investments we made to acquire new customers, commercialize our C3 AI Suite and C3 AI Applications, and continue to develop our C3 AI Suite and C3 AI Applications. While we have experienced revenue growth in recent periods, we do not know whether or when we will generate sufficient revenue to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs and expenses to increase in future periods, which could negatively affect our future results of operations if our revenue does not increase. In particular, we intend to continue to expend significant funds to further develop our C3 AI Suite and C3 AI Applications and business, including:

- investments in our research and development team and in the development of new features and enhancements of our C3 AI Suite and C3 AI Applications, including the hiring of additional development staff, and fees paid to third parties for related enhancements;
- investments in sales, marketing, and services, including expanding our sales force and our customer service team, increasing our customer base, increasing market awareness of our C3 AI Suite and C3 AI Applications, and development of new technologies;
- expanding our operations and infrastructure; and
- hiring additional employees.

We will also face increased compliance costs associated with growth, the expansion of our customer base, and being a public company. Our efforts to grow our business may be costlier than we expect, our revenue growth may be slower than we expect, and we may not be able to increase our revenue enough to offset our increased operating expenses. We may incur significant losses in the future for a number of reasons, including the other risks described herein, and unforeseen expenses, difficulties, complications or delays, and other unknown events. If we are unable to achieve and sustain profitability, the value of our business and Class A common stock may significantly decrease.

We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition and results of operations.

The market for our products is intensely competitive and characterized by rapid changes in technology, customer requirements, industry standards, and frequent new platform and application introductions and improvements. We anticipate continued competitive challenges from current competitors who address different aspects of our offerings, and in many cases, these competitors are more established and enjoy greater resources than we do. We also expect competitive challenges from new entrants into the industry. If we are unable to anticipate or effectively react to these competitive challenges, our competitive position could weaken, and we could experience a decline in our growth rate and revenue that could adversely affect our business and results of operations.

Our main sources of current and potential competition fall into several categories:

- internal IT organizations that develop internal solutions and provide self-support for their enterprises;

- commercial enterprise and point solution software providers;
- open source software providers with data management, machine learning, and analytics offerings;
- public cloud providers offering discrete tools and micro-services with data management, machine learning, and analytics functionality;
- system integrators that develop and provide custom software solutions;
- legacy data management product providers; and
- strategic and technology partners who may also offer our competitors' technology or otherwise partner with them, including our strategic partners who may offer a substantially similar solution based on a competitor's technology or internally developed technology that is competitive with ours.

Many of our existing competitors have, and some of our potential competitors could have, substantial competitive advantages such as:

- greater name recognition, longer operating histories, and larger customer bases;
- larger sales and marketing budgets and resources and the capacity to leverage their sales efforts and marketing expenditures across a broader portfolio of products;
- broader, deeper, or otherwise more established relationships with technology, channel, and distribution partners and customers;
- wider geographic presence or greater access to larger customer bases;
- greater focus in specific geographies or industries;
- lower labor and research and development costs;
- larger and more mature intellectual property portfolios; and
- substantially greater financial, technical, and other resources to provide support, to make acquisitions, hire talent, and to develop and introduce new products.

In addition, some of our larger competitors have substantially broader and more diverse platform and application offerings and may be able to leverage their relationships with distribution partners and customers based on other products or incorporate functionality into existing products to gain business in a manner that discourages potential customers from subscribing to our C3 AI Suite and C3 AI Applications, including by selling at zero or negative margins, bundling with other offerings, or offering closed technology platforms. Potential customers may also prefer to purchase from their existing suppliers rather than a new supplier regardless of platform or application performance or features. As a result, even if the features of our C3 AI Suite and C3 AI Applications are superior, potential customers may not purchase our offerings. These larger competitors often have broader product lines and market focus or greater resources and may therefore not be as susceptible to economic downturns or other significant reductions in capital spending by customers. If we are unable to sufficiently differentiate our solutions from the integrated or bundled products of our competitors, such as by offering enhanced functionality, performance or value, we may see a decrease in demand for our offerings, which could adversely affect our business, operating results, and financial condition.

Moreover, new innovative start-up companies, and larger companies that are making significant investments in research and development, may introduce products that have greater performance or functionality, are easier to implement or use, or incorporate technological advances that we have not yet developed or implemented, or may invent similar or superior technologies that compete with ours. Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources.

Some of our competitors have made or could make acquisitions of businesses that allow them to offer more competitive and comprehensive solutions. As a result of such acquisitions, our current or potential competitors may be able to accelerate the adoption of new technologies that better address customer needs, devote greater resources to bring these platforms and applications to market, initiate or withstand substantial price competition, or develop and expand their product and service offerings more quickly than we can. These competitive pressures in our market or our failure to compete effectively may result in fewer orders, reduced revenue and gross margins, and loss of market share. In addition, it is possible that industry consolidation may impact customers' perceptions of the viability of smaller or even mid-size software firms and consequently customers' willingness to purchase from such firms.

We may not compete successfully against our current or potential competitors. If we are unable to compete successfully, or if competing successfully requires us to take costly actions in response to the actions of our competitors, our business, financial condition, and results of operations could be adversely affected. In addition, companies competing with us may have an entirely different pricing or distribution model. Increased competition could result in fewer customer orders, price reductions, reduced operating margins, and loss of market share. Further, we may be required to make substantial additional investments in research, development, marketing, and sales in order to respond to such competitive threats, and we cannot assure you that we will be able to compete successfully in the future.

Our sales cycles can be long and unpredictable, particularly with respect to large subscriptions, and our sales efforts require considerable time and expense.

Our results of operations may fluctuate, in part, because of the complexity of customer problems that our C3 AI Suite and C3 AI Applications address, the resource-intensive nature of our sales efforts, the length and variability of the sales cycle for our C3 AI Suite and C3 AI Applications, and the difficulty in making short-term adjustments to our operating expenses. The timing of our sales is difficult to predict. The length of our sales cycle, from initial evaluation to payment for our subscriptions is generally six to nine months but can vary substantially from customer to customer and can extend over a number of years for some customers. Our sales efforts involve educating our customers about the use, technical capabilities, and benefits of our C3 AI Suite and C3 AI Applications. Customers often undertake a prolonged evaluation process, which frequently involves not only our C3 AI Suite and C3 AI Applications but also those of other companies. In addition, the size of potential customers may lead to longer sales cycles. For instance, we invest resources into sales to large organizations and large organizations typically undertake a significant evaluation and negotiation process due to their leverage, size, organizational structure and approval requirements, all of which can lengthen our sales cycle. We may also face unexpected deployment challenges with large organizations or more complicated deployment of our C3 AI Suite and C3 AI Applications. Large organizations may demand additional features, support services, and pricing concessions or require additional security management or control features. Some organizations may also require an on-premise solution rather than a cloud solution, which potentially requires additional implementation time and potentially a longer sales cycle. We may spend substantial time, effort and money on sales efforts to large organizations without any assurance that our efforts will produce any sales or that these customers will deploy our C3 AI Suite and C3 AI Applications widely enough across their organization to justify our substantial upfront investment. As a result, it is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers.

Individual sales tend to be large as a proportion of our overall sales, which impacts our ability to plan and manage cash flows and margins. These large individual sales have, in some cases, occurred in quarters or years subsequent to those we anticipated, or have not occurred at all. If our sales cycle lengthens or our substantial upfront investments do not result in sufficient revenue to justify our investments, our operating results could be adversely affected. In addition, within each quarter or year, it is difficult to project which month a deal will close. Therefore, it is difficult to determine whether we are achieving our quarterly or annual expectations until near the end of the applicable quarter or year. Most of our expenses are relatively fixed or require time to adjust. Therefore, if expectations for our business are not accurate, we may not be able to adjust our cost structure on a timely basis, and our margins and cash flows may differ from expectations.

Certain revenue metrics such as net dollar-based retention rate or annual recurring revenue may not be accurate indicators of our future financial results.

Other subscription-based software companies often report on metrics such as net dollar-based revenue retention rate, annual recurring revenue or other revenue metrics, and investors and analysts sometimes look to these metrics as indicators of business activity in a period for businesses such as ours. However, given our large average subscription contract value and our dependence on a small number of high-value customer contracts, these metrics are not accurate indicators of future revenue for any given period of time because the gain or loss of even a single high-value customer contract could cause significant volatility in these metrics. If investors and analysts view our business through these metrics, the trading price of our Class A common stock may be adversely affected.

Changes in our subscription or pricing models could adversely affect our operating results.

As the markets for our subscriptions grow, as new competitors introduce new products or services that compete with ours, or as we enter into new international markets, we may be unable to attract new customers at the same price or based on the same pricing model as we have historically used. Regardless of pricing model used, large customers may demand higher price discounts than in the past. As a result, we may be required to reduce our prices, offer shorter contract durations or offer alternative pricing models, which could adversely affect our revenue, gross margin, profitability, financial position, and cash flow.

We have limited experience with respect to determining the optimal prices for subscriptions for our C3 AI Suite and C3 AI Applications. In the past, we have been able to increase our prices for our C3 AI Suite and C3 AI Applications but we may choose not to introduce or be unsuccessful in implementing future price increases. Our competitors may introduce new products that compete with ours or reduce their prices, or we may be unable to attract new customers or retain existing customers based on our historical subscription and pricing models. Given our limited operating history and limited experience with our historical subscription and pricing models, we may not be able to accurately predict customer renewal or retention rates. As a result, we may be required or choose to reduce our prices or change our pricing model, which could harm our business, results of operations, and financial condition.

Our revenue growth depends in part on the success of our strategic relationships with third parties, including channel partners, and if we are unable to establish and maintain successful relationships with them, our business, operating results, and financial condition could be adversely affected.

We seek to grow our partner ecosystem as a way to grow our business. We anticipate that we will continue to establish and maintain relationships with third parties, such as channel partners, resellers, OEMs, system integrators, independent software and hardware vendors, and platform and cloud service providers. For example, in June 2019, we entered into a strategic collaboration with Baker Hughes whereby Baker Hughes operates as the exclusive channel partner and reseller of our C3 AI Suite and C3 AI Applications in the oil and gas industry and a non-exclusive reseller in other industries. This arrangement was revised in June 2020 to extend the term by an additional two years for a total of five years, with an expiration date in the fiscal year ending April 30, 2024. We also have strategic relationships with AWS, FIS, Google, Microsoft, Raytheon and Infor.

We plan to continue to establish and maintain similar strategic relationships in certain industry verticals and otherwise, and we expect our channel partners to become an increasingly important aspect of our business. However, these strategic relationships could limit our ability in the future to compete in certain industry verticals and, depending on the success of our third-party partners and the industries that those partners operate in generally, may negatively impact our business because of the nature of strategic alliances, exclusivity provisions, or otherwise. We work closely with select vendors to design solutions to specifically address the needs of certain industry verticals or use cases within those verticals. As our agreements with strategic partners terminate or expire, we may be unable to renew or replace these agreements on comparable terms, or at all. For instance, our C3 AI Suite and C3 AI Applications are marketed in the oil and gas industry on a co-branded basis with Baker Hughes. In the event of any termination, expiration, or renegotiation of the arrangement with Baker Hughes, we may lose the right to continue to co-brand our products in this industry, and it may be difficult for us to arrange for another channel partner to sell our C3 AI Suite and C3 AI Applications in the oil and gas industry in a timely manner, and we could lose brand awareness and sales opportunities during the transition.

Our future growth in revenue and ability to achieve and sustain profitability depends in part on our ability to identify, establish, and retain successful strategic partner relationships in the United States and internationally, which will take significant time and resources and involve significant risk. To the extent we do identify such partners, we will need to negotiate the terms of a commercial agreement with them under which the partner would distribute our C3 AI Suite and C3 AI Applications. We cannot be certain that we will be able to negotiate commercially attractive terms with any strategic partner, if at all. In addition, all channel partners must be trained to distribute our C3 AI Suite and C3 AI Applications. In order to develop and expand our distribution channel, we must develop and improve our processes for channel partner introduction and training. If we do not succeed in identifying suitable strategic partners or maintain our relationships with such partners, our business, operating results, and financial condition may be adversely affected.

Moreover, we cannot guarantee that the partners with whom we have strategic relationships will continue to devote the resources necessary to expand our reach and increase our distribution. In addition, customer satisfaction with services and other support from our strategic partners may be less than anticipated, negatively impacting anticipated revenue growth and results of operations. We cannot be certain that these partners will prioritize or provide adequate resources to selling our C3 AI Suite and C3 AI Applications. Further, some of our strategic partners offer competing platforms and applications or also work with our competitors. As a result of these factors, many of the companies with whom we have strategic alliances may choose to pursue alternative technologies and develop alternative platforms and applications in addition to or in lieu of our C3 AI Suite and C3 AI Applications, either on their own or in collaboration with others, including our competitors. We cannot assure you that our strategic partners will continue to cooperate with us. In addition, actions taken or omitted to be taken by such parties may adversely affect us. Moreover, we rely on our channel partners to operate in accordance with the terms of their contractual agreements with us. For example, our agreements with our channel partners limit the terms and conditions pursuant to which they are authorized to resell or distribute our C3 AI Suite and C3 AI Applications and offer technical support and related services. If we are unsuccessful in establishing or maintaining our relationships with third parties, or if our strategic partners do not comply with their contractual obligations to us, our business, operating results, and financial condition may be adversely affected. Even if we are successful in establishing and maintaining these relationships with third parties, we cannot assure you that these relationships will result in increased customer usage of our C3 AI Suite and C3 AI Applications or increased revenue to us.

In addition, some of our sales to government entities have been made, and in the future may be made, indirectly through our channel partners. Government entities may have statutory, contractual, or other legal rights to terminate contracts with our channel partners for convenience or due to a default, and, in the future, if the portion of government contracts that are subject to renegotiation or termination at the election of the government entity are material, any such termination or renegotiation may adversely impact our future operating results. In the event of such termination, it may be difficult for us to arrange for another channel partner to sell our C3 AI Suite and C3 AI Applications to these government entities in a timely manner, and we could lose sales opportunities during the transition. Government entities routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government entity refusing to renew its subscription to our C3 AI Suite and C3 AI Applications, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities.

If the market for our C3 AI Suite and C3 AI Applications fails to grow as we expect, or if businesses fail to adopt our C3 AI Suite and C3 AI Applications, our business, operating results, and financial condition could be adversely affected.

It is difficult to predict customer adoption rates and demand for our C3 AI Suite and C3 AI Applications, the entry of competitive platforms, or the future growth rate and size of the cloud-based software and software-as-a-service, or SaaS, business software markets. A substantial majority of our revenue has come from sales of our subscription-based software products, which we expect to continue for the foreseeable future. Although demand for data management, machine learning, and analytics platforms and applications has grown in recent years, the market for these platforms and applications continues to evolve. We cannot be sure that this market will continue to grow or, even if it does grow, that businesses will adopt our C3 AI Suite and C3 AI Applications. Our future success will depend in large part on our ability to further penetrate the existing market for Enterprise AI software, as well as the continued growth and expansion of what we believe to be an emerging market for Enterprise AI platforms and applications that are faster, easier to adopt, and easier to use. Our ability to further penetrate the Enterprise AI market depends on a number of factors, including the cost, performance, and perceived value associated with our C3 AI Suite and C3 AI Applications, as well as customers' willingness to adopt a different approach to data analysis. We have spent, and intend to keep spending, considerable resources to educate potential customers about digital transformation, artificial intelligence, and machine learning in general and our C3 AI Suite and C3 AI Applications in particular. However, we cannot be sure that these expenditures will help our C3 AI Suite and C3 AI Applications achieve any additional market acceptance. Furthermore, potential customers may have made significant investments in legacy analytics software systems and may be unwilling to invest in new platforms and applications. If the market fails to grow or grows more slowly than we currently expect or businesses fail to adopt our C3 AI Suite and C3 AI Applications, our business, operating results, and financial condition could be adversely affected.

If we fail to respond to rapid technological changes, extend our C3 AI Suite and C3 AI Applications or develop new features and functionality, our ability to remain competitive could be impaired.

The market for our C3 AI Suite and C3 AI Applications is characterized by rapid technological change and frequent new platform and application introductions and enhancements, changing customer demands, and evolving industry standards. The introduction of platforms and applications embodying new technologies can quickly make existing platforms and applications obsolete and unmarketable. Data management, machine learning, and analytics platforms and applications are inherently complex, and it can take a long time and require significant research and development expenditures to develop and test new or enhanced platforms and applications. The success of any enhancements or improvements to our existing C3 AI Suite and C3 AI Applications or any new applications depends on several factors, including timely completion, competitive pricing, adequate quality testing, integration with existing technologies, and overall market acceptance.

Our ability to grow our customer base and generate revenue from customers will depend heavily on our ability to enhance and improve our C3 AI Suite and C3 AI Applications, to develop additional functionality and use cases, introduce new features and applications and interoperate across an increasing range of devices, operating systems, and third-party applications. Our customers may require features and capabilities that our current C3 AI Suite and C3 AI Applications do not have or may face use cases that our current C3 AI Suite and C3 AI Applications do not address. We invest significantly in research and development, and our goal is to focus our spending on measures that improve quality and ease of adoption and create organic customer demand for our C3 AI Suite and C3 AI Applications. When we develop a new enhancement or improvement to our C3 AI Suite or applications, we typically incur expenses and expend resources upfront to develop, market and promote the new enhancement and improvement. Therefore, when we develop and introduce new enhancements and improvements to our C3 AI Suite and C3 AI Applications, they must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. There is no assurance that our enhancements to our C3 AI Suite and C3 AI Applications or our new application experiences, functionality, use cases, features, or capabilities will be compelling to our customers or gain market acceptance. If our research and development investments do not accurately anticipate customer demand, or if we fail to develop our C3 AI Suite and C3 AI Applications in a manner that satisfies customer preferences in a secure, timely and cost-effective manner, we may fail to retain our existing customers or increase demand for our C3 AI Suite and C3 AI Applications.

Moreover, even if we introduce new C3 AI Suite capabilities and C3 AI Applications, we may experience a decline in revenue from sales of our existing C3 AI Suite and C3 AI Applications that is not offset by revenue from the new C3 AI Suite capabilities or applications. For example, customers may delay ordering subscriptions of new C3 AI Suite capabilities or applications to permit them to make a more thorough evaluation of the C3 AI Suite and C3 AI Applications or until industry and marketplace reviews become widely available. Some customers may hesitate to migrate to new C3 AI Suite and C3 AI Applications due to concerns regarding the complexity of migration and suite or application infancy issues on performance. In addition, we may lose existing customers who choose a competitor’s AI platforms and applications rather than migrate to our new C3 AI Suite capabilities and applications. This could result in a temporary or permanent revenue shortfall and adversely affect our business.

Any failure of our C3 AI Suite and C3 AI Applications to operate effectively with future infrastructure platforms and technologies could reduce the demand for our C3 AI Suite and C3 AI Applications. If we are unable to respond to these changes in a timely and cost-effective manner, our C3 AI Suite and C3 AI Applications may become less marketable, less competitive, or obsolete, and our operating results may be adversely affected.

The introduction of new AI platforms and applications by competitors or the development of entirely new technologies to replace existing offerings could make our C3 AI Suite and C3 AI Applications obsolete or adversely affect our business, results of operations, and financial condition. We may experience difficulties with software development, design, or marketing that could delay or prevent our development, introduction, or implementation of new C3 AI Suite or application experiences, features, or capabilities. We have in the past experienced delays in our internally planned release dates of new features and capabilities, and there can be no assurance that new C3 AI Suite or C3 AI Application features or capabilities will be released according to schedule. Any delays could result in adverse publicity, loss of revenue or market acceptance, or claims by customers brought against us, all of which could harm our business. Moreover, new productivity features for our C3 AI Suite and C3 AI Applications may require substantial investment, and we have no assurance that such investments will be successful. If customers do not widely adopt our new C3 AI Suite and C3 AI Application features and capabilities, we may not be able to realize a return on our investment. If we are unable to develop, license, or acquire new features and capabilities to our C3 AI Suite and C3 AI Applications on a timely and cost-effective basis, or if such enhancements do not achieve market acceptance, our business could be harmed.

If we were to lose the services of our CEO or other members of our senior management team, we may not be able to execute our business strategy.

Our success depends in a large part upon the continued service of key members of our senior management team. In particular, our founder and CEO, Thomas M. Siebel, is critical to our overall management, sales strategy, culture, strategic direction, engineering, and operations. In addition, Mr. Siebel is a recognized leader in information technology and is critical to the continued development of our C3 AI Suite and C3 AI Applications. All of our executive officers are at-will employees, and we do not maintain any key person life insurance policies. The loss of any member of our senior management team could make it more difficult to execute our business strategy and, therefore, harm our business.

The failure to effectively develop and expand our marketing and sales capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our C3 AI Suite and C3 AI Applications.

Our ability to expand our customer base and achieve broader market acceptance of our C3 AI Suite and C3 AI Applications depends to a significant extent on our ability to continue to expand our marketing and sales operations and the ultimate effectiveness of those operations. We plan to continue expanding our sales force and strategic partners, both domestically and internationally.

Identifying and recruiting qualified sales representatives and training them is time consuming and resource intensive, and they may not be fully trained and productive for a significant amount of time. Our C3 AI Suite and C3 AI Applications are complicated and, as such, our sales force and operations require significant time and investment for proper recruitment, onboarding, and training in order for our sales operations to be productive. In addition, as we enter into new markets, expand the capabilities of our C3 AI Suite and offer new C3 AI Applications, we may need to identify and recruit additional sales and marketing efforts specific to such strategic expansion. Our efforts to do so may be increasingly resource intensive, time consuming, and ultimately unsuccessful. We also dedicate significant resources to sales and marketing programs, including internet and other online advertising. All of these efforts require us to invest significant financial and other resources. In addition, the cost to acquire customers is high due to these marketing and sales efforts. Our business will be harmed if our efforts do not generate a correspondingly significant increase in revenue. We will not achieve anticipated revenue growth from expanding our sales force if we are unable to hire, develop, and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time, or if our sales and marketing programs are not effective.

In addition, our business would be adversely affected if our marketing and sales efforts are not successful and generate increases in revenue that are smaller than anticipated. If our marketing and sales efforts are not effective, our sales and revenue may grow more slowly than expected or materially decline, and our business may be significantly harmed.

If we fail to develop, maintain, and enhance our brand and reputation cost-effectively, our business and financial condition may be adversely affected.

We believe that developing, maintaining, and enhancing awareness and integrity of our brand and reputation in a cost-effective manner are important to achieving widespread acceptance of our C3 AI Suite and C3 AI Applications and are important elements in attracting new customers and maintaining existing customers. We believe that the importance of our brand and reputation will increase as competition in our market further intensifies. Successful promotion of our brand depends on the effectiveness of our marketing efforts, our ability to provide a reliable and useful C3 AI Suite and C3 AI Applications at competitive prices, the perceived value of our C3 AI Suite and C3 AI Applications, our ability to maintain our customers' trust, our ability to continue to develop additional functionality and use cases and our ability to differentiate our C3 AI Suite and C3 AI Applications and capabilities from competitive offerings. Brand promotion activities may not yield increased revenue, and even if they do, the increased revenue may not offset the expenses we incur in building and maintaining our brand and reputation. We also rely on our customer base in a variety of ways, including to give us feedback on our C3 AI Suite and C3 AI Applications. If we fail to promote and maintain our brand successfully or to maintain loyalty among our customers, or if we incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract new customers and partners or retain our existing customers and partners and our business and financial condition may be adversely affected. Any negative publicity relating to our employees, partners, or others associated with these parties, may also tarnish our own reputation simply by association and may reduce the value of our brand. Damage to our brand and reputation may result in reduced demand for our C3 AI Suite and C3 AI Applications and increased risk of losing market share to our competitors. Any efforts to restore the value of our brand and rebuild our reputation may be costly and may not be successful.

We also enter into strategic relationships in which we co-brand our products. If these relationships terminate, it may have an adverse effect on our brand. For example, our C3 AI Suite and C3 AI Applications are marketed in the oil and gas industry on a co-branded basis with Baker Hughes. In the event of any termination or expiration of the arrangement with Baker Hughes, we may lose the right to continue using the co-brand to market and sell our C3 AI Suite and C3 AI Applications in the oil and gas industry, and it may be difficult for us to arrange for another channel partner to sell our C3 AI Suite and C3 AI Applications in the oil and gas industry in a timely manner, and we could lose brand awareness and sales opportunities during the transition, which could potentially harm our business.

We may not successfully manage our growth or plan for future growth.

Since our founding in 2009, we have experienced rapid growth. For example, our headcount has grown to 574 full-time employees as of April 30, 2021, with employees located both in the United States and internationally. The growth and expansion of our business places a continuous and significant strain on our management, operational, and financial resources. Further growth of our operations to support our customer base, our expanding third-party relationships, our information technology systems, and our internal controls and procedures may not be adequate to support our operations. Managing our growth will also require significant expenditures and allocation of valuable management resource, including the challenges of integrating, developing, and motivating a rapidly growing employee base in various countries around the world. Certain members of our management have not previously worked together for an extended period of time, and some do not have experience managing a public company, which may affect how they manage our growth.

In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business would be harmed.

If we are unable to ensure that our C3 AI Suite and C3 AI Applications interoperate with a variety of software applications that are developed by others, including our partners, we may become less competitive and our results of operations may be harmed.

Our C3 AI Suite and C3 AI Applications must integrate with a variety of hardware and software platforms, and we need to continuously modify and enhance our C3 AI Suite and C3 AI Applications to adapt to changes in hardware and software technologies. In particular, we have developed our C3 AI Suite and C3 AI Applications to be able to easily integrate with key third-party applications, including the applications of software providers that compete with us as well as our partners. We are typically subject to standard terms and conditions of such providers, which govern the distribution, operation, and fees of such software systems, and which are subject to change by such providers from time to time. Our business will be harmed if any provider of such software systems:

- discontinues or limits our access to its software;
- modifies its terms of service or other policies, including fees charged to, or other restrictions on us, or other platform and application developers;
- changes how information is accessed by us or our customers;
- establishes more favorable relationships with one or more of our competitors; or
- develops or otherwise favors its own competitive offerings over our C3 AI Suite and C3 AI Applications.

Third-party services and products are constantly evolving, and we may not be able to modify our C3 AI Suite and C3 AI Applications to assure their compatibility with that of other third parties as they continue to develop or emerge in the future or we may not be able to make such modifications in a timely and cost-effective manner. In addition, some of our competitors may be able to disrupt the operations or compatibility of our C3 AI Suite and C3 AI Applications with their products or services, or exert strong business influence on our ability to, and terms on which we, operate our C3 AI Suite. Should any of our competitors modify their products or standards in a manner that degrades the functionality of our C3 AI Suite and C3 AI Applications or gives preferential treatment to our competitors or competitive products, whether to enhance their competitive position or for any other reason, the interoperability of our C3 AI Suite and C3 AI Applications with these products could decrease and our business, results of operations, and financial condition would be harmed. If we are not permitted or able to integrate with these and other third-party applications in the future, our business, results of operations, and financial condition would be harmed.

Our ability to sell subscriptions to our C3 AI Suite and C3 AI Applications could be harmed by real or perceived material defects or errors in our C3 AI Suite and C3 AI Applications.

The software technology underlying our C3 AI Suite and C3 AI Applications is inherently complex and may contain material defects or errors, particularly when new applications are first introduced, when new features or capabilities are released, or when integrated with new or updated third-party hardware or software. There can be no assurance that our existing C3 AI Suite and C3 AI Applications and new applications will not contain defects or errors. Any real or perceived errors, failures, vulnerabilities, or bugs in our C3 AI Suite and C3 AI Applications could result in negative publicity or lead to data security, access, retention, or other performance issues, all of which could harm our business. Correcting such defects or errors may be costly and time-consuming and could harm our business. Moreover, the harm to our reputation and legal liability related to such defects or errors may be substantial and would harm our business.

The failure to attract and retain additional qualified personnel or to maintain our company culture could harm our business and culture and prevent us from executing our business strategy.

To execute our business strategy, we must attract and retain highly qualified personnel. Competition for executives, data scientists, engineers, software developers, sales personnel, and other key employees in our industry is intense. In particular, we compete with many other companies for employees with high levels of expertise in designing, developing and managing platforms and applications for data management, machine learning, and analytics technologies, as well as for skilled data scientists, sales, and operations professionals. In addition, we are extremely selective in our hiring process which requires significant investment of time and resources from internal stakeholders and management. At times, we have experienced, and we may continue to experience, difficulty in hiring personnel who meet the demands of our selection process and with appropriate qualifications, experience, or expertise, and we may not be able to fill positions as quickly as desired. We recently completed our initial public offering and potential candidates may not perceive our compensation package, including our equity awards, as favorably as employees hired prior to our initial public offering. In addition, our recruiting personnel, methodology, and approach may need to be altered to address a changing candidate pool and profile. We may not be able to identify or implement such changes in a timely manner.

Many of the companies with which we compete for experienced personnel have greater resources than we have, and some of these companies may offer more attractive compensation packages. If the perceived value of our equity awards declines, or if the mix of equity and cash compensation that we offer is unattractive, it may adversely affect our ability to recruit and retain highly skilled employees. Job candidates may also be threatened with legal action under agreements with their existing employers if we attempt to hire them, which could impact hiring and result in a diversion of our time and resources. Additionally, laws and regulations, such as restrictive immigration laws, or export control laws, may limit our ability to recruit internationally. We must also continue to retain and motivate existing employees through our compensation practices, company culture, and career development opportunities.

We believe that a critical component to our success and our ability to retain our best people is our culture. As we continue to grow and develop a public company infrastructure, we may find it difficult to maintain our company culture.

In addition, many of our employees may be able to receive significant proceeds from sales of our equity in the public markets after our recent initial public offering, which may reduce their motivation to continue to work for us. Moreover, the proceeds from our recent initial public offering could create disparities in wealth among our employees, which may harm our culture and relations among employees and our business.

If we fail to attract new personnel or to retain our current personnel, our business would be harmed.

Our annual and quarterly results and key metrics are likely to fluctuate significantly and may not fully reflect the underlying performance of our business.

Our annual and quarterly results of operations and key metrics may vary significantly in the future as they have in the past, particularly in light of our dependence on a limited number of high-value customer contracts, and period-to-period comparisons of our results of operations and key metrics may not be meaningful. Accordingly, the results of any one year or quarter should not be relied upon as an indication of future performance. Our results of operations and key metrics may fluctuate as a result of a variety of factors, many of which are outside of our control, and as a result, may not fully reflect the underlying performance of our business. Fluctuation in our annual or quarterly results may negatively impact the value of our securities. Factors that may cause fluctuations in our annual or quarterly results of operations and key metrics include, without limitation, the risk factors listed elsewhere in this section and the factors listed below:

- our ability to generate significant revenue from new offerings;

- our ability to expand our number of partners and distribution of our C3 AI Suite and C3 AI Applications;
- our ability to hire and retain employees, in particular those responsible for the selling or marketing of our C3 AI Suite and C3 AI Applications;
- our ability to develop and retain talented sales personnel who are able to achieve desired productivity levels in a reasonable period of time and provide sales leadership in areas in which we are expanding our sales and marketing efforts;
- changes in the way we organize and compensate our sales teams;
- the timing of expenses and recognition of revenue;
- our ability to increase sales to large organizations as well as increase sales to a larger number of smaller customers;
- the length of sales cycles and seasonal purchasing patterns of our customers;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations, and infrastructure, as well as international expansion and entry into operating leases;
- timing and effectiveness of new sales and marketing initiatives;
- changes in our pricing policies or those of our competitors;
- the timing and success of new platforms, applications, features, and functionality by us or our competitors;
- failures or breaches of security or privacy by us or our suppliers and business partners, and the costs associated with remediating any such failures or breaches;
- changes in the competitive dynamics of our industry, including consolidation among competitors;
- changes in laws and regulations that impact our business;
- any large indemnification payments to our users or other third parties;
- the timing of expenses related to any future acquisitions;
- health epidemics or pandemics, such as the coronavirus, or COVID-19, pandemic;
- civil unrest and geopolitical instability; and
- general political, economic, and market conditions.

We recognize revenue from subscriptions to our C3 AI Suite and C3 AI Applications over the terms of these subscriptions. Consequently, increases or decreases in new sales may not be immediately reflected in our results of operations and may be difficult to discern.

We recognize revenue from subscriptions to our C3 AI Suite and C3 AI Applications over the terms of these subscriptions, which is typically three years. As a result, a portion of the revenue we report in each year and each quarter is derived from the recognition of deferred revenue relating to subscriptions entered into during prior periods. Consequently, a decline in new or renewed subscriptions in any single year or quarter may only have a small impact on the revenue that we recognize for that period. However, such a decline will negatively affect our revenue in future periods. Accordingly, the effect of significant downturns in sales and potential changes in our pricing policies or rate of customer expansion or retention may not be fully reflected in our results of operations until future periods. In addition, a significant portion of our costs are expensed as incurred. As a result, growth in the number of new customers could continue to result in our recognition of higher costs and lower revenue in the earlier periods of our subscriptions. Finally, our subscription-based revenue model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers or from existing customers that increase their use of our C3 AI Suite and C3 AI Applications must be recognized over the applicable subscription term. These risks are further exacerbated by our dependence on high-value customer contracts.

Any failure to offer high-quality maintenance and support services for our customers may harm our relationships with our customers and, consequently, our business.

Once our C3 AI Suite and C3 AI Applications are deployed, our customers depend on our maintenance and support teams to resolve technical and operational issues relating to our C3 AI Suite and C3 AI Applications. Our ability to provide effective customer maintenance and support is largely dependent on our ability to attract, train, and retain qualified personnel with experience in supporting customers with our C3 AI Suite and C3 AI Applications such as ours and maintaining the same. The number of our customers has grown significantly and that has and will continue to put additional pressure on our customer maintenance and support teams. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for technical support or maintenance assistance. We also may be unable to modify the future, scope, and delivery of our maintenance services and technical support to compete with changes in the technical services provided by our competitors. Increased customer demand for maintenance and support services, without corresponding revenue, could increase costs and negatively affect our operating results. In addition, if we experience increased customer demand for support and maintenance, we may face increased costs that may harm our results of operations. Further, as we continue to grow our operations and support our global customer base, we need to be able to continue to provide efficient support and effective maintenance that meets our customers' needs globally at scale. Customers receive additional maintenance and support features, and the number of our customers has grown significantly, which will put additional pressure on our organization. If we are unable to provide efficient customer maintenance and support globally at scale or if we need to hire additional maintenance and support personnel, our business may be harmed. Our ability to attract new customers is highly dependent on our business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality maintenance and support services, a failure of channel parties to maintain high-quality maintenance and support services or a market perception that we do not maintain high-quality maintenance and support services for our customers, would harm our business.

The COVID-19 pandemic had and could continue to have an adverse impact on our business, our operations, and the markets and communities in which we, our partners, and our customers operate.

The COVID-19 pandemic has caused general business disruption worldwide beginning in January 2020. The ultimate impact and duration of the COVID-19 pandemic on the global economy and our business are difficult to assess or predict. Actual and potential impacts include:

- our customer prospects and our existing customers may experience slowdowns in their businesses, which in turn may result in reduced demand for our C3 AI Suite and C3 AI Applications, lengthening of sales cycles, loss of customers, and difficulties in collections;
- our employees are working from home significantly more frequently than they have historically, which may result in decreased employee productivity and morale, with increased unwanted employee attrition in addition to the increased risk of a cyberattack;
- we continue to incur fixed costs, particularly for real estate, and are deriving reduced or no benefit from those costs;
- we may continue to experience disruptions to our growth planning, such as for facilities and international expansion;
- we anticipate incurring costs in returning to work from our facilities around the world, including changes to the workplace, such as space planning, food service, and amenities;
- we may be subject to legal liability for safe workplace claims;
- our critical vendors or third-party partners could go out of business;
- in-person marketing events, including industry conferences, have been canceled, and we may continue to experience prolonged delays in our ability to reschedule or conduct in-person marketing events and other sales and marketing activities; and
- our marketing, sales, professional services, and support organizations are accustomed to extensive face-to-face customer and partner interactions, and conducting business virtually is unproven.

The impact of any of the foregoing, individually or collectively, could adversely affect our business, financial condition, and results of operations.

As a result of the COVID-19 pandemic, we temporarily closed our headquarters and other offices, required our employees and contractors to work remotely, and implemented travel restrictions, all of which represented a significant change in how we operate our business. The operations of our partners and customers have likewise been altered. As a result of global business disruption, the COVID-19 pandemic had a significant adverse impact on our conclusion of new and additional business agreements in 2020 and to date in 2021. While several nations and states have begun to relax restrictions imposed to control the spread of the virus, the COVID-19 pandemic may continue to pose challenges until the effects of the pandemic abate. The duration and extent of the COVID-19 pandemic will depend on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions, the emergence and spread of variants of the COVID-19 virus, and the effectiveness, acceptance, and availability of vaccines against the COVID-19 virus and its variants. The COVID-19 pandemic has already had an adverse effect on the global economy, and the ultimate societal and economic impact of the COVID-19 pandemic remains unknown. In particular, the conditions caused by this pandemic are likely to affect the rate of global IT spending and, despite the measures we have taken to limit or mitigate the impact, have had and could continue to have an adverse effect on the demand for our C3 AI Suite and C3 AI Applications, lengthen our sales cycles, reduce the value or duration of subscriptions, reduce the level of subscription renewals, negatively impact collections of accounts receivable, reduce expected spending from new customers, cause some of our paying customers to go out of business, limit the ability of our direct sales force to travel to customers and potential customers, and affect contraction or attrition rates of our paying customers, all of which could adversely affect our business, results of operations, and financial condition during fiscal 2022 and future periods.

Moreover, to the extent the COVID-19 pandemic adversely affects our business, financial condition, and results of operations, it may also have the effect of heightening many of the other risks described in this “Risk Factors” section, including but not limited to, those related to our ability to increase sales to existing and new customers, develop and deploy new offerings and applications and maintain effective marketing and sales capabilities.

Our actual or perceived failure to comply with privacy, data protection laws, regulations, and obligations could harm our business.

We collect, receive, store, process, generate, use, transfer, disclose, make accessible, protect, secure, dispose of and share, which we collectively refer to as Process or Processing, customers’ proprietary and sensitive data potentially including personal information, confidential information, protected health information, and financial data necessary to operate our business, for legal and marketing purposes, and for other business-related purposes.

Data privacy and regulation of privacy, information security and Processing have become significant issues in the United States, countries in Europe, and in other countries in which we operate. The legal and regulatory framework for privacy and security issues is rapidly evolving, and is expected to increase our compliance costs and exposure to liability. There are numerous federal, state, local, and international laws and regulations regarding privacy, data protection, information security and Processing, and protection of personal information and other content, or Data Protection Laws, the scope of which are changing, subject to differing interpretations and may be inconsistent among countries, or conflict with other rules. We are or may also be subject to the terms of our external and internal privacy and security policies, codes, representations, certifications, industry standards, publications and frameworks, or Privacy Policies, and contractual obligations to third parties related to privacy, data protection, and information security-and Processing, including contractual obligations to indemnify and hold harmless third parties from the costs or consequences of non-compliance with Data Protection Laws or other obligations, or collectively, including Privacy Policies, Data Protection Obligations. We expect that there will continue to be new Data Protection Obligations, and we cannot yet determine the impact such future Data Protection Obligations may have on our business. Any significant change to Data Protection Laws and Data Protection Obligations, including without limitation, regarding the manner in which the express or implied consent of customers for Processing is obtained, could increase our costs and require us to modify our operations, possibly in a material manner, which we may be unable to complete and may limit our ability to store and Process data and operate our business.

Data Protection Laws and data protection worldwide are, and are likely to remain, uncertain for the foreseeable future, and our actual or perceived failure to address or comply with these laws could: increase our compliance and operational costs; limit our ability to market our products or services and attract new and retain current customers; limit or eliminate our ability to Process data; expose us to regulatory scrutiny, actions, investigations, fines and penalties; result in reputational harm; lead to a loss of business result in litigation and liability, including class action litigation; cause to incur significant costs, expenses and fees (including attorney fees); cause a material adverse impact to business operations or financial results, and; otherwise result in other material harm to our business, or Adverse Data Protection Impact.

We strive to comply with applicable Data Protection Laws, and Data Protection Obligations to the extent possible, but we may at times fail to do so, or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance and may otherwise face Adverse Data Protection Impacts if our employees, partners or vendors do not, or are perceived not to, comply with applicable Data Protection Laws and Data Protection Obligations. We may be subject to, and suffer a an Adverse Data Protection Impact if we fail (or are perceived to have failed) to comply with applicable Data Protection Laws or Data Protection Obligations, or if our Privacy Policies are, in whole or part, found to be inaccurate, incomplete, deceptive, unfair, or misrepresentative of our actual practices. In addition, any such failure or perceived failure could result in public statements against us by consumer advocacy groups, the media or others, which may cause us material reputational harm. Our actual or perceived failure to comply with Data Protection Laws or and Data Protection Obligations could also subject us to litigation, claims, proceedings, actions or investigations by governmental entities, authorities or regulators, which could result in an Adverse Data Protection Impact, including required changes to our business practices, the diversion of resources and the attention of management from our business, regulatory oversights and audits, discontinuance of necessary Processing, or other remedies that adversely affect our business.

We also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, information security and other aspects of data Processing proposed and enacted in various jurisdictions. In Europe, the General Data Protection Regulation (2016/679), or GDPR, went into effect in May 2018 and introduced strict requirements for Processing the personal data of European Union data subjects. The GDPR may apply to us to the extent we Process the personal data of European Union data subjects. Companies that must comply with the GDPR face increased compliance obligations and risk, including more robust regulatory enforcement of data protection requirements, an order prohibiting Processing of European data subject personal data and potential fines for noncompliance of up to €20 million or 4% of the annual global-revenues of the noncompliant company, whichever is greater. European data protection laws including the GDPR also generally prohibit the transfer of personal data from the European Economic Area, or EEA, to the United States-and most other countries unless the parties to the transfer have established a legal basis for the transfer and implemented specific safeguards to protect the transferred personal data. One of the primary mechanisms allowing U.S. companies to import personal information from Europe in compliance with the GDPR has been certification to the EU-U.S. Privacy Shield and Swiss-U.S. Privacy Shield frameworks administered by the U.S. Department of Commerce. However, the Court of Justice of the European Union, in the “Schrems II” ruling, invalidated framework in July 2020. The Swiss Federal Data Protection and Information Commissioner also has opined that the Swiss-U.S. Privacy Shield is inadequate for transfers of data from Switzerland to the U.S. Authorities in the United Kingdom, whose data protection laws are similar to those of the European Union, may similarly invalidate use of the EU-U.S. Privacy Shield as mechanisms for lawful personal information transfers from those countries to the United States.

The Schrems II decision also raised questions about whether one of the primary alternatives to the EU-U.S. Privacy Shield, namely, the European Commission’s Standard Contractual Clauses, can lawfully be used for personal information transfers from Europe to the United States or most other countries. At present, there are few, if any, viable alternatives to the EU-U.S. Privacy Shield and the Standard Contractual, or SCCs. The European Commission recently proposed updates to the SCCs, and additional regulatory guidance has been released that seeks to imposes additional obligations on companies seeking to rely on the SCCs. As such, any transfers by us or our vendors of personal data from Europe may not comply with European data protection law,; may increase our exposure to the GDPR’s heightened sanctions for violations of its cross-border data transfer restrictions and may reduce demand from companies subject to European data protection laws

Further, the United Kingdom has exited the EU, with such exit referred to as “Brexit,” effective December 31, 2020. The GDPR’s data protection obligations continue to form part of the laws in the United Kingdom by virtue of section 3 of the European Union (Withdrawal) Act 2018, as amended (including by the various Data Protection, Privacy and Electronic Communications (EU Exit) Regulations), which potentially exposes us to two parallel data protection regimes, each of which authorizes fines and the potential for divergent enforcement actions. It remains unclear the extent to which the transfer of personal data from the EU to the United Kingdom will in the future continue to remain lawful under the GDPR. Pursuant to a post-Brexit agreement between the United Kingdom and the EU, the European Commission will continue to treat the United Kingdom as if it remained a member state of the EU in relation to transfers of personal data from the EEA to the United Kingdom, meaning such transfers may be made without a need for additional safeguards, for a transition period ending no later than June 30, 2021. This transition period will end earlier if the European Commission adopts an adequacy decision in respect of the United Kingdom or the United Kingdom amends certain UK data protection laws, or relevant aspects thereof, without the EU’s consent (unless those amendments are made simply to align those UK data protection laws with the EU’s data protection regime). To date, the European Commission has published draft decisions finding the United Kingdom to be adequate under the

GDPR, and the European Data Protection Board has published non-binding opinions on these drafts. The drafts must still be voted on by the governments of the EU member states and formally adopted by the European Commission. There is no set timeline for these actions, although the European Commission has said that it could make a formal adequacy determination in June 2021. If the European Commission does not adopt an adequacy decision with regard to personal data transfers to the United Kingdom before the expiration of the transition period for any reason, from that point onwards, the United Kingdom will be a “third country” under the GDPR and such transfers will need to be made subject to GDPR-compliant safeguards (for example, the Standard Contractual Clauses). With substantial uncertainty over the interpretation and application of how United Kingdom will approach and address GDPR following the transition period, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. Any failure or perceived failure by us to comply with applicable Data Protection Laws or Data Protection Obligations may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us, as well as other Adverse Data Protection Impacts. Furthermore, the costs of compliance with, and other burdens imposed by, laws, regulations, and policies that are applicable to the businesses of our customers relating to privacy, data protection, data security, and other aspects of data Processing may limit the adoption and use of, and reduce the overall demand for, our C3 AI Suite and C3 AI Applications.

In the United States, Data Protection Laws include rules and regulations promulgated under the authority of the Federal Trade Commission, the Electronic Communications Privacy Act, the Computer Fraud and Abuse Act, the California Consumer Privacy Act, or CCPA, and other state and federal laws relating to privacy and data security. For example, the CCPA requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, and allows consumers to opt out of the sale of personal information with third parties and provides a private right of action and statutory damages for data breaches. The CCPA may increase our compliance costs and potential liability. In addition, California voters recently approved the California Privacy Rights Act of 2020, or CPRA that goes into effect on January 1, 2023. The CPRA would, among other things, give California residents the ability to limit the use of their sensitive information, provide for penalties for CPRA violations concerning California residents under the age of 16, and establish a new California Privacy Protection Agency to implement and enforce the law. The enactment of the CCPA is prompting a wave of similar legislative developments in other states in the United States, which could create the potential for a patchwork of overlapping but different state laws. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, which could increase our potential liability and adversely affect our business, results of operations, and financial condition. Some countries also are considering or have passed legislation requiring local storage and Processing of data, or similar requirements, which could increase the cost and complexity of operating our C3 AI Suite and C3 AI Applications and other aspects of our business.

With laws and regulations, the United States, and globally imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, there is a risk that the requirements of these laws and regulations, or of contractual or other obligations relating to privacy, data protection, or information security, are interpreted or applied in a manner that is, or is alleged to be, inconsistent with our management and Processing practices, our policies or procedures, or the features of our C3 AI Suite and C3 AI Applications. We may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. Although we endeavor to comply with our Privacy Policies and other privacy-, data protection-, or information security-related obligations, we may at times fail to do so or may be perceived to have failed to do so. Moreover, despite our efforts, we may not be successful in achieving compliance if our employees or vendors to comply with our Privacy Policies and other privacy-, data protection-, or information security-related obligations. Any failure or perceived failure by us to comply with our Privacy Policies and our privacy-, data protection-, or information security-related obligations to customers or other third parties or any of our other legal obligations relating to privacy, data protection, or information security may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others, and could result in significant liability or cause our customers to lose trust in us, which could have an adverse effect on our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, and policies that are applicable to the businesses of our customers may limit the adoption and use of, and reduce the overall demand for, our C3 AI Suite and C3 AI Applications.

Additionally, if third parties we work with, such as vendors or developers, violate Data Protection Laws or Data Protection Obligations, such violations may also put our customers’ content at risk and could in turn have an adverse effect on our business. Further, any significant change to Data Protection Laws, Data Protection Obligations, or industry practices regarding the collection, use, retention, security, or disclosure of our customers’ content, or regarding the manner in which express or implied consent for the collection, use, retention, or disclosure of such content is obtained, could increase our costs and require us to modify our C3 AI Suite and C3 AI Applications, possibly in a material manner, which we may be unable to complete and may limit our ability to store and Process customer data or develop new applications and features.

If we or our third-party service providers experience a security breach or unauthorized parties otherwise obtain access to our customers' data, our data, or our C3 AI Suite, our C3 AI Suite may be perceived as not being secure, our reputation may be harmed, demand for our platform may be reduced, and we may incur significant liabilities.

Our C3 AI Suite and C3 AI Applications process, store, and transmit our customers' proprietary and sensitive data, potentially including personal information, protected health information, and financial data. Our C3 AI Suite and C3 AI Applications are built to be available on the infrastructure of third-party public cloud providers such as AWS, Azure, and Google Cloud Platform. We also use third-party service providers to help us deliver services to our customers. These vendors may store or Process personal information, protected health information, or other confidential information of our employees, our partners or our customers. We collect such information from individuals located both in the United States and abroad and may store or Process such information outside the country in which it was collected. While we and our third-party service providers have implemented a number of security measures designed to protect against security breaches, these measures could fail or may be insufficient, resulting in the unauthorized disclosure, modification, misuse, unavailability, destruction, or loss of our or our customers' data or other sensitive information. Any security breach of our C3 AI Suite, our applications, our operational systems, physical facilities, or the systems of our third-party partners, or the perception that one has occurred, could result in litigation, indemnity obligations, regulatory enforcement actions, investigations, fines, penalties, mitigation and remediation costs, disputes, reputational harm, diversion of management's attention, and other liabilities and damage to our business. Even though we do not control the security measures of third parties, we may be perceived or asserted to be responsible for any breach of such measures or suffer reputational harm even where we do not have recourse to the third party that caused the breach. In addition, any failure by our partners to comply with applicable law or regulations could result in proceedings against us by governmental entities or others, with further financial, operational, and reputational damage.

Cyberattacks, denial-of-service attacks, ransomware attacks, business email compromises, computer malware, viruses, social engineering (including phishing) and other malicious internet-based activity are prevalent in our industry and our customers' industries and such attacks continue to increase. We also utilize third-party providers to host, transmit, or otherwise process electronic data in connection with our business activities. We or our vendors and business partners may experience attacks, unavailable systems, unauthorized access or disclosure due to employee or other theft or misuse, denial-of-service attacks, sophisticated attacks by nation-state and nation-state supported actors, and advanced persistent threat intrusions. Despite our efforts to ensure the security, privacy, integrity, confidentiality, availability, and authenticity information technology networks and systems, Processing and information, we may not be able to anticipate or to implement effective preventive and remedial measures against all data security and privacy threats. We cannot guarantee that the recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our systems, networks and physical facilities, which are designed to protect against, detect and minimize security breaches, or those of our vendors and business partners, will be adequate to prevent or detect service interruption, system failure data loss or theft, or other material adverse consequences. No security solution, strategy, or measures can address all possible security threats or block all methods of penetrating a network or otherwise perpetrating a security incident. The risk of unauthorized circumvention of our security measures or those of our third-party providers, clients and partners has been heightened by advances in computer and software capabilities and the increasing sophistication of hackers who employ complex techniques, including without limitation, the theft or misuse of personal and financial information, counterfeiting, "phishing" or social engineering incidents, ransomware, extortion, publicly announcing security breaches, account takeover attacks, denial or degradation of service attacks, malware, fraudulent payment and identity theft. The techniques used to sabotage, disrupt or to obtain unauthorized access to our C3 AI Suite, applications, systems, networks, or physical facilities in which data is stored or through which data is transmitted change frequently, and we may be unable to implement adequate preventative measures or stop security breaches while they are occurring. In addition, laws, regulations, government guidance, and industry standards and practices in the United States and elsewhere are rapidly evolving to combat these threats. We may face increased compliance burdens regarding such requirements from regulators and customers regarding our products and services and also incur additional costs for oversight and monitoring of security risks relating to our own supply chain.

The recovery systems, security protocols, network protection mechanisms and other security measures that we have integrated into our C3 AI Suite, applications, systems, networks and physical facilities, which are designed to protect against, detect and minimize security breaches, may not be adequate to prevent or detect service interruption, system failure or data loss.

Our C3 AI Suite, applications, systems, networks, and physical facilities could be breached or personal information could be otherwise compromised due to employee error or malfeasance, if, for example, third parties attempt to fraudulently induce our employees, those of our vendors and business partners, or our customers to disclose information or user names and/or passwords, or otherwise compromise the security of our C3 AI Suite, networks, systems and/or physical facilities. Third parties may also exploit vulnerabilities in, or obtain unauthorized access to, platforms, applications, systems, networks and/or physical facilities utilized by our vendors. We and a number of our vendors and business partners have previously been, and may in the future become, the target of cyber-attacks by third parties seeking unauthorized access to our or our customers' data or to disrupt our operations or ability to provide our services. While we have been successful in preventing such unauthorized access and disruption in the past, we may not continue to be successful against these or other attacks in the future.

The costs to respond to a security breach and/or to mitigate any security vulnerabilities that may be identified could be significant, our efforts to address these problems may not be successful, and these problems could result in unexpected interruptions, delays, cessation of service, negative publicity, and other harm to our business and our competitive position. We could be required to fundamentally change our business activities and practices in response to a security breach or related regulatory actions or litigation, which could have an adverse effect on our business.

We have contractual and legal obligations to notify relevant stakeholders of security breaches. Most jurisdictions have enacted laws requiring companies to notify individuals, regulatory authorities, and others of security breaches involving certain types of data. In addition, our agreements with certain customers and partners may require us to notify them in the event of a security breach involving customer or partner data on our systems or those of subcontractors Processing customer or partner data on our behalf. Such mandatory disclosures are costly, could lead to negative publicity, may cause our customers to lose confidence in the effectiveness of our security measures, and require us to expend significant capital and other resources to respond to or alleviate problems caused by the actual or perceived security breach may cause us to breach customer contracts. Depending on the facts and circumstances of such an incident, these damages, penalties and costs could be significant and may not be covered by insurance or could exceed our applicable insurance coverage limits. Such an event also could harm our reputation and result in litigation against us. Any of these results could materially adversely affect our financial performance. Our agreements with certain customers may require us to use industry-standard, reasonable, or other specified measures to safeguard sensitive personal information or confidential information, and any actual or perceived breach of such measures may increase the likelihood and frequency of customer audits under our agreements, which is likely to increase the costs of doing business. An actual or perceived security breach could lead to claims by our customers, or other relevant stakeholders that we have failed to comply with such legal or contractual obligations. As a result, we could be subject to legal action or our customers could end their relationships with us. There can be no assurance that any limitations of liability in our contracts, which we have in certain agreements, would be enforceable or adequate or would otherwise protect us from liabilities or damages.

Litigation resulting from security breaches may adversely affect our business. Unauthorized access to our C3 AI Suite, applications, systems, networks, or physical facilities could result in litigation with our customers or other relevant stakeholders. These proceedings could force us to spend money in defense or settlement, divert management's time and attention, increase our costs of doing business, or adversely affect our reputation. We could be required to fundamentally change our business activities and practices or modify our C3 AI Suite, or C3 AI Applications capabilities in response to such litigation, which could have an adverse effect on our business. If a security breach were to occur, and the confidentiality, integrity or availability of our data or the data of our partners or our customers was disrupted, we could incur significant liability, or our C3 AI Suite, applications, systems, or networks may be perceived as less desirable, which could negatively affect our business and damage our reputation.

If we fail to detect or remediate a security breach in a timely manner, or a breach otherwise affects a large amount of data of one or more customers, or if we suffer a cyberattack that impacts our ability to operate our C3 AI Suite and C3 AI Applications, we may suffer material damage to our reputation, business, financial condition, and results of operations. Further, we may not have adequate insurance coverage for security incidents or breaches, including fines, judgments, settlements, penalties, costs, attorney fees and other impacts that arise out of incidents or breaches. Depending on the facts and circumstances of such an incident, the damages, penalties and costs could be significant and may not be covered by insurance or could exceed our applicable insurance coverage limits. If the impacts of a security incident or breach, or the successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), it could have an adverse effect on our business. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to all or part of any future claim or loss. Our risks are likely to increase as we continue to expand our C3 AI Suite and C3 AI Applications, grow our customer base, and store, transmit, and otherwise Process increasingly large amounts of proprietary and sensitive data.

We could suffer disruptions, outages, defects, and other performance and quality problems with our C3 AI Suite or C3 AI Applications or with the public cloud and internet infrastructure on which it relies.

Our business depends on our C3 AI Suite and C3 AI Applications to be available without disruption. We have experienced, and may in the future experience, disruptions, outages, defects, and other performance and quality problems with our C3 AI Suite and C3 AI Applications. We have also experienced, and may in the future experience, disruptions, outages, defects, and other performance and quality problems with the public cloud and internet infrastructure on which our C3 AI Suite and C3 AI Applications rely. These problems can be caused by a variety of factors, including introductions of new functionality, vulnerabilities and defects in proprietary and open source software, human error or misconduct, capacity constraints, design limitations, as well as from internal and external security breaches, malware and viruses, ransomware, cyber events, denial or degradation of service attacks or other security-related incidents.

Further, if our contractual and other business relationships with our public cloud providers are terminated, suspended, or suffer a material change to which we are unable to adapt, such as the elimination of services or features on which we depend, we could be unable to provide our C3 AI Suite and C3 AI Applications and could experience significant delays and incur additional expense in transitioning customers to a different public cloud provider.

Any disruptions, outages, defects, and other security performance and quality problems with our C3 AI Suite and C3 AI Applications or with the public cloud and internet infrastructure on which it relies, or any material change in our contractual and other business relationships with our public cloud providers, could result in reduced use of our C3 AI Suite and C3 AI Applications, increased expenses, including significant, unplanned capital investments and/or service credit obligations, and harm to our brand and reputation, any of which could have a material adverse effect on our business, financial condition, reputation and results of operations.

Our application for a PPP Loan could in the future be determined to have been impermissible which could result in damage to our reputation or adversely impact our business.

In May 2020, given the uncertainty caused by COVID-19 and related events we applied for and received proceeds of approximately $6.3 million from a loan under the Paycheck Protection Program, or the PPP Loan, of the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act. The PPP Loan had a term of two years, was unsecured, and was guaranteed by the U. S. Small Business Administration, or the SBA. The PPP Loan carried a fixed interest rate of 1.00% per annum, with the first six months of interest deferred. Under the CARES Act, we may have been eligible to apply for forgiveness of all loan proceeds used to pay payroll costs, rent, utilities, and other qualifying expenses, provided that we retained a certain number of employees and maintain compensation within certain regulatory parameters of the Paycheck Protection Program. However, we repaid the entire balance of the PPP Loan, including accrued interest in August 2020.

In applying for the PPP Loan, we were required to certify, among other things, that the then-current economic uncertainty made the PPP Loan necessary to support our ongoing operations and that we did not, together with our affiliates, then employ more than 500 employees. We made these certifications in good faith after analyzing, among other things, economic uncertainties created by the COVID-19 pandemic, including its impact on our customers and prospects and the global economic at large, and the potential impact on our business activity.

We believe that we satisfied all eligibility criteria for the PPP Loan, and that our receipt of the PPP Loan was consistent with the objectives of the PPP of the CARES Act. The certification regarding necessity described above did not at the time contain any objective criteria and continues to be subject to interpretation. If, despite our good-faith belief that we satisfied all eligibility requirements for the PPP Loan, we are later determined to have violated any of the laws or governmental regulations that apply to us in connection with the PPP Loan, such as the False Claims Act, or it is otherwise determined that we were ineligible to receive the PPP Loan, we may be subject to civil, criminal, and administrative penalties, despite the fact that we elected not to use any of the PPP Loan proceeds and repaid the entire balance of the PPP Loan, including accrued interest. Any violations or alleged violations may result in adverse publicity and damage to our reputation, a review or audit by the SBA or other government entity, or claims under the False Claims Act. These events could consume significant financial and management resources and could have a material adverse effect on our business, results of operations, and financial condition.

We rely on third-party service providers to host and deliver our C3 AI Suite and C3 AI Applications, and any interruptions or delays in these services could impair our C3 AI Suite and C3 AI Applications and harm our business.

We currently serve our customers from third-party data center hosting facilities located in the United States, Asia, and Europe. Our operations depend, in part, on our third-party facility providers' ability to protect these facilities against damage or interruption from natural disasters, power or telecommunications failures, criminal acts, and similar events. In the event that our data center arrangements are terminated, or if there are any lapses of service or damage to a center, we could experience lengthy interruptions in our C3 AI Suite and C3 AI Applications as well as delays and additional expenses in making new arrangements.

We designed our system infrastructure and procure and own or lease the computer hardware used for our C3 AI Suite and C3 AI Applications. Design and mechanical errors, spikes in usage volume, and failure to follow system protocols and procedures could cause our systems to fail, resulting in interruptions in our C3 AI Suite and C3 AI Applications. Any interruptions or delays in our service, whether as a result of third-party error, our own error, natural disasters, or security breaches, whether accidental or willful, could harm our relationships with our customers and cause our revenue to decrease and/or our expenses to increase. Also, in the event of damage or interruption, our insurance policies may not adequately compensate us for any losses that we may incur. These factors in turn could further reduce our revenue, subject us to liability and cause us to issue credits or cause customers to fail to renew their subscriptions, any of which could materially adversely affect our business.

We may face exposure to foreign currency exchange rate fluctuations.

We sell to customers globally and have international operations primarily in Europe. As we continue to expand our international operations, we will become more exposed to the effects of fluctuations in currency exchange rates. Although the majority of our cash generated from revenue is denominated in U.S. dollars, a small amount is denominated in foreign currencies, and our expenses are generally denominated in the currencies of the jurisdictions in which we conduct our operations. For the fiscal years ended April 30, 2021 and 2020, 25% and 20% of our revenue, respectively, and 9% and 9% of our expenses, respectively, were denominated in currencies other than U.S. dollars. Because we conduct business in currencies other than U.S. dollars but report our results of operations in U.S. dollars, we also face remeasurement exposure to fluctuations in currency exchange rates, which could hinder our ability to predict our future results and earnings and could materially impact our results of operations. Therefore, increases in the value of the U.S. dollar and decreases in the value of foreign currencies could result in the dollar equivalent of our revenue being lower. We do not currently maintain a program to hedge exposures to non-U.S. dollar currencies.

Sales to government entities and highly regulated organizations are subject to a number of challenges and risks.

We have sold and may sell to U.S. federal, state, and local, as well as foreign, governmental agency customers, as well as to customers in highly regulated industries such as financial services, telecommunications, and healthcare. Sales to such entities are subject to a number of challenges and risks. Selling to such entities can be highly competitive, expensive, and time consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government contracting requirements may change and in doing so restrict our ability to sell into the government sector. Government demand and payment for our C3 AI Suite and C3 AI Applications are affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our C3 AI Suite and C3 AI Applications.

Further, governmental and highly regulated entities may demand contract terms that differ from our standard arrangements and may be less favorable than terms agreed with private sector customers. In our experience, government entities often require shorter term subscriptions than our private sector customers due to budget cycles, making one-year subscriptions not uncommon. Government entities and highly regulated organizations typically have longer implementation cycles, sometimes require acceptance provisions that can lead to a delay in revenue recognition, can have more complex IT and data environments, and may expect greater payment flexibility from vendors.

Contracts with governmental entities may also include preferential pricing terms, including, but not limited to, "most favored customer" pricing. In the event that we are successful in being awarded a government contract, such award may be subject to appeals, disputes, or litigation, including but not limited to bid protests by unsuccessful bidders.

As a government contractor or subcontractor, we must comply with laws, regulations, and contractual provisions relating to the formation, administration, and performance of government contracts and inclusion on government contract vehicles, which affect how we and our partners do business with government agencies. As a result of actual or perceived noncompliance with government contracting laws, regulations, or contractual provisions, we may be subject to non-ordinary course audits and internal investigations which may prove costly to our business financially, divert management time, or limit our ability to continue selling our products and services to our government customers. These laws and regulations may impose other added costs on our business, and failure to comply with these or other applicable regulations and requirements, including non-compliance in the past, could lead to claims for damages from our channel partners, downward contract price adjustments or refund obligations, civil or criminal penalties, and termination of contracts and suspension or debarment from government contracting for a period of time with government agencies. Any such damages, penalties, disruption, or limitation in our ability to do business with a government would adversely impact, and could have a material adverse effect on, our business, results of operations, financial condition, public perception and growth prospects.

Governmental and highly regulated entities may have statutory, contractual, or other legal rights to terminate contracts with us or our partners for convenience or for other reasons. Any such termination may adversely affect our ability to contract with other government customers as well as our reputation, business, financial condition, and results of operations. All these factors can add further risk to business conducted with these customers. If sales expected from a government entity or highly regulated organization for a particular period are not realized in that period or at all, our business, financial condition, results of operations, and growth prospects could be materially and adversely affected.

Our business could be adversely affected if our employees cannot obtain and maintain required security clearances, we cannot obtain and maintain a required facility security clearance, or we do not comply with legal and regulatory obligations regarding the safeguarding of classified information.

One of our U.S. government contracts requires our employees to maintain security clearances, and also requires us to comply with U.S. Department of Defense, or DoD, security rules and regulations. The DoD has strict security clearance requirements for personnel who perform work in support of classified programs. In general, access to classified information, technology, facilities, or programs are subject to additional contract oversight and potential liability. In the event of a security incident involving classified information, technology, facilities, or programs, or personnel holding clearances, we may be subject to legal, financial, operational and reputational harm. Obtaining and maintaining security clearances for employees involves a lengthy process, and it is difficult to identify, recruit, and retain employees who already hold security clearances. If our employees are unable to obtain security clearances in a timely manner, or at all, or if our employees who hold security clearances are unable to maintain their clearances or terminate employment with us, then a customer requiring classified work could terminate an existing contract or decide not to renew the contract upon its expiration. To the extent we are not able to obtain or maintain a facility security clearance, we may not be able to bid on or win new classified contracts, and our existing contract (and any future contracts we may subsequently obtain) requiring a facility security clearance could be terminated.

If we are unable to achieve and sustain a level of liquidity sufficient to support our operations and fulfill our obligations, our business, operating results and financial position could be adversely affected.

We actively monitor and manage our cash and cash equivalents so that sufficient liquidity is available to fund our operations and other corporate purposes. In the future, increased levels of liquidity may be required to adequately support our operations and initiatives and to mitigate the effects of business challenges or unforeseen circumstances. If we are unable to achieve and sustain such increased levels of liquidity, we may suffer adverse consequences including reduced investment in our C3 AI Suite and C3 AI Applications, difficulties in executing our business plan and fulfilling our obligations, and other operational challenges. Any of these developments could adversely affect our business, operating results and financial position.

We may need additional capital, and we cannot be certain that additional financing will be available on favorable terms, or at all.

Historically, we have funded our operations and capital expenditures primarily through equity issuances and cash generated from our operations. Although we currently anticipate that our existing cash and cash equivalents and cash flow from operations will be sufficient to meet our cash needs for the foreseeable future, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. Future sales and issuances of our capital stock or rights to purchase our capital stock could result in substantial dilution to our existing stockholders. We may sell Class A common stock, convertible securities, and other equity securities in one or more transactions at prices and in a manner as we may determine from time to time. If we sell any such securities in subsequent transactions, investors may be materially diluted. New investors in such subsequent transactions could gain rights, preferences, and privileges senior to those of holders of our Class A common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth, development efforts and to respond to business challenges could be significantly impaired, and our business, operating results and financial condition may be adversely affected.

We may acquire other businesses or receive offers to be acquired, which could require significant management attention, disrupt our business or dilute stockholder value.

We have in the past made, and may in the future make, acquisitions of other companies, products, and technologies. We have limited experience in acquisitions. 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 customers, developers, or investors. In addition, we may not be able to integrate acquired businesses successfully or effectively manage the combined company following an acquisition. If we fail to successfully integrate our acquisitions, or the people or technologies associated with those acquisitions, into our company, the results of operations of the combined company could be adversely affected. Any integration process will require significant time and resources, require significant attention from management and disrupt the ordinary functioning of our business, and we may not be able to manage the process successfully, which could harm our business. In addition, 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 more debt, it would result in increased fixed obligations and could also subject us to covenants or other restrictions that would impede our ability to flexibly operate our business.

We have business and customer relationships with certain entities who are stockholders or are affiliated with our directors, or both, and conflicts of interest may arise because of such relationships.

Some of our customers and other business partners are affiliated with certain of our directors or hold shares of our capital stock, or both. For example, in June 2019, we entered into a strategic collaboration agreement with Baker Hughes whereby Baker Hughes had a right to appoint a director. Our director, Lorenzo Simonelli, is an employee of Baker Hughes, and Baker Hughes is a stockholder. We believe that the transactions and agreements that we have entered into with related parties are on terms that are at least as favorable as could reasonably have been obtained at such time from third parties. However, these relationships could create, or appear to create, potential conflicts of interest when our board of directors is faced with decisions that could have different implications for us and these other parties or their affiliates. In addition, conflicts of interest may arise between us and these other parties and their affiliates. The appearance of conflicts, even if such conflicts do not materialize, might adversely affect the public's perception of us, as well as our relationship with other companies and our ability to enter into new relationships in the future, including with competitors of such related parties, which could harm our business and results of operations.

Risks Related to Our International Operations

We are continuing to expand our operations outside the United States, where we may be subject to increased business and economic risks that could harm our business.

We have customers in more than 10 countries, and 35% of our revenue for the fiscal year ended April 30, 2021 was generated from customers outside of North America. As of April 30, 2021, we had nine international sales locations, and we plan to add local sales support in further select international markets over time. We expect to continue to expand our international operations, which may include opening offices in new jurisdictions and providing our C3 AI Suite and C3 AI Applications in additional languages. Any new markets or countries into which we attempt to sell subscriptions to our C3 AI

Suite and C3 AI Applications may not be receptive. For example, we may not be able to expand further in some markets if we are not able to satisfy certain government- and industry-specific requirements. In addition, our ability to manage our business and conduct our operations internationally in the future may require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets. Future international expansion will require investment of significant funds and other resources. Operating internationally subjects us to new risks and may increase risks that we currently face, including risks associated with:

- recruiting and retaining talented and capable employees outside the United States and maintaining our company culture across all of our offices;
- potentially different pricing environments, longer sales cycles, and longer accounts receivable payment cycles and collections issues;
- compliance with applicable international laws and regulations, including laws and regulations with respect to privacy, data protection, and consumer protection, and the risk of penalties to us and individual members of management or employees if our practices are deemed to be out of compliance;
- management of an employee base in jurisdictions that may not give us the same employment and retention flexibility as does the United States;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as does the United States and the practical enforcement of such intellectual property rights outside of the United States;
- foreign government interference with our intellectual property that resides outside of the United States, such as the risk of changes in foreign laws that could restrict our ability to use our intellectual property;
- integration with partners outside of the United States;
- securing our locally operated systems and our data and the data of our customers and partners accessible from such jurisdictions;
- compliance by us and our business partners with anti-corruption laws, import and export control laws, tariffs, trade barriers, economic sanctions, anti-money laundering laws and other regulatory limitations on our ability to provide our C3 AI Suite and C3 AI Applications in certain international markets;
- foreign exchange controls that might require significant lead time in setting up operations in certain geographic territories and might prevent us from repatriating cash earned outside the United States;
- political and economic instability;
- COVID-19 or any other pandemics or epidemics that could result in decreased economic activity in certain markets, decreased use of our C3 AI Suite and C3 AI Applications, or in our decreased ability to import, export, or sell our C3 AI Suite and C3 AI Applications to existing or new customers in international markets;
- changes in diplomatic and trade relationships, including the imposition of new trade restrictions, trade protection measures, import or export requirements, trade embargoes, and other trade barriers;
- generally longer payment cycles and greater difficulty in collecting accounts receivable;
- double taxation of our international earnings and potentially adverse tax consequences due to changes in the income and other tax laws of the United States or the international jurisdictions in which we operate; and
- higher costs of doing business internationally, including increased accounting, travel, infrastructure, and legal compliance costs.

Some of our business partners also have international operations and are subject to the risks described above. Even if we are able to successfully manage the risks of international operations, our business may be adversely affected if our business partners are not able to successfully manage these risks.

Compliance with laws and regulations applicable to our global operations substantially increases our cost of doing business in international jurisdictions. We may be unable to keep current with changes in laws and regulations as they occur. Although we have implemented policies and procedures designed to support compliance with these laws and regulations, there can be no assurance that we will always maintain compliance or that all of our employees, contractors, partners, and agents will comply. Any violations could result in enforcement actions, fines, civil and criminal penalties, damages, injunctions, or reputational harm. If we are unable to comply with these laws and regulations or manage the complexity of our global operations successfully, we may need to relocate or cease operations in certain foreign jurisdictions.

We are subject to governmental export and import controls that could impair our ability to compete in international markets or subject us to liability if we are not in compliance with applicable laws.

Our C3 AI Suite and C3 AI Applications are subject to various restrictions under U.S. export control and trade and economic sanctions laws and regulations, including the U.S. Department of Commerce's Export Administration Regulations, or EAR, and various economic and trade sanctions regulations administered by the U.S. Department of the Treasury's Office of Foreign Assets Control, or OFAC. U.S. export control and economic sanctions laws and regulations include restrictions or prohibitions on the sale or supply of certain AI platform and applications, services and technologies to U.S. embargoed or sanctioned countries, governments, persons, and entities. Further, U.S. export laws and regulations include broad licensing requirements, including requiring authorization for the export of certain items. In addition, various countries regulate the import of certain items, including through import permitting and licensing requirements and have enacted or could enact laws that could limit our ability to distribute our C3 AI Suite and C3 AI Applications or could limit our customers' ability to implement our C3 AI Suite and C3 AI Applications in those countries.

Changes in our C3 AI Suite and C3 AI Applications and, if required, obtaining the necessary export license or other authorization for a particular sale, or changes in export, sanctions, and import laws, may result in the delay or loss of sales opportunities, delay the introduction and sale of subscriptions to our C3 AI Suite and C3 AI Applications in international markets, prevent our customers with international operations from using our C3 AI Suite and C3 AI Applications or, in some cases, prevent the access or use of our C3 AI Suite and C3 AI Applications to and from certain countries, governments, persons, or entities altogether. Further, any change in export or import regulations, economic sanctions or related laws, shift in the enforcement or scope of existing regulations or change in the countries, governments, persons, or technologies targeted by such regulations could result in decreased use of our C3 AI Suite and C3 AI Applications or in our decreased ability to export or sell our C3 AI Suite and C3 AI Applications to existing or potential customers with international operations. Any decreased use of our C3 AI Suite and C3 AI Applications or limitation on our ability to export or sell our C3 AI Suite and C3 AI Applications would likely harm our business.

In addition, if our channel partners fail to obtain appropriate import, export, or re-export licenses or permits, we may also be adversely affected through reputational harm, as well as other negative consequences, including government investigations and penalties.

Even though we take precautions to ensure that we and our channel partners comply with all relevant regulations, any failure by us or our channel partners to comply with U.S. export control and economic sanctions laws and regulations or other laws could have negative consequences, including reputational harm, government investigations and substantial civil and criminal penalties (e.g., fines, incarceration for responsible employees and managers, and the possible loss of export or import privileges).

We are subject to the U.S. Foreign Corrupt Practices Act, or FCPA, and similar anti-corruption, anti-bribery, and similar laws, and non-compliance with such laws can subject us to criminal or civil liability and harm our business, financial condition and results of operations.

We are subject to the FCPA, U.S. domestic bribery laws, the UK Bribery Act, and other anti-corruption and similar laws in the countries in which we conduct activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, and their third-party business partners or intermediaries, representatives, and agents from authorizing, offering, or providing, directly or indirectly, improper payments or other benefits, directly or indirectly, to government officials or others in the private sector in order to influence official action, direct business to any person, gain any improper advantage, or obtain or retain business. As we increase our international sales and business, our risks under these laws may increase.

As we increase our international sales and business and sales to the public sector, we may engage with third-party business partners and intermediaries to market our C3 AI Suite and C3 AI Applications and to obtain necessary permits, licenses, and other regulatory approvals. In addition, we or our third-party business partners or 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 our third-party business partners or intermediaries, our employees, representatives, contractors, and agents, even if we do not explicitly authorize such activities.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, our third-party business partners or intermediaries, employees, representatives, contractors, and agents may take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Detecting, investigating, and resolving actual or alleged violations of anti-corruption laws can require a significant diversion of time, resources, and attention from senior management, as well as significant defense costs and other professional fees. In addition, noncompliance with anti-corruption, or anti-bribery laws could subject us to whistleblower complaints, investigations, sanctions, settlements, prosecution, enforcement actions, fines, damages, other civil or criminal penalties or injunctions against us, our officers, or our employees, disgorgement of profits, suspension or debarment from contracting with the U.S. government or other persons, 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 proceeding, our reputation, business, stock price, financial condition, prospects and results of operations could be harmed.

Risks Related to Taxes

Our results of operations may be harmed if we are required to collect sales or other related taxes for our subscriptions in jurisdictions where we have not historically done so.

We collect sales tax in a number of jurisdictions. One or more states or countries may seek to impose incremental or new sales, use, or other tax collection obligations on us. A successful assertion by a state, country, or other jurisdiction that we should have been or should be collecting additional sales, use, or other taxes could, among other things, result in substantial tax payments, create significant administrative burdens for us, discourage potential customers from subscribing to our C3 AI Suite and C3 AI Applications due to the incremental cost of any such sales or other related taxes, or otherwise harm our business.

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

We currently collect and remit applicable sales tax in jurisdictions where we, through our employees, have a presence and where we have determined, based on legal precedents in the jurisdiction, that sales of our C3 AI Suite and C3 AI Applications are classified as taxable. We do not currently collect and remit other state and local excise, utility, user, and ad valorem taxes, fees or surcharges that may apply to our customers. We believe that we are not otherwise subject to, or required to collect, any additional taxes, fees or surcharges imposed by state and local jurisdictions because we do not have a sufficient physical presence or "nexus" in the relevant taxing jurisdiction or such taxes, fees, or surcharges do not apply to sales of our C3 AI Suite and C3 AI Applications in the relevant taxing jurisdiction. However, there is uncertainty as to what constitutes sufficient physical presence or nexus for a state or local jurisdiction to levy taxes, fees, and surcharges for sales made over the internet, and there is also uncertainty as to whether our characterization of our C3 AI Suite and C3 AI Applications as not taxable in certain jurisdictions will be accepted by state and local taxing authorities. Additionally, we have not historically collected value-added tax, or VAT, or goods and services tax, or GST, on sales of our C3 AI Suite and C3 AI Applications, generally, because we make almost all of our sales through our office in the United States, and we believe, based on information provided to us by our customers, that most of our sales are made to business customers.

Taxing authorities may challenge our position that we do not have sufficient nexus in a taxing jurisdiction or that our C3 AI Suite and C3 AI Applications use, telecommunications, VAT, GST, and other taxes, which could result in increased tax liabilities for us or our customers, which could harm our business.

The application of indirect taxes (such as sales and use tax, VAT, GST, business tax, and gross receipt tax) to businesses that transact online, such as ours, is a complex and evolving area. Following the recent U.S. Supreme Court decision in South Dakota v. Wayfair, Inc., states are now free to levy taxes on sales of goods and services based on an "economic nexus," regardless of whether the seller has a physical presence in the state. As a result, it may be necessary to reevaluate whether our activities give rise to sales, use, and other indirect taxes as a result of any nexus in those states in which we are not currently registered to collect and remit taxes. Additionally, we may need to assess our potential tax collection and remittance liabilities based on existing economic nexus laws' dollar and transaction thresholds. We continue to analyze our exposure for such taxes and liabilities. The application of existing, new, or future laws, whether in the United States or internationally, could harm our business. 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.

We may have exposure to greater than anticipated tax liabilities, which could harm our business.

While to date we have not incurred significant income taxes in operating our business, we are subject to income taxes in the United States and various jurisdictions outside of the United States. Our effective tax rate could fluctuate due to changes in the proportion of our earnings and losses in countries with differing statutory tax rates. Our tax expense could also be impacted by changes in non-deductible expenses, changes in excess tax benefits of stock-based or other compensation, changes in the valuation of, or our ability to use, deferred tax assets and liabilities, the applicability of withholding taxes, and effects from acquisitions.

The provision for taxes on our financial statements could also be impacted by changes in accounting principles, changes in U.S. federal, state, or international tax laws applicable to corporate multinationals such as the recent legislation enacted in the United States, other fundamental changes in law currently being considered by many countries and changes in taxing jurisdictions' administrative interpretations, decisions, policies and positions.

We are subject to review and audit by U.S. federal, state, local, and foreign tax authorities. Such tax authorities may disagree with tax positions we take, and if any such tax authority were to successfully challenge any such position, our business could be harmed. We may also be subject to additional tax liabilities due to changes in non-income based taxes resulting from changes in federal, state, or international tax laws, changes in taxing jurisdictions' administrative interpretations, decisions, policies, and positions, results of tax examinations, settlements, or judicial decisions, changes in accounting principles, changes to our business operations, including acquisitions, as well as the evaluation of new information that results in a change to a tax position taken in a prior period.

Our ability to use our net operating losses and certain other tax attributes to offset future taxable income or taxes may be subject to certain limitations.

As of April 30, 2021, we had net operating loss carryforwards, or NOLs, for U.S. federal and state purposes of $308.3 million and $168.6 million, respectively, which may be available to offset taxable income in the future, and portions of which expire in various years beginning in 2029. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. Under the Tax Cuts and Jobs Act of 2017, or the Tax Act, as modified by the CARES Act, federal NOLs incurred in tax years beginning after December 31, 2017 may be carried forward indefinitely, but the deductibility of such federal NOLs in tax years beginning after December 31, 2020 is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” (as defined under Sections 382 and 383 of the Code and applicable Treasury Regulations) is subject to limitations on its ability to utilize its pre-change NOLs and certain other tax attributes to offset post-change taxable income or taxes. We may experience a future ownership change under Section 382 of the Code that could affect our ability to utilize our NOLs to offset our income. Furthermore, our ability to utilize NOLs of companies that we have acquired or may acquire in the future may be subject to limitations. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, on June 29, 2020, the Governor of California signed into law the 2020 Budget Act which temporarily suspends the utilization of NOLs and limits the utilization of research credits to $5.0 million annually for 2020, 2021, and 2022. For these reasons, we may not be able to utilize a material portion of the NOLs reflected on our balance sheet, even if we attain profitability, which could potentially result in increased future tax liability to us and could adversely affect our operating results and financial condition.

Risks Related to Our Intellectual Property

We are currently, and may be in the future, party to intellectual property rights claims and other litigation matters, which, if resolved adversely, could harm our business.

We primarily rely and expect to continue to rely on a combination of patent, patent licenses, trade secret, domain name protection, trademark, and copyright laws, as well as confidentiality and license agreements with our employees, consultants, and third parties, to protect our intellectual property and proprietary rights. From time to time, are subject to litigation based on allegations of infringement, misappropriation, or other violations of intellectual property or other rights. As we face increasing competition and gain an increasingly high profile, the possibility of intellectual property rights claims, commercial claims, and other assertions against us grows. We have in the past been, and may from time to time in the future become, a party to litigation and disputes related to our intellectual property, our business practices, and our C3 AI Suite and C3 AI Applications. While we intend to defend any lawsuit vigorously, litigation can be costly and time consuming, divert the attention of our management and key personnel from our business operations, and dissuade potential customers from subscribing to our C3 AI Suite and C3 AI Applications, which would harm our business. Furthermore, with respect to lawsuits, there can be no assurances that favorable outcomes will be obtained. We may need to settle litigation and disputes on terms that are unfavorable to us, or we may be subject to an unfavorable judgment that may not be reversible upon appeal. The terms of any settlement or judgment may require us to cease some or all of our operations or pay substantial amounts to the other party. In addition, our agreements with customers or partners typically include certain provisions for indemnifying them against liabilities if our C3 AI Suite and C3 AI Applications infringe a third party’s intellectual property rights, including in the third-party open source software components included in our C3 AI Suite and C3 AI Applications, which indemnification obligations could require us to make payments to our customers. During the course of any litigation or dispute, we may make announcements regarding the results of hearings and motions and other interim developments. If securities analysts and investors regard these announcements as negative, the market price of our Class A common stock may decline. With respect to any intellectual property rights claim, we may have to seek a license to continue practices found to be in violation of third-party rights, which may not be available on reasonable terms and may significantly increase our operating expenses. A license to continue such practices may not be available to us at all, and we may be required to develop alternative non-infringing technology or practices or discontinue the practices. The development of alternative, non-infringing technology or practices could require significant effort and expense. Our business could be harmed as a result.

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

Our agreements with customers and other third parties generally include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, or other liabilities relating to or arising from our software, services, or other contractual obligations. Large indemnity payments could harm our business, results of operations, and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, generally, those limitations may not be fully enforceable in all situations, and we may still incur substantial liability under those agreements. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

Our failure to protect our intellectual property rights and proprietary information could diminish our brand and other intangible assets.

As of April 30, 2021, we had eight issued patents in the United States, five issued patents in a number of international jurisdictions, 14 patent applications in the United States (including one allowed application and three provisional applications), and 32 patent applications pending internationally (including two allowed applications). Our issued patents expire between February 23, 2033 and July 30, 2039. The pending patent applications are presently undergoing examination or expected to undergo examination in the near future. These patents and patent applications seek to protect our proprietary inventions relevant to our business, in addition to other proprietary technologies which are maintained as trade secrets. We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost-effective. We make business decisions about when to seek patent protection for a particular technology and when to rely upon copyright or trade secret protection, and the approach we select may ultimately prove to be inadequate. Even in cases where we seek patent protection, there is no assurance that the resulting patents will effectively protect every significant feature of our C3 AI Suite and C3 AI Applications. In addition, we believe that the protection of our trademark rights is an important factor in AI platform and application recognition, protecting our brand and maintaining goodwill. If we do not adequately protect our rights in our trademarks from infringement and unauthorized use, any goodwill that we have developed in those trademarks could be lost or impaired, which could harm our brand and our business. Third parties may knowingly or unknowingly infringe our proprietary rights, third parties may challenge our proprietary rights, pending and future patent, trademark and copyright applications may not be approved, and we may not be able to prevent infringement without incurring substantial expense. We have also devoted substantial resources to the development of our proprietary technologies and related processes. In order to protect our proprietary technologies and processes, we rely in part on trade secret laws and confidentiality agreements with our employees, consultants, and third parties. These agreements may not effectively prevent unauthorized disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights or develop similar technologies and processes. Further, laws in certain jurisdictions may afford little or no trade secret protection, and any changes in, or unexpected interpretations of, the intellectual property laws in any country in which we operate may compromise our ability to enforce our intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights. If the protection of our proprietary rights is inadequate to prevent use or appropriation by third parties, the value of our C3 AI Suite and C3 AI Applications, brand, and other intangible assets may be diminished, and competitors may be able to more effectively replicate our C3 AI Suite and C3 AI Applications. Any of these events would harm our business.

Our use of third-party open source software could negatively affect our ability to offer and sell subscriptions to our C3 AI Suite and C3 AI Applications and subject us to possible litigation.

A portion of the technologies we use incorporates third-party open source software, and we may incorporate third-party open source software in our solutions in the future. Open source software is generally licensed by its authors or other third parties under open source licenses. From time to time, companies that use third-party open source software have faced claims challenging the use of such open source software and requesting compliance with the open source software license terms. Accordingly, we may be subject to suits by parties claiming ownership of what we believe to be open source software or claiming non-compliance with the applicable open source licensing terms. Some open source software licenses require end users who use, distribute or make available across a network software and services that include open source software to offer aspects of the technology that incorporates the open source software for no cost. We may also be required to make publicly available source code (which in some circumstances could include valuable proprietary code) for modifications or derivative works we create based upon, incorporating or using the open source software and/or to license such modifications or derivative works under the terms of the particular open source license. Additionally, if a third-party software provider has incorporated open source software into software that we license from such provider, we could be required to disclose any of our source code that incorporates or is a modification of our licensed software. While we employ practices designed to monitor our compliance with the licenses of third-party open source software and protect our valuable proprietary source code, we may inadvertently use third-party open source software in a manner that exposes us to claims of non-compliance with the terms of their licenses, including claims of intellectual property rights infringement or for breach of contract. Furthermore, there exists today an increasing number of types of open source software licenses, almost none of which have been tested in courts of law to provide guidance of their proper legal interpretations. If we were to receive a claim of non-compliance with the terms of any of these open source licenses, we could be required to incur significant legal expenses defending against those allegations and could be subject to significant damages, enjoined from offering or selling our solutions that contained the open source software, and required to comply with the foregoing conditions, and we may be required to publicly release certain portions of our proprietary source code. We could also be required to expend substantial time and resources to re-engineer some of our software. Any of the foregoing could disrupt and harm our business.

In addition, the use of third-party open source software typically exposes us to greater risks than the use of third-party commercial software because open source licensors generally do not provide warranties or controls on the functionality or origin of the software. Use of open source software may also present additional security risks because the public availability of such software may make it easier for hackers and other third parties to determine how to compromise our C3 AI Suite and C3 AI Applications. Any of the foregoing could harm our business and could help our competitors develop platforms and applications that are similar to or better than ours.

Because of the characteristics of open source software, there may be fewer technology barriers to entry by new competitors and it may be relatively easy for new and existing competitors with greater resources than we have to compete with us.

One of the characteristics of open source software is that the governing license terms generally allow liberal modifications of the code and distribution thereof to a wide group of companies and/or individuals. As a result, others could easily develop new platforms and applications based upon those open source programs that compete with existing open source software that we support and incorporate into our C3 AI Suite and C3 AI Applications. Such competition with use of the open source projects that we utilize can materialize without the same degree of overhead and lead time required by us, particularly if the customers do not value the differentiation of our proprietary components. It is possible for new and existing competitors with greater resources than ours to develop their own open source software or hybrid proprietary and open source software offerings, potentially reducing the demand for, and putting price pressure on, our C3 AI Suite and C3 AI Applications. In addition, some competitors make open source software available for free download and use or may position competing open source software as a loss leader. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive pressure and/or the availability of open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could seriously harm our business.

If open source software programmers, many of whom we do not employ, or our own internal programmers do not continue to develop and enhance open source technologies, we may be unable to develop new technologies, adequately enhance our existing technologies or meet customer requirements for innovation, quality and price.

We rely to a significant degree on a number of open source software programmers, or committers and contributors, to develop and enhance components of our C3 AI Suite and C3 AI Applications. Additionally, members of the corresponding Apache Software Foundation Project Management Committees, or PMCs, many of whom are not employed by us, are primarily responsible for the oversight and evolution of the codebases of important components of the open source data management ecosystem. If the open source data management committees and contributors fail to adequately further develop and enhance open source technologies, or if the PMCs fail to oversee and guide the evolution of open source data management technologies in the manner that we believe is appropriate to maximize the market potential of our solutions, then we would have to rely on other parties, or we would need to expend additional resources, to develop and enhance our C3 AI Suite and C3 AI Applications. We also must devote adequate resources to our own internal programmers to support their continued development and enhancement of open source technologies, and if we do not do so, we may have to turn to third parties or experience delays in developing or enhancing open source technologies. We cannot predict whether further developments and enhancements to these technologies would be available from reliable alternative sources. In either event, we may incur additional development expenses and experience delays in technology release and upgrade. Delays in developing, completing, or delivering new or enhanced components to our C3 AI Suite and C3 AI Applications could cause our offerings to be less competitive, impair customer acceptance of our solutions, and result in delayed or reduced revenue for our solutions.

Our software development and licensing model could be negatively impacted if the Apache License, Version 2.0 is not enforceable or is modified so as to become incompatible with other open source licenses.

Components of our C3 AI Suite and C3 AI Applications have been provided under the Apache License 2.0. This license states that any work of authorship licensed under it, and any derivative work thereof, may be reproduced and distributed provided that certain conditions are met. It is possible that a court would hold this license to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under it. Any ruling by a court that this license is not enforceable, or that we may not reproduce or distribute those open source software components as part of our C3 AI Suite and C3 AI Applications, may negatively impact our distribution or development of all or a portion of our solutions. In addition, at some time in the future it is possible that the license terms under which important components of the open source projects in our C3 AI Suite and C3 AI Applications are distributed may be modified, which could, among other consequences, negatively impact our continuing development or distribution of the software code subject to the new or modified license.

Further, full utilization of our C3 AI Suite and C3 AI Applications may depend on software, applications, hardware and services from various third parties, and these items may not be compatible with our C3 AI Suite and C3 AI Applications and their development or available to us or our customers on commercially reasonable terms, or at all, which could harm our business.

Risks Related to Ownership of Our Class A Common Stock

The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.

The trading price of our Class A common stock has been and will likely continue to be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment in our Class A common. Factors that could cause fluctuations in the trading price of our Class A common stock include the risk factors set forth in this section as well as the following:

- price and volume fluctuations in the overall stock market from time to time;

- high volume retail trading by participants connected in a social network;
- volatility in the trading prices and trading volumes of technology stocks;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales of shares of our Class A common stock by us or our stockholders;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company, or our failure to meet these estimates or the expectations of investors, particularly in light of the significant portion of our revenue derived from a limited number of customers;
- changes in our financial, operating or other metrics, regardless of whether we consider those metrics as reflective of the current state or long-term prospects of our business, and how those results compare to securities analyst expectations, including whether those results fail to meet, exceed, or significantly exceed securities analyst expectations, particularly in light of the significant portion of our revenue derived from a limited number of customers;
- announcements by us or our competitors of new products, applications, features, or services;
- the public’s reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors’ businesses or the competitive landscape generally;
- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- actual or perceived privacy or data security incidents;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, applications, products, services, or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- any significant change in our management;
- general political and economic conditions and slow or negative growth of our markets; and
- technical factors in the public trading market for our stock that may produce price movements that may or may not comport with macro, industry or company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as may be expressed on financial trading and other social media sites), the amount and status of short interest in our securities, access to margin debt, trading in options and other derivatives on our common stock and other technical trading factors.

Accordingly, we cannot assure you of the liquidity of an active trading market, your ability to sell your shares of our Class A common stock when desired, or the prices that you may obtain for your shares of our Class A common stock. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares of our Class A common stock and may impair our ability to acquire or make investments in complementary companies, products, or technologies by using shares of our common stock as consideration.

In addition, in the past, following periods of volatility in the overall market and in the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management's attention and resources.

The dual class structure of our common stock has the effect of concentrating voting control with the holders of our Class B common stock, limiting your ability to influence corporate matters.

Our Class B common stock has 50 votes per share, and our Class A common stock has one vote per share. As of April 30, 2021, Mr. Siebel and related entities control the voting power of substantially all of the outstanding Class B common stock and will beneficially hold approximately 16.0% of our outstanding capital stock but control approximately 65.8% of the voting power of our outstanding capital stock. Therefore, Mr. Siebel has control over our management and affairs and over all matters requiring stockholder approval, including election of directors and significant corporate transactions, such as a merger or other sale of us or our assets, for the foreseeable future. We believe we are eligible for, but do not intend to take advantage of, the "controlled company" exemption to the corporate governance rules for New York Stock Exchange-listed companies.

In addition, the holders of Class B common stock collectively will continue to be able to control all matters submitted to our stockholders for approval even if their stock holdings represent less than a majority of the outstanding shares of our common stock. This concentrated control will limit your ability to influence corporate matters for the foreseeable future, and, as a result, the market price of our Class A common stock could be adversely affected.

Each share of Class B common stock will be automatically converted into one share of Class A common stock upon the earliest of (1) the date that is six months following the death or incapacity of Mr. Siebel, (2) the date that is six months following the date that Mr. Siebel is no longer providing services to us as an officer, employee, director, or consultant, (3) December 11, 2040, and (4) the date specified by the holders of a majority of the then outstanding shares of Class B common stock, voting as a separate class. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, which will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Siebel retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, control a majority of the combined voting power of our Class A and Class B common stock. As a board member, Mr. Siebel owes a fiduciary duty to our stockholders and must act in good faith in a manner he reasonably believes to be in the best interests of our stockholders. As a stockholder, even a controlling stockholder, Mr. Siebel is entitled to vote his shares in his own interests, which may not always be in the interests of our stockholders generally.

FTSE Russell and Standard & Poor's do not allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Also in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track these indices will not be investing in our stock. In addition, other stock indices may take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indices, exclusion from certain stock indices would likely preclude investment by many of these funds and would make our Class A common stock less attractive to other investors. As a result, the trading price and volume of our Class A common stock could be adversely affected.

We cannot predict the impact our dual class structure may have on the market price of our Class A common stock.

We cannot predict whether our dual class structure, combined with the concentrated control of our stockholders who held our capital stock prior to the completion of our initial public offering, including our executive officers, employees, and directors and their affiliates, will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, as mentioned above certain index providers have announced restrictions on including companies with multiple class share structures in certain of their indices. Under the announced policies, our dual class capital structure would make us ineligible for inclusion in many indices. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the trading price and volume of our Class A common stock could be adversely affected.

Substantial future sales of shares of our Class A common stock and Class B common stock by existing holders in the public market could cause the market price of our Class A common stock to decline.

Sales of a substantial number of shares of our Class A common stock and Class B common stock (after automatically converting to Class A common stock) in the public market, particularly sales by our directors, executive officers, and principal stockholders, or the perception that these sales might occur, could depress the market price of our Class A common stock.

In addition, as of April 30, 2021, there were 38,486,503 shares of Class A common stock subject to outstanding options under our Amended and Restated 2012 Equity Incentive Plan and 447,095 shares of Class A common stock subject to equity awards under our 2020 Equity Incentive Plan. We have registered all of the shares of Class A common stock issuable upon exercise of outstanding options and upon exercise or settlement of any options or other equity incentives we may grant in the future for public resale under the Securities Act. Accordingly, these shares will become eligible for sale in the public market to the extent such options are exercised, subject to compliance with applicable securities laws.

In addition, certain of our stockholders have registration rights that would require us to register shares owned by them for public sale in the United States. We have also filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods and applicable volume and restrictions that apply to affiliates, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards are available for immediate resale in the United States in the open market.

Sales of our shares could also impair our ability to raise capital through the sale of additional equity securities in the future and at a price we deem appropriate. These sales could also cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

Provisions in our corporate charter documents and under Delaware law may prevent or frustrate attempts by our stockholders to change our management or hinder efforts to acquire a controlling interest in us, and the market price of our Class A common stock may be lower as a result.

There are provisions in our certificate of incorporation and bylaws that may make it difficult for a third party to acquire, or attempt to acquire, control of our company, even if a change in control was considered favorable by our stockholders.

Our charter documents also contain other provisions that could have an anti-takeover effect, such as:

- establishing a classified board of directors so that not all members of our board of directors are elected at one time;
- permitting the board of directors to establish the number of directors and fill any vacancies and newly created directorships;
- providing that directors may only be removed for cause;
- prohibiting cumulative voting for directors;
- requiring super-majority voting to amend some provisions in our certificate of incorporation and bylaws;
- authorizing the issuance of “blank check” preferred stock that our board of directors could use to implement a stockholder rights plan;
- eliminating the ability of stockholders to call special meetings of stockholders;
- prohibiting stockholder action by written consent, which requires all stockholder actions to be taken at a meeting of our stockholders; and
- our dual class common stock structure as described above.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibit a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. Any provision in our certificate of incorporation or our bylaws or Delaware law that has the effect of delaying or deterring a change in control could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock and could also affect the price that some investors are willing to pay for our Class A common stock.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware and, to the extent enforceable, the federal district courts of the United States of America as the exclusive forums for certain disputes between us and our stockholders, which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the sole and exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, or the certificate of incorporation or the amended and restated bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. This provision would not apply to suits brought to enforce a duty or liability created by the Exchange Act. In addition, to prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation will further provide that the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act, and an investor cannot waive compliance with the federal securities laws and the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such a provision. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. 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. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

Our Class A common stock market price and trading volume could decline if securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business.

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If few securities analysts commence coverage of us, or if one or more of these analysts cease coverage of us or fail to publish reports on us regularly, demand for our securities could decrease, which might cause the price and trading volume of our Class A common stock to decline.

We will incur costs and demands upon management as a result of complying with the laws and regulations affecting public companies in the United States, which may harm our business.

As a public company listed in the United States, we have incurred and expect to continue to incur significant additional legal, accounting, and other expenses. In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and the New York Stock Exchange, may increase legal and financial compliance costs and make some activities more time consuming. These laws, regulations and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. We intend to invest resources to comply with evolving laws, regulations, and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If, notwithstanding our efforts, we fail to comply with new laws, regulations, and standards, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

Failure to comply with these rules might also make it more difficult for us to obtain certain types of insurance, including director and officer liability insurance, and we might be forced to accept reduced policy limits and coverage or incur substantially higher costs to obtain the same or similar coverage. The impact of these events would also make it more difficult for us to attract and retain qualified persons to serve on our board of directors, on committees of our board of directors, or as members of senior management.

We are an "emerging growth company," and we intend to comply only with reduced disclosure requirements applicable to emerging growth companies. As a result, our Class A common stock could be less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering, (b) in which we have total annual gross revenue of more than $1.07 billion or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock held by non-affiliates exceeds $700 million as of the prior October 31, or (2) the date on which we have issued more than $1.0 billion in non-convertible debt during the prior three-year period. If some investors find our Class A common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for our Class A common stock, and our stock price may be more volatile. We currently expect that we will cease to qualify as an "emerging growth company," as defined in the JOBS Act, effective as of April 30, 2022. As such, we have commenced planning for related additional reporting and financial requirements.

General Risks

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

We are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, or the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable listing standards of the New York Stock Exchange. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time consuming, and costly, and place significant strain on our personnel, systems, and resources.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. In addition, changes in accounting principles or interpretations could also challenge our internal controls and require that we establish new business processes, systems, and controls to accommodate such changes. We have limited experience with implementing the systems and controls that necessary to operate as a public company, as well as adopting changes in accounting principles or interpretations mandated by the relevant regulatory bodies. Additionally, if these new systems, controls, or standards and the associated process changes do not give rise to the benefits that we expect or do not operate as intended, it could adversely affect our financial reporting systems and processes, our ability to produce timely and accurate financial reports or the effectiveness of internal control over financial reporting. Moreover, our business may be harmed if we experience problems with any new systems and controls that result in delays in their implementation or increased costs to correct any post-implementation issues that may arise.

Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our business or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely have a negative effect on the trading price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the New York Stock Exchange. We are not required to make a formal assessment of the effectiveness of our internal control over financial reporting. We are required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second Annual Report on Form 10-K.

Our independent registered public accounting firm is not required to formally attest to the effectiveness of our internal control over financial reporting until our first Annual Report filed with the SEC where we are an accelerated filer or a large accelerated filer. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could harm our business and could cause a decline in the trading price of our Class A common stock.

Any future litigation against us could be costly and time-consuming to defend.

We have in the past and may in the future become subject to legal proceedings and claims that arise in the ordinary course of business, such as claims brought by our customers in connection with commercial or intellectual property disputes or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management’s attention and resources, which might seriously harm our business, financial condition, and results of operations. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims, and might not continue to be available on terms acceptable to us (including premium increases or the imposition of large deductible or co-insurance requirements). A claim brought against us that is uninsured or underinsured could result in unanticipated costs, potentially harming our business, financial position, and results of operations. In addition, we cannot be sure that our existing insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or that our insurers will not deny coverage as to any future claim.

Our business could be disrupted by catastrophic events.

Occurrence of any catastrophic event, including earthquake, fire, flood, tsunami, or other weather event, power loss, telecommunications failure, software or hardware malfunctions, pandemics (such as the COVID-19 pandemic), political unrest, geopolitical instability, cyberattack, war, or terrorist attack, could result in lengthy interruptions in our service. In particular, our U.S. headquarters are located in the San Francisco Bay Area, a region known for seismic activity and wild fires, and our insurance coverage may not compensate us for losses that may occur in the event of an earthquake or other significant natural disaster. In addition, acts of terrorism could cause disruptions to the internet or the economy as a whole. Even with our disaster recovery arrangements, our service could be interrupted. If our systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver our C3 AI Suite and C3 AI Applications to our customers would be impaired, or we could lose critical data. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster and to execute successfully on those plans in the event of a disaster or emergency, our business would be harmed.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our current principal executive office is located in Redwood City, California and, as of April 30, 2021, consists of approximately 84,377 square feet of space under a lease that expires in September 2022.

We lease 13 other offices around the world for our employees, including in Tysons, Virginia; New York City, New York; Chicago, Illinois; Houston, Texas; Brisbane, Australia; Sydney, Australia; Brussels, Belgium; Paris, France; Munich, Germany; Rome, Italy; Amsterdam, Netherlands; Singapore; and London, UK.

We lease all of our facilities and do not own any real property. We intend to procure additional space in the future as we continue to add employees and expand geographically. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in legal proceedings relating to claims arising from the ordinary course of business. Our management believes that there are currently no claims or actions pending against us, the ultimate disposition of which could have a material adverse effect on our results of operations, financial condition or cash flows.

For additional information on legal proceedings, refer to *Note 7. Commitments and Contingencies—Legal Proceedings* in our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

ITEM 4. MINE SAFETY DISCLOSURES

None.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUERS PURCHASES OF EQUITY SECURITIES

Market Information for Common Stock

Our Class A common stock is traded on The New York Stock Exchange (the "NYSE") under the symbol "AI." The shares of Class A common stock and Class B common stock are identical, except with respect to voting, conversion, and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to 50 votes. Class A and Class B common stock have a par value of $0.001 per share and are referred to as common stock throughout this Annual Report on Form 10-K, unless otherwise noted. Holders of common stock are entitled to receive any dividends as may be declared from time to time by the board of directors.

Shares of Class B common stock may be converted to Class A common stock at any time at the option of the stockholder. Each share of Class B common stock will be automatically converted into one share of Class A common stock upon the earliest of the following: (i) the date that is six months following the death or incapacity of Mr. Siebel; (ii) the date that is six months following the date that Mr. Siebel is no longer providing services to the Company as an officer, employee, director, or consultant; (iii) December 11, 2040, which is the twentieth anniversary of the completion of the IPO; or (iv) the date specified by the holders of a majority of the then outstanding shares of Class B common stock, voting as a separate class. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock. Refer to *Note 9. Stockholders' Equity*, in the Notes to Consolidated Financial Statements included in Part II, Item 8, Financial Statements, of this Form 10-K for a discussion of our conversion of Class B common stock.

Holders of Record

As of May 28, 2021, there were 472 stockholders of record of our Class A common stock. Because many of our shares of Class A 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

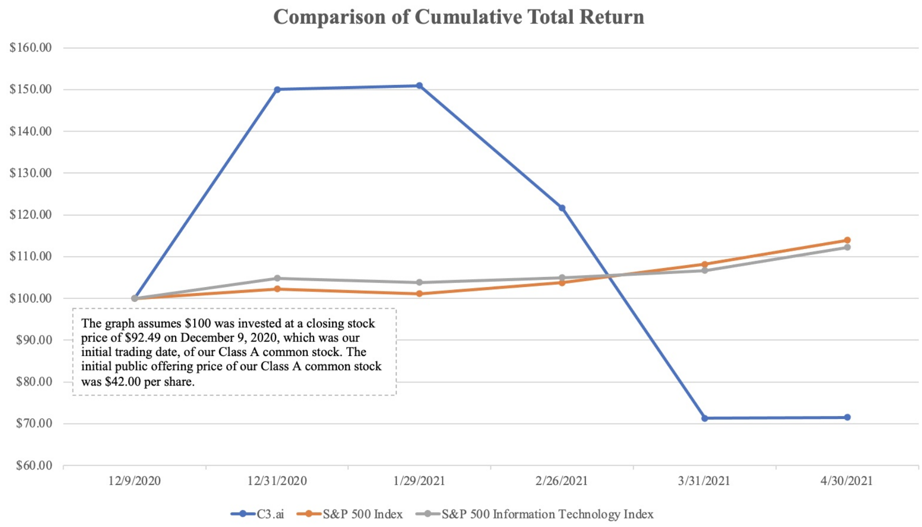
We have never declared or paid any dividends on our common stock. We currently intend to retain all available funds and any future earnings for the operation and expansion of our business. Accordingly, we do not anticipate declaring or paying dividends in the foreseeable future. The payment of any future dividends will be at the discretion of our Board of Directors and will depend on our results of operations, capital requirements, financial condition, prospects, contractual arrangements, any limitations on payment of dividends present in any debt agreements and other factors that our Board of Directors may deem relevant.

Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the Securities Exchange Commission ("SEC") for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any of our filings under the Securities Act or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our Class A common stock since December 9, 2020 (the date our Class A common stock commenced trading on the NYSE) relative to the cumulative total returns of the S&P 500 Index and the S&P 500 Information Technology Index over the same period. An investment of $100 (with reinvestment of all dividends) is assumed to have been made in our Class A common stock and in each index at the market close on December 9, 2020, and its relative performance is tracked through April 30, 2021. The initial public offering price of our Class A common stock, which had a closing stock price of $92.49 on December 9, 2020, was $42.00 per share.

The returns shown are based on historical results and are not intended to suggest future performance.



Unregistered Sales of Equity Securities

During the fiscal year ended April 30, 2021, we issued to certain directors, officers, employees and consultants an aggregate of 14,414,563 shares of our common stock upon the exercise of options under our 2012 Incentive Plan at exercise prices ranging from $4.56 to $42.00 per share.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. Unless otherwise stated, the sales of the above securities were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act (and Regulation D or Regulation S promulgated thereunder) or Rule 701 promulgated under Section 39(b) of the Securities Act as transactions by an issuer not involving any public offering or pursuant to benefit plans and contracts relating to compensation as provided under Rule 701. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed on the share certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

On December 11, 2020, we completed our initial public offering, or IPO, in which we issued and sold 17,825,000 shares of our Class A common stock at $42.00 per share, which included 2,325,000 shares issued upon the exercise of the underwriters' over-allotment option to purchase additional shares. We received net proceeds of $694.6 million after deducting underwriting discounts and other offering expenses. Immediately following completion of our IPO, we also completed a concurrent private placement immediately subsequent to the closing of the IPO, in which we issued and sold 2,380,952 and 1,190,476 shares of the Company's Class A common stock at $42.00 per share to Spring Creek Capital LLC, an affiliate of Koch Industries, Inc., and Microsoft Corporation, respectively. We received aggregate proceeds of $150.0 million and did not pay underwriting discounts with respect to the shares of Class A common stock that were sold in these private placements. The sale of securities in these private placements were deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act.

Issuer Purchase of Equity Securities

During the three months ended April 30, 2021, there were no repurchases of our common stock made by us.

ITEM 6. SELECTED FINANCIAL DATA

Part II, Item 6 is no longer required as the Company has elected to early adopt the changes to Item 301 of Regulation S-K contained in SEC Release No. 33-10890.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. This discussion, particularly information with respect to our future results of operations or financial condition, business strategy and plans, and objectives of management for future operations, includes forward-looking statements that involve risks and uncertainties as described under the heading "Special Note Regarding Forward-Looking Statements" in this Annual Report on Form 10-K. You should review the disclosure under the heading "Risk Factors" under Part I, Item 1A in this Annual Report on Form 10-K for a discussion of important factors that could cause our actual results to differ materially from those anticipated in these forward-looking statements. Unless the context otherwise requires, all references in this report to "C3.ai," "C3 AI," the "Company", "we," "our," "us," or similar terms refer to C3.ai, Inc. and its subsidiaries.

Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ended April 30 and the associated quarters, months and periods of those fiscal years.

A discussion regarding our financial condition and results of operations for the fiscal year ended April 30, 2021 compared to the fiscal year ended April 30, 2020 is presented below. A discussion regarding our financial condition and results of operations for the fiscal year ended April 30, 2020 compared to the fiscal year ended April 30, 2019 can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Final Prospectus dated December 8, 2020 filed with the Securities and Exchange Commission, or SEC, pursuant to Rule 424(b)(4) on December 9, 2020.

Overview

C3 AI is an Enterprise AI software company.

We provide software-as-a-service, or SaaS, applications that enable the rapid deployment of enterprise-scale AI applications of extraordinary scale and complexity that offer significant social and economic benefit.

The C3 AI Suite, C3 AI Applications, and our patented model-driven architecture enable organizations to simplify and accelerate Enterprise AI application development, deployment, and administration. Our software C3 AI Suite enables developers to rapidly build applications by using conceptual models of all the elements required by an Enterprise AI application instead of having to write complex, lengthy, structured programming code to define, control, and integrate the many requisite data and microservices components to work together. We significantly reduce the effort and complexity of the AI software engineering problem.

We have built an integrated family of software applications that enables our customers to rapidly develop, deploy, and operate large-scale Enterprise AI applications across any infrastructure. Customers can deploy C3 AI solutions on all major public cloud infrastructures, private cloud or hybrid environments, or directly on their servers and processors. We provide four primary families of software solutions:

- The C3 AI Suite, our core technology, is a comprehensive application development and runtime environment that is designed to allow our customers to rapidly design, develop, and deploy Enterprise AI applications of any type.
- C3 AI Applications, built using the C3 AI Suite, include a large and growing family of industry-specific and application-specific turnkey AI solutions, ready for installation and deployment.
- C3 AI Ex Machina, our no-code solution that provides secure, easy access to analysis-ready data, and enables business analysts without data science training to rapidly perform data science tasks such as building, configuring, and training AI models.
- C3 AI CRM is a new family of fully AI-enabled, industry-specific CRM solutions that combine the CRM technology leadership and market reach of our partner ecosystem. The C3 AI CRM product family will include sales, marketing, and customer service functionality. The products will be available in vertical market-specific offerings specifically designed to meet the needs of industries such as financial services, healthcare, telecommunications, oil and gas, manufacturing, utilities, aerospace, automotive, public sector, defense, and intelligence.

Initial Public Offering and Concurrent Private Placements

In December 2020, we completed our initial public offering, or IPO, in which we issued and sold 17,825,000 shares of our Class A common stock at $42.00 per share, which included 2,325,000 shares issued upon the exercise of the underwriters' over-allotment option to purchase additional shares. We received net proceeds of $694.6 million after deducting underwriting discounts and other offering expenses.

We also completed a concurrent private placement immediately subsequent to the closing of the IPO, in which we issued and sold 2,380,952 and 1,190,476 shares of our Class A common stock at $42.00 per share to Spring Creek Capital LLC, an affiliate of Koch Industries, Inc., and Microsoft Corporation, respectively. We refer to these sales as the Concurrent Private Placement. We received aggregate proceeds of $150.0 million and did not pay underwriting discounts with respect to the shares of Class A common stock that were sold in the Concurrent Private Placement.

How We Generate Revenue

We generate revenue primarily from the sale of subscriptions, which accounted for 86%, 86% and 85% of our total revenue in the fiscal years ended April 30, 2021, 2020 and 2019, respectively. Our cloud-native software offerings allow us to manage, update, and monitor the software regardless of whether the software is deployed in our public cloud environment, in our customers' self-managed private or public cloud environments, or in a hybrid environment. Our subscription contracts are generally non-cancelable and non-refundable.

We commonly enter into enterprise-wide agreements with entities that include multiple operating units or divisions. For the purpose of this "Management's Discussion and Analysis of Financial Condition and Results of Operations", we use the term customer to mean each distinct division, department, business unit, or group within an entity. As of April 30, 2021, we had 89 customers.

We generally invoice our customers annually in advance and primarily recognize revenue over the contract term on a ratable basis. In addition, customers typically pay a usage-based runtime fees for production use of the C3 AI Suite and C3 AI Applications, which is either paid in advance for specified levels of capacity or paid in arrears based on actual usage. Customers who choose to run the software in our cloud environment pay the hosting costs charged by our cloud providers. Our subscriptions also include our maintenance and support services. Additionally, we offer premium stand-ready support services through our C3 Center of Excellence, or COE, which are included as part of the subscription when purchased.

We also generate revenue from professional services, which consist primarily of fees associated with our implementation services for new customer deployments of C3 AI Applications. Professional services revenue represented 14%, 14% and 15% for the fiscal years ended April 30, 2021, 2020 and 2019, respectively. Our professional services are provided both onsite and remotely, and can include training, application design, project management, system design, data modeling, data integration, application design, development support, data science, and application and C3 AI Suite administration support. Professional services fees are based on the level of effort required to perform the specified tasks and the services are typically provided under a fixed-fee engagement with defined deliverables and a duration of less than 12 months. We recognize revenue for our professional services over the period of delivery as services are performed.

We are growing rapidly, with total revenue of $183.2 million for the fiscal year ended April 30, 2021, representing a 17% increase compared to the prior fiscal year. Our subscription revenue grew to $157.4 million for the fiscal year ended April 30, 2021, representing a 16% increase compared to the prior fiscal year.

Go-to-Market Strategy

Our go-to-market strategy is focused on large organizations recognized as leaders in their respective industries or public sectors, and who are attempting to solve complicated business problems by digitally transforming their operations. These large organizations, or lighthouse customers, include companies and public agencies within the oil and gas, power and utilities, aerospace and defense, industrial products, life sciences, and financial services industries, among others. This has resulted in C3 AI powering some of the largest and most complex Enterprise AI applications worldwide. These lighthouse customers serve as proof points for other potential customers in their particular industries. Today, we have a customer base of a relatively small number of large organizations that generate high average total subscription contract value, but we expect that, over time, as more customers adopt our technology based on the proof points provided by these lighthouse customers, the revenue represented by these customers will decrease as a percentage of total revenue. As our C3 AI Suite is industry agnostic, we also expect to expand into other industries as we grow.

Acquiring new customers and expanding our business with our existing customers is the intent of our go-to-market effort and drivers of our growth. Making new and existing customers successful is critical to our long-term success. After we help our customers solve their initial use cases, they typically identify incremental opportunities within their operations and expand their use of our products by either purchasing additional C3 AI Applications or by subscribing to the C3 AI Suite to develop their own AI applications.

The size and sophistication of our customers' businesses demonstrate the flexibility, speed, and scale of our products, and maximize the potential value to our customers. To be a credible partner to our customers, who often are industry leaders, we deploy a motivated and highly educated team of C3 AI personnel and partners. We go-to-market primarily leveraging our direct sales force. We also complement and supplement our sales force with a number of go-to-market partners.

- *Industry Partners.* We have developed an alliance program to partner with recognized leaders in their respective industries, such as Baker Hughes, Fidelity National Information Services, or FIS, and Raytheon, to develop, market, and sell solutions that are natively built on or tightly integrated with the C3 AI Suite.
- *Consulting and Services Partners.* We partner with a number of systems integrators specializing in Enterprise AI implementations.
- *Hyperscale Cloud and Infrastructure.* We have formed global strategic go-to-market alliances with hyperscale cloud providers including Amazon, FIS, Google, and Microsoft. In addition, we have strategic alliances with leading hardware infrastructure providers to deliver our software optimized for their technology. These partners include Hewlett Packard Enterprise and Intel. These partners supply infrastructure solutions, data management and processing services, or hardware and networking devices (e.g., IoT gateways) to support C3.ai product implementations and complement C3 AI's products.
- *Independent Software Vendors.* We partner with Independent Software Vendors, or ISV, who develop, market, and sell application solutions that are natively built on or tightly integrated with the C3 AI Suite.

Key Business Metric

We monitor remaining performance obligations, or RPO, as a key metric to help us evaluate the health of our business, identify trends affecting our growth, formulate goals and objectives, and make strategic decisions. RPO is not necessarily indicative of future revenue growth because it does not account for the timing of customers' consumption or their consumption of more than their contracted capacity. Moreover, RPO is influenced by several factors, including the timing of renewals, the timing of purchases of additional capacity, average contract terms, and seasonality. Due to these factors, it is important to review RPO in conjunction with revenue and other financial metrics disclosed elsewhere in this Annual Report on Form 10-K. RPO was $293.8 million and $239.7 million as of April 30, 2021 and April 30, 2020, respectively. We may experience variations in our RPO from period to period, but RPO has generally increased over the long term as a result of contracts with new customers and increasing the value of contracts with existing customers. These increases are partially offset by revenue recognized on existing contracts during the period.

RPO represents the amount of our contracted future revenue that has not yet been recognized, including both deferred revenue and non-cancelable contracted amounts that will be invoiced and recognized as revenue in future periods. Our RPO as of April 30, 2021 is comprised of $75.2 million related to deferred revenue and $218.6 million of commitments from non-cancellable contracts. Our RPO as of April 30, 2020 is comprised of $60.3 million related to deferred revenue and $179.4 million of commitments from non-cancellable contracts.

RPO excludes amounts related to performance obligations and usage-based royalties that are billed and recognized as they are delivered. This primarily consists of monthly usage-based runtime and hosting charges in the duration of some revenue contracts. RPO also excludes any future resale commitments by our strategic partners until those end customer contracts are signed. Cancellable backlog, not included in RPO, was $51.3 million and $7.2 million as of April 30, 2021 and April 30, 2020, respectively.

Our total RPO as of April 30, 2021 and April 30, 2020 was comprised of approximately 94% and 96% non-federal contracts and 6% and 4% federal contracts, respectively.

Factors Affecting Our Performance

We believe that our future success and financial performance depend on a number of factors that present significant opportunities for our business but also pose risks and challenges, including those discussed below and in the section of this Annual Report on Form 10-K titled “Risk Factors” Part I, Item 1A, that we must successfully address to sustain our growth, improve our results of operations, and establish and maintain profitability.

Customer Acquisition, Retention, and Expansion

We are focused on continuing to grow our customer base, retaining existing customers and expanding customers’ usage of our C3 AI Suite and C3 AI Applications by addressing new use cases across multiple departments and divisions, adding users, and developing and deploying additional applications. All of these factors increase the adoption and relevance of our C3 AI Suite and C3 AI Applications to our customers’ business and, as an outcome, increases their runtime usage.

We have built a customer-focused culture and have implemented proactive programs and processes designed to drive customer success. These include a robust customer support and success function. For example, as part of our subscription offerings, we provide our customers with the ability to establish a COE, accessing our experienced and specialized resources in key technical areas like application development, data integration, and data science to accelerate and ensure our customers’ success developing applications on our C3 AI Suite. We closely monitor the health and status of every customer account through multiple activities, including real-time monitoring, daily and weekly reports to management, as well as quarterly reviews with our customers.

We also intend to attract new customers across multiple industries where we have limited meaningful presence today, yet represent very large market opportunities such as telecommunications, pharmaceuticals, smart cities, transportation, and healthcare, among others.

Historically, we have had a relatively small number of customers with large total subscription contract values. As a result, revenue growth can vary significantly based on the timing of customer acquisition, changes in product mix, and contract durations, renewals, or terminations. We expect the number of customers to increase compared to prior fiscal years as organizations address the importance of digital transformation. The average total subscription contract value as well as the revenue represented by our lighthouse customers as a percentage of total revenue is decreasing and we expect them to continue to decrease as we have restructured our sales organization and expanded our market-partner ecosystem to effectively address small, medium, and large enterprise sales opportunities.

Technology Innovation

We intend to continue to invest in our research and development capabilities to extend our C3 AI Suite and C3 AI Applications, to expand within existing accounts, and to gain new customers. Our investments in research and development drive core technology innovation and bring new products to market. Our model-driven architecture enables us and our customers to rapidly address new use cases by building new applications and extending and enhancing the features and functionality of current C3 AI Applications. By investing to make it easier to develop applications on our C3 AI Suite, our customers have become active developers. With our support, they have developed and deployed almost two-thirds of the applications currently in production and running on the C3 AI Suite. Research and development spending has fueled enhancements to our existing C3 AI Suite.

We expect to maintain high levels of investment in product innovation over the coming years as we continue to introduce new applications which address new industry use cases, and new features and functionality for the C3 AI Suite and C3 AI Applications. As our business scales over a longer-term horizon, we anticipate research and development spend as a percent of total revenue to decline.

Brand Awareness

We believe we are in the early stages of a large and expanding new market for AI enabled digital transformation. As a result, we intend to continue to invest in brand awareness, market education, and thought leadership. We engage the market through digital, radio, outdoor, airport, and print advertising; virtual and physical events, including our C3 AI Transform annual customer conference; and C3 AI Live, a bi-weekly series of livestreamed events featuring C3 AI customers, C3 AI partners, and C3 AI experts in AI, machine learning, and data science.

We anticipate continuing to make significant investments in marketing over the next several years. Over the long term we expect marketing spend to decline as a percent of total revenue as we make ongoing progress establishing C3 AI's brand and reputation and as our business scales. Any investments we make in our marketing program will occur in advance of experiencing benefits from such investments.

Grow Our Go-to-Market and Partnership Ecosystem

In addition to the activities of our field sales organization, our success in attracting new customers will depend on our ability to expand our ecosystem of strategic partners and the number of industry verticals that they serve. Our strategic go-to-market alliances vastly extend our reach globally. Some of our most notable partners include Baker Hughes, FIS, Infor, and Microsoft. Each strategic partner is a leader in its industry, with a substantial installed customer base and extensive marketing, sales, and services resources that we can leverage to engage and serve customers anywhere in the world. Using our C3 AI Suite as the development suite, we leverage our model-driven architecture to efficiently build new cross-industry and industry-specific applications based on identifying requirements across our customer base of industry leaders and through our industry partners. Our strategy with strategic partners is to establish a significant use case and prove the value of our C3 AI Suite with a flagship customer in each industry in which we participate. We have done this with our strategic vertical industry partner in oil and gas, Baker Hughes, as well as with our iconic global customers, some of whom are deploying C3 AI technology to optimize thousands of critical assets globally across their upstream, midstream, and downstream operations. We establish formal sales and marketing plans with each partner, including specific sales goals and dedicated budgets, and we work closely with these partners to identify specific target accounts. We intend to grow the business we do with each partner and to add more partners as we expand the vertical markets we serve. We also offer revenue generating trials of our applications as part of our customer acquisition strategy.

In June 2019, we entered into a three-year arrangement with Baker Hughes as both a leading customer and as a partner in the oil and gas industry. This arrangement included a subscription to our C3 AI Suite for their own operations (which we refer to below as direct subscription fees), the exclusive right for Baker Hughes to resell our offerings worldwide in the oil and gas industry, and the non-exclusive right to resell our offerings in other industries. Under the arrangement, Baker Hughes made minimum, non-cancelable, total revenue commitments to us of $50.0 million, $100.0 million, and $170.0 million, for each of the fiscal years ending April 30, 2020, 2021, and 2022, respectively. Baker Hughes revenue commitments were inclusive of their direct subscription fees of $39.5 million per year with the remainder to be generated from the resale of our solutions by the Baker Hughes sales organization. During the fiscal year ended April 30, 2020, we recognized as revenue the full value of the first year of the direct subscription agreement and the value of deals brought in by Baker Hughes through the reseller arrangement. This arrangement was revised in June 2020 to extend the term by an additional two years, for a total of five years, with an expiration date in the fiscal year ending April 30, 2024 and to modify the annual amount of Baker Hughes' commitments to $53.3 million, $75.0 million, $125.0 million, and $150.0 million, over the fiscal years ending April 30, 2021, 2022, 2023, and 2024, respectively. Any shortfalls against the total annual revenue commitment made to us by Baker Hughes will be assessed and recorded by us at the end of the fourth quarter of each fiscal year. We are obligated to pay Baker Hughes a sales commission on subscriptions to our products and services offerings it resells in excess of these minimum revenue commitments.

Our RPO related to Baker Hughes, which includes both direct subscriptions and reseller arrangements, is comprised of $8.5 million related to deferred revenue and $95.5 million of commitments from non-cancellable contracts as of April 30, 2021 and $2.4 million related to deferred revenue and $84.8 million from non-cancellable contracts as of April 30, 2020.

As of April 30, 2021 and April 30, 2020 the total remaining amount of Baker Hughes' minimum revenue commitments not yet contracted under the direct subscription fee or reseller arrangement, and thus subject to the shortfall annual provisions, under the entire arrangement was $219.3 million and $183.8 million, respectively.

International Expansion

The international market opportunity for Enterprise AI software is large and growing, and we believe there is a significant opportunity to continue to grow our international customer base. We believe that the demand for our C3 AI Suite will continue growing as international awareness of the benefits of digital transformation and Enterprise AI software grows. We plan to continue to make investments to expand geographically by increasing our direct sales team in international markets and supplementing the direct sales effort with strategic partners to significantly expand our reach and market coverage. We derived approximately 35%, 22% and 34% of our total revenue for the fiscal years ended April 30, 2021. 2020 and 2019, respectively, from international customers.

Impact of Ongoing COVID-19 Pandemic

The COVID-19 pandemic has caused general business disruption worldwide beginning in January 2020. The full extent to which the COVID-19 pandemic will directly or indirectly impact our business, results of operations, cash flows, and financial condition will depend on future developments that are uncertain. As a result of global business disruption, the COVID-19 pandemic had a significant adverse impact on our conclusion of new and additional business agreements in 2021 and 2020 and may continue to pose challenges until the effects of the pandemic abate.

As a result of the COVID-19 pandemic, we temporarily closed our headquarters and other offices, required our employees and contractors to work remotely, and implemented travel restrictions, all of which represented a significant change in how we operate our business. The operations of our partners and customers have likewise been altered. While the duration and extent of the COVID-19 pandemic depends on future developments that cannot be accurately predicted at this time, such as the extent and effectiveness of containment actions, the emergence and spread of variants of the COVID-19 virus, and the effectiveness, acceptance, and availability of vaccines against the COVID-19 virus and its variants, the COVID-19 pandemic has already had an adverse effect on the global economy and the ultimate societal and economic impact of the COVID-19 pandemic remains unknown. In particular, the conditions caused by this pandemic are likely to affect the rate of global IT spending and could adversely affect demand for our C3 AI Suite, lengthen our sales cycles, reduce the value or duration of subscriptions, reduce the level of subscription renewals, negatively impact collections of accounts receivable, reduce expected spending from new customers, cause some of our paying customers to go out of business, limit the ability of our direct sales force to travel to customers and potential customers, and affect contraction or attrition rates of our paying customers, all of which could adversely affect our business, results of operations, and financial condition during fiscal 2021 and potentially future periods.

We will continue to evaluate the nature and extent of the impact of COVID-19 on our business. For further discussion of the potential impacts of the ongoing COVID-19 pandemic on our business, operating results, and financial condition, see the section titled “Risk Factors” included in Part I, Item 1A of this Annual Report on Form 10-K. Other factors affecting our performance are discussed below, although we caution you that the ongoing COVID-19 pandemic may also further impact these factors.

Components of Results of Operations

Revenue

Subscription Revenue. Our subscription revenue is primarily comprised of term licenses, stand-ready COE support services, trials of our applications, and software-as-a-service offerings. Sales of our term licenses grant our customers the right to use our software, either on their own cloud instance or their internal hardware infrastructure, over the contractual term. We also offer a premium stand-ready service through our COE. Sales of our software-as-a-service offerings include a right to use our software over the contractual term. Our subscription contracts are generally non-cancelable and non-refundable, with the majority of contracts with customers averaging approximately three years in duration. We generally invoice annually in advance and recognize revenue over the contract term on a ratable basis. In addition, customers pay a usage-based runtime fee for the C3 AI Suite and C3 AI Applications, which is either paid in advance for specified levels of capacity and/or paid in arrears based on actual usage. Our subscriptions also include our maintenance and support services. Our maintenance and support services include critical and continuous updates to the software that are integral to maintaining the intended utility of the software over the contractual term. Our software subscriptions and maintenance and support services are highly interdependent and interrelated and represent a single distinct performance obligation within the context of the contract. We currently have a small number of public utility customers that license our offerings under a perpetual license model, and we expect that may continue for the foreseeable future for certain customers due to their specific contracting requirements.

Professional Services Revenue. Our professional services revenue primarily includes implementation services, training and prioritized engineering services. We offer a complete range of professional service support both onsite and remotely, including training, application design, project management, system design, data modeling, data integration, application design, development support, data science, and application and C3 AI Suite administration support. Professional services fees are based on the level of effort required to perform the specified tasks and are typically a fixed-fee engagement with defined deliverables and a duration of less than 12 months. We recognize revenue for our professional services over the period of delivery as services are performed.

Cost of Revenue

Cost of Subscription Revenue. Cost of subscription revenue consists primarily of costs related to compensation, including salaries, bonuses, benefits, stock-based compensation and other related expenses for the production environment, support and COE staff, hosting of our C3 AI Suite, including payments to outside cloud service providers, and allocated overhead and depreciation for facilities.

Cost of Professional Services Revenue. Cost of professional services revenue consists primarily of compensation, including salaries, bonuses, benefits, stock-based compensation and other related costs associated with our professional service personnel, third-party system integration partners, and allocated overhead and depreciation for facilities.

Gross Profit and Gross Margin

Gross profit is total revenue less total cost of revenue. Gross margin is gross profit expressed as a percentage of total revenue. Our gross margin has fluctuated historically and may continue to fluctuate from period to period based on a number of factors, including the timing and mix of the product offerings we sell as well as the geographies into which we sell, in any given period. Our gross margins are lower when we provide hosting services to our customers as compared to when a customer hosts our software in their self-managed private or public cloud environments. Our subscription gross margin may experience variability over time as we continue to invest and continue to scale our business. Our professional services gross margin may also experience variability from period to period due to the use of our own resources and third-party system integration partners in connection with the performance of our fixed price agreements.

Operating Expenses

Our operating expenses consist of sales and marketing, research and development, and general and administrative expenses. We expect our operating expenses as a percentage of total revenue to increase as we continue to invest to grow our business. Over the long-term, we expect those percentages to stabilize and then move lower as our business matures.

Sales and Marketing. Sales and marketing expenses consist of expenditures related to advertising, media, marketing, promotional events, brand awareness activities, business development, customer success and corporate partnerships. Sales and marketing expenses also include employee-related costs, including salaries, bonuses, benefits, stock-based compensation, and commissions for our employees engaged in sales and marketing activities, and allocated overhead and depreciation for facilities.

We expect our sales and marketing expenses will increase in absolute dollar amounts as we continue to invest in brand awareness and programmatic spend to generate demand. We also expect to hire additional sales personnel to increase sales coverage of target industry vertical and geographic markets. Consequently, sales and marketing expense as a percent of total revenue will remain high in the near-term. As our business scales through customer expansion and market awareness, we anticipate that sales and marketing expense as a percent of total revenue to decline over time.

Research and Development. Our research and development efforts are aimed at continuing to develop and refine our C3 AI Suite and C3 AI Applications, including adding new features and modules, increasing functionality and speed, and enhancing the usability of our C3 AI Suite and C3 AI Applications. Research and development expenses consist primarily of employee-related costs, including salaries, bonuses, benefits, and stock-based compensation for our employees associated with research and development related activities. Research and development expenses also include cloud infrastructure costs related to our research and development efforts, and allocated overhead and depreciation for facilities. Research and development costs are expensed as incurred.

We expect research and development expense to increase in absolute dollars as we continue to invest in our existing and future product offerings. We may experience variations from period to period with our total research and development expense as a percentage of revenue as we develop and deploy new applications targeting new use cases and new industries. Over a longer horizon, we anticipate that research and development expense as a percent of total revenue to decline.

General and Administrative. General and administrative expense consists primarily of employee-related costs, including salaries, bonuses, benefits, stock-based compensation and other related costs associated with administrative services such as executive management and administration, legal, human resources, accounting, and finance. General and administrative expense also includes facilities costs, such as depreciation and rent expense, professional fees, and other general corporate costs, including allocated overhead and depreciation for facilities.

We expect our general and administrative expense to increase in absolute dollars as we continue to grow our business. As a result of the closing of our IPO, we have incurred and expect to continue to incur additional expenses as a result of operating as a public company, including expenses necessary to comply with the rules and regulations applicable to companies listed on a national securities exchange and related to compliance and reporting obligations pursuant to the rules and regulations of the SEC, as well as higher expenses for general and director and officer insurance, investor relations, and professional services. We expect that general and administrative expense as a percent of total revenue will decline over the long-term as we benefit from the scale of our business infrastructure.

Interest Income

Interest income consists primarily of interest income earned on our cash, cash equivalents, and available-for-sale marketable securities. It also includes amortization of premiums and accretion of discount related to our available-for-sale marketable securities. Interest income varies each reporting period based on our average balance of cash, cash equivalents, and available-for-sale marketable securities during the period and market interest rates.

Other Income (Expense), Net

Other income (expense), net consists primarily of foreign currency exchange gains and losses, losses from impairment of investments, and realized gains and losses on sales of available-for-sale marketable securities. Our foreign currency exchange gains and losses relate to transactions and asset and liability balances denominated in currencies other than the U.S. dollar. We expect our foreign currency gains and losses to continue to fluctuate in the future due to changes in foreign currency exchange rates.

Provision for Income Taxes

Our income tax provision consists of an estimate of federal, state, and foreign income taxes based on enacted federal, state, and foreign tax rates, as adjusted for allowable credits, deductions, uncertain tax positions, changes in the valuation of our deferred tax assets and liabilities, and changes in tax laws. We maintain a full valuation allowance on our federal and state deferred tax assets as we have concluded that it is not more likely than not that the deferred tax assets will be realized.

Results of Operations

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

	Fiscal Year Ended April 30,		
	2021	2020	2019
	(in thousands)		
Revenue			
Subscription	$ 157,366	$ 135,394	$ 77,472
Professional services	25,851	21,272	14,133
Total revenue	183,217	156,666	91,605
Cost of revenue			
Subscription(1)	31,315	31,479	24,560
Professional services(1)	13,204	7,308	5,826
Total cost of revenue	44,519	38,787	30,386
Gross profit	138,698	117,879	61,219
Operating expenses			
Sales and marketing(1)	96,991	94,974	37,882
Research and development(1)	68,856	64,548	37,318
General and administrative(1)	33,109	29,854	22,061
Total operating expenses	198,956	189,376	97,261
Loss from operations	(60,258)	(71,497)	(36,042)
Interest income	1,255	4,251	3,508
Other income (expense), net	4,011	(1,752)	(546)
Net loss before provision for income taxes	(54,992)	(68,998)	(33,080)
Provision for income taxes	704	380	266
Net loss	$ (55,696)	$ (69,378)	$ (33,346)

(1) Includes stock-based compensation expense as follows:

	Fiscal Year Ended April 30,		
	2021	2020	2019
	(in thousands)		
Cost of subscription	$ 828	$ 370	$ 149
Cost of professional services	376	122	69
Sales and marketing	9,080	3,074	1,739
Research and development	2,950	1,223	781
General and administrative	8,506	3,521	1,529
Total stock-based compensation expense	$ 21,740	$ 8,310	$ 4,267

The following table sets forth our consolidated statements of operations data expressed as a percentage of revenue for the periods presented:

	Fiscal Year Ended April 30,		
	2021	2020	2019
Revenue			
Subscription	86 %	86 %	85 %
Professional services	14	14	15
Total revenue	100	100	100
Cost of revenue			
Subscription	17	20	27
Professional services	7	5	6
Total cost of revenue	24	25	33
Gross profit	76	75	67
Operating expenses			
Sales and marketing	53	61	41
Research and development	38	41	41
General and administrative	18	19	24
Total operating expenses	109	121	106
Loss from operations	(33)	(46)	(39)
Interest income	1	3	4
Other income (expense), net	2	(1)	(1)
Net loss before provision for income taxes	(30)	(44)	(36)
Provision for income taxes	—	—	—
Net loss	(30)%	(44)%	(36)%

Comparison of the Fiscal Years Ended April 30, 2021 and 2020

Revenue

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Revenue				
Subscription	$ 157,366	$ 135,394	$ 21,972	16 %
Professional services	25,851	21,272	4,579	22 %
Total revenue	$ 183,217	$ 156,666	$ 26,551	

Subscription revenue as a percentage of total revenue remained 86% for the fiscal years ended April 30, 2021 and 2020, respectively. Subscription revenue increased by $22.0 million, or 16%, for the fiscal year ended April 30, 2021, compared to the prior fiscal year, predominantly driven by revenue growth of $22.0 million from new customers or expanding relationships with existing C3 AI customers.

Professional services revenue increased by $4.6 million, or 22%, for the fiscal year ended April 30, 2021, compared to the prior fiscal year, predominantly due to the timing and mix of implementation services projects for new C3 AI Application customers.

Cost of Revenue

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Cost of revenue				
Subscription	$ 31,315	$ 31,479	$ (164)	(1)%
Professional services	13,204	7,308	5,896	81 %
Total cost of revenue	$ 44,519	$ 38,787	$ 5,732	

The decrease in cost of subscription revenue for the fiscal year ended April 30, 2021 compared to the prior fiscal year was primarily due to a decrease in cloud service providers costs of $1.1 million and a decrease in facilities and overhead costs of $0.6 million, partially offset by an increase in personnel-related costs of $1.6 million.

The increase in cost of professional services revenue for the fiscal year ended April 30, 2021 compared to the prior fiscal year was primarily due to higher personnel-related costs of $3.0 million and higher third-party outsourcing costs of $1.9 million.

Gross Profit and Gross Margin

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Gross profit	$ 138,698	$ 117,879	$ 20,819	18 %
Gross margin				
Subscription	80 %	77 %		
Professional services	49 %	66 %		
Total gross margin	76 %	75 %		

The increase in gross profit in the fiscal year ended April 30, 2021 was primarily driven by subscription margin improvements, partially offset by declines in professional services margin due to investments in personnel to support current and future revenue growth. Overall, total gross margins increased for the fiscal year ended April 30, 2021 compared to the prior fiscal year.

Operating Expenses

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Operating expenses				
Sales and marketing	$ 96,991	$ 94,974	$ 2,017	2 %
Research and development	68,856	64,548	4,308	7 %
General and administrative	33,109	29,854	3,255	11 %
Total operating expenses	$ 198,956	$ 189,376	$ 9,580	

Sales and Marketing. The increase in sales and marketing expense for the fiscal year ended April 30, 2021 compared to the prior fiscal year was primarily due to higher advertising spend of $4.7 million, higher personnel-related costs as a result of headcount growth of $1.7 million and higher facilities and related depreciation costs of $1.0 million, partially offset by a $5.7 million decrease in contributions to C3.ai DTI.

Research and Development. The increase in research and development expense for the fiscal year ended April 30, 2021 compared to the prior fiscal year was primarily due higher cloud computing costs of $3.7 million, an increase in professional services costs of $1.6 million, higher personnel-related costs as a result of headcount growth of $1.4 million and higher facilities costs of $1.0 million partially offset by a $2.9 million decrease in contributions to C3.ai DTI and a $0.9 million decrease in travel expenses.

General and Administrative. The increase in general and administrative expense for the fiscal year ended April 30, 2021 compared to the prior fiscal year was primarily due to an increase in corporate insurance costs of $3.2 million, and higher professional services costs of $1.8 million partially offset by a $1.6 million net decrease in personnel-related costs.

Interest Income

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Interest income	$ 1,255	$ 4,251	$ (2,996)	(70)%

The decrease in interest income for the fiscal year ended April 30, 2021 compared to the prior fiscal year was primarily due to investments that yielded lower returns such as money market funds and government securities.

Other Income (Expense), Net

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Other income (expense), net	$ 4,011	$ (1,752)	$ 5,763	329 %

The increase in other income (expense), net for the fiscal year ended April 30, 2021 compared to the prior fiscal year was due to foreign currency gains on the remeasurement of Euro-denominated cash and accounts receivable balances.

Provision for Income Taxes

	Fiscal Year Ended April 30,			
	2021	2020	$ Change	% Change
	(in thousands)			
Provision for income taxes	$ 704	$ 380	$ 324	85 %

The increase in provision for income taxes was primarily related to foreign and state tax expense.

Non-GAAP Financial Measure

In addition to our financial results determined in accordance with generally accepted accounting principles in the United States, or GAAP, we believe free cash flow, a non-GAAP financial measure, is useful in evaluating liquidity and provides information to management and investors about our ability to fund future operating needs and strategic initiatives. We calculate free cash flow as net cash used in operating activities less purchases of property and equipment and capitalized software development costs. Free cash flow has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash used in operating activities. This non-GAAP financial measure may be different than similarly titled measures used by other companies. Additionally, the utility of free cash flow is further limited as it does not represent the total increase or decrease in our cash balances for a given period. The following table below provides a reconciliation of free cash flow to the GAAP measure of net cash used in operating activities for the periods presented:

	Fiscal Year Ended April 30,	
	2021	2020
	(in thousands)	
Net cash used in operating activities	$ (37,553)	$ (61,281)
Less:		
Purchases of property and equipment	(1,628)	(2,298)
Capitalized software development costs	—	(581)
Free cash flow	$ (39,181)	$ (64,160)
Net cash used in investing activities	$ (767,152)	$ (124,073)
Net cash provided by financing activities	$ 887,356	$ 119,851

Liquidity and Capital Resources

Since inception, we have financed operations primarily through sales generated from our customers and sales of equity securities. As of April 30, 2021 and 2020, we had $115.4 million and $33.1 million of cash and cash equivalents and $978.0 million and $211.9 million of short-term investments, respectively, which were held for working capital purposes. In December 2020, we completed our IPO, which resulted in aggregate net proceeds of $694.6 million, after underwriting discounts and other offering expenses. We also received aggregate proceeds of $150.0 million related to our Concurrent Private Placement and did not pay any underwriting discounts or commissions with respect to the shares that were sold in these private placements. Our short-term investments generally consist of high-grade U.S. treasury securities, certificates of deposit, U.S. government agency securities, commercial paper and corporate debt securities. We have generated operating losses from our operations as reflected in our accumulated deficit of $349.3 million as of April 30, 2021 and negative cash flows from operations. We expect to continue to incur operating losses and generate negative cash flows from operations for the foreseeable future due to the investments we intend to make in our business, and as a result we may require additional capital to execute on our strategic initiatives to grow the business.

We believe that existing cash and cash equivalents and short-term investments will be sufficient to support working capital and capital expenditure requirements for at least the next 12 months. Our principal uses of cash in recent periods have been funding our operations and investing in capital expenditures. Our future capital requirements will depend on many factors, including our revenue growth rate, the timing and the amount of cash received from customers, the expansion of sales and marketing activities, the timing and extent of spending to support development efforts, expenses associated with our international expansion, the introduction of C3 AI Suite enhancements, and the continuing market adoption of our C3 AI Suite and C3 AI Applications. In the future, we may enter into arrangements to acquire or invest in complementary businesses, products, and technologies. We may be required to seek additional equity or debt financing. If we require additional financing, we may not be able to raise such financing on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in continued innovation, we may not be able to compete successfully, which would harm our business, results of operations, and financial condition.

The following table summarizes our cash flows for the periods presented:

	Fiscal Year Ended April 30,	
	2021	2020
	(in thousands)	
Cash used in operating activities	$ (37,553)	$ (61,281)
Cash used in investing activities	$ (767,152)	$ (124,073)
Cash provided by financing activities	$ 887,356	$ 119,851
Net increase (decrease) in cash, cash equivalents, and restricted cash	$ 82,651	$ (65,503)

Operating Activities. Net cash used in operating activities of $37.6 million for the fiscal year ended April 30, 2021 was due to our net loss of $55.7 million in addition to non-cash charges for stock-based compensation of $21.7 million, depreciation and amortization of $4.3 million, and non-cash operating lease cost of $3.3 million. The $11.0 million cash outflow related to changes in operating assets and liabilities was primarily attributable to an increase in accounts receivable of $34.7 million inclusive of an increase in related party balances of $15.2 million, an increase in prepaid expenses, other current assets and other assets of $14.9 million inclusive of an increase in related party balances of $8.3 million and a decrease in lease liabilities of $3.6 million. This was partially offset by cash inflows related to an increase to deferred revenue of $14.9 million inclusive of an increase in related party balances of $6.2 million, an increase in other liabilities of $11.5 million inclusive of an increase in related party balances of $8.3 million, increase to accrued compensation and employee benefits of $8.1 million and an increase in accounts payable of $7.5 million inclusive of an increase in related party balances of $0.1 million.

Net cash used in operating activities of $61.3 million for the fiscal year ended April 30, 2020 was primarily due to our net loss of $69.4 million in addition to non-cash charges for stock-based compensation of $8.3 million, non-cash operating lease cost of $3.1 million, depreciation and amortization of $1.3 million, impairment of investments of $1.0 million, and other non-cash income of $0.7 million. The $4.9 million cash outflow related to changes in operating assets and liabilities was primarily attributable to a decrease in deferred revenue of $30.9 million inclusive of a decrease in related party balances of $18.4 million, an increase in prepaid expenses, other current assets and other assets of $4.3 million, a decrease in lease liabilities of $3.2 million, and a decrease in accounts payable of $1.2 million. This was partially offset by a decrease in accounts receivable of $32.7 million inclusive of a decrease in related party balances of $19.8 million, an increase in other liabilities of $1.3 million, and an increase in accrued compensation and employee benefits of $0.7 million.

Investing Activities. Net cash used in investing activities of $767.2 million for the fiscal year ended April 30, 2021 was primarily attributable to purchases of investments of $1,152.1 million and capital expenditures of $1.6 million, partially offset by maturities and sales of short-term investments of $385.9 million.

Net cash used in investing activities of $124.1 million for the fiscal year ended April 30, 2020 was primarily attributable to purchases of investments of $219.9 million and capital expenditures of $2.3 million, partially offset by the maturities and sales of short-term investments of $98.7 million.

Financing Activities. Net cash provided by financing activities of $887.4 million for the fiscal year ended April 30, 2021 was primarily due to $844.7 million of net proceeds from the initial public offering and private placements, $26.0 million of proceeds from the repayment of the full recourse promissory note due from our CEO in connection with the Series F preferred stock financing and $16.7 million of proceeds from the exercise of stock options for Class A common stock.

Net cash provided by financing activities of $119.9 million for the fiscal year ended April 30, 2020 was primarily due to $49.8 million of proceeds from the issuance of Series H redeemable convertible preferred stock, $44.0 million of proceeds from the issuance of common stock, $25.3 million of proceeds from the additional issuance of Series G redeemable convertible preferred stock and $4.2 million of proceeds from the exercise of stock options for Class A common stock, partially offset by $3.5 million repurchase of common stock and stock options in the tender offer.

Contractual Obligations and Commitments

Our contractual obligations and commitments primarily consist of operating lease commitments for our facilities and noncancelable purchase commitments related to third-party cloud hosting services.

For additional information, refer to *Note 6. Leases* and *Note 7. Commitments and Contingencies* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Critical Accounting Policies and Estimates

Our consolidated financial statements and the accompanying notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with GAAP. The preparation of consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations, and cash flows will be affected.

We believe that the following accounting policies involve a high degree of judgment and complexity. Accordingly, these are the policies we believe are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of our operations. See *Note 1. Summary of Business and Significant Accounting Policies* to our consolidated financial statements appearing elsewhere in this Annual Report on Form 10-K for a description of our other significant accounting policies. The preparation of our consolidated financial statements in conformity with GAAP requires us to make estimates and judgments that affect the amounts reported in those financial statements and accompanying notes. Although we believe that the estimates we use are reasonable, due to the inherent uncertainty involved in making those estimates, actual results reported in future periods could differ from those estimates. The critical accounting estimates, assumptions and judgments that we believe have the most significant impact on our consolidated financial statements are described below.

Revenue Recognition

Revenue is recognized when promised goods or services are transferred to customers in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods or services.

We determine revenue recognition through the following steps:

- identification of the contract, or contracts, 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, we satisfy a performance obligation.

Subscription Revenue. Our subscription revenue is primarily comprised of term licenses, stand-ready COE support services, trials of our applications, and software-as-a-service offerings. Sales of our term licenses grant customers the right to use our functional intellectual property, either on their own cloud instance or internal hardware infrastructure, over the contractual term. We also sell premium stand-ready COE support services, hosting services, and trials of our applications as part of our customer acquisition strategy. Sales of our software-as-a-service offerings include the right to use our software in a hosted environment over the contractual term. Our subscriptions include our software and our maintenance and support services. Our maintenance and support services include critical and continuous updates to the software that are integral to maintaining the intended utility of the software over the contractual term. Our software subscriptions and maintenance and support services are highly interdependent and interrelated and represent a single distinct performance obligation within the context of the contract. We have a small number of customers who have perpetual licenses, which we recognize ratably given the critical nature of the required continuous maintenance and support provided.

Our subscription contracts are generally non-cancelable and non-refundable, and typically three years in duration. We generally invoice annually in advance, and recognize revenue over the contract term on a ratable basis. We also generate additional runtime subscription fees for the use of our C3 AI Suite, a type of consumption billing based on computing and storage resources required to run our software. We typically recognize the consumption or usage-based revenue upon occurrence and invoice in arrears, although customers may purchase blocks of runtime in advance.

Professional Services Revenue. Professional services revenue primarily consists of implementation services and training. These services are distinct from our subscription revenue.

Professional services fees are based on the level of effort required to perform such tasks and are typically a fixed-fee engagement with a duration of less than 12 months. We recognize revenue for our professional services over time on an input basis as the performance obligations are satisfied.

Contracts with Multiple Performance Obligations. Most of our contracts with customers contain multiple performance obligations. Our subscriptions are sold for a broad range of amounts and a representative standalone selling price, or SSP, is not always discernible from past transactions or other observable evidence. When appropriate, we determine SSP based on the price at which the performance obligation has previously been sold through past transactions, taking into account internally approved pricing guidelines related to the performance obligations. When the SSP of a license or subscription and bundled maintenance and support services is highly variable and the contract also includes additional performance obligations with observable SSP, we first allocate the transaction price to the performance obligations with established SSPs and then apply the residual approach to allocate the remaining transaction price to the license or subscription and bundled maintenance and support services. If applying the residual approach results in zero or very little consideration being allocated to the combined performance obligation, or to a bundle of goods or services, we will consider all reasonably available data to determine an appropriate allocation of the transaction price. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation.

Areas of Judgment and Estimates. Determining whether the software subscriptions and the related support are considered distinct performance obligations that should be accounted for separately or as a single performance obligation requires significant judgment. In reaching our conclusion, we considered the nature of our promise to provide the customer real time analytics and machine learning algorithms that require regular re-training to maintain and improve prediction accuracy. As these updates to the software subscription are integral to maintaining the utility that is derived from the software subscription by customers, we determined that the software subscription and related updates fulfill a single promise to the customer under the contract.

Determining the relative SSP for contracts that contain multiple performance obligations requires significant judgement. We determine SSP using observable pricing when available, which takes into consideration market conditions and customer specific factors. When observable pricing is not available, we first allocate the transaction price to the performance obligations with established SSPs and then apply the residual approach to allocate the remaining transaction price to the subscription and bundled maintenance and support services.

Stock-Based Compensation

Stock-based compensation expense related to stock awards and restricted stock units, or RSUs, is recognized based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of our common stock, risk-free interest rates and the expected dividend yield of our common stock. The assumptions used to determine the fair value of the option awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. The fair value of each RSU is based on the fair value of the Company's common stock on the date of grant. The related stock-based compensation expense is recognized on a straight-line basis over the requisite service period of the awards, which is generally five years. We account for forfeitures as they occur instead of estimating the number of awards expected to be forfeited.

Our use of the Black-Scholes option-pricing model requires the input of highly subjective assumptions. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

These assumptions and estimates are as follows:

- *Fair Value of Common Stock.* Prior to our IPO, the fair value was determined by our board of directors, with input from management and valuation reports prepared by third-party valuation specialists. After our IPO, the fair value of our common stock is determined by the closing price, on the date of grant, of our common stock, which is traded on the New York Stock Exchange. Stock-based compensation for financial reporting purposes is measured based on updated estimates of fair value when appropriate, such as when additional relevant information related to the estimate becomes available in a valuation report issued as of a subsequent date.

- *Expected Dividend Yield.* We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. As a result, an expected dividend yield of zero percent was used.

- *Expected Volatility.* The expected volatility was estimated by taking the average historical price volatility for industry peers, consisting of several public companies in our industry which are either similar in size, stage of life cycle, or financial leverage, over a period equivalent to the expected term of the awards.

- *Expected Term.* The expected term of options represents the period of time that options are expected to be outstanding. Our historical stock option exercise experience does not provide a reasonable basis upon which to estimate an expected term due to a lack of sufficient data. For stock options granted to employees, we estimate the expected term by using the simplified method. The simplified method calculates the expected term as the average of the time-to-vesting and the contractual life of the options. For stock options granted to non-employees, the expected term equals the contractual term of the option.

- *Risk-Free Interest Rate.* The risk-free interest rate for the expected term of the options was based on the U.S. Treasury yield curve in effect at the time of the grant.

The weighted average Black-Scholes assumptions used in evaluating our awards are as follows:

	Fiscal Year Ended April 30,	
	2021	2020
Valuation assumptions		
Expected dividend yield	— %	— %
Expected volatility	43.8 %	38.6 %
Expected term (years)	6.30	6.30
Risk-free interest rate	0.43 %	1.70 %

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our common stock, we may refine our estimation process, which could materially impact our future stock-based compensation expense.

Income Taxes

We use the asset-and-liability method for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the consolidated financial statement carrying amounts and tax bases of assets and liabilities and operating loss and tax credit carryforwards and are measured using the enacted tax rates that are expected to be in effect when the differences reverse. 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 an amount that, in the opinion of management, is more likely than not to be realized.

Our policy for accounting for uncertainty in income taxes requires the evaluation of tax positions taken or expected to be taken in the course of the preparation of tax returns to determine whether the tax positions are “more-likely-than-not” of being sustained by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense in the current year. Re-evaluation of tax positions considers factors such as changes in facts or circumstances, changes in or interpretations of tax law, effectively settled issues under audit or expiration of statute of limitation and new audit activity.

We recognized interest accrued and penalties related to unrecognized tax benefits in our income tax expense.

Recently Adopted Accounting Pronouncements

See *Note 1. Summary of Business and Significant Accounting Policies* to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for more information regarding recently adopted accounting pronouncements.

Emerging Growth Company Status

In April 2012, the Jumpstart Our Business Startups Act, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” may take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Therefore, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to use the extended transition period under the JOBS Act until the earlier of the date we (1) are no longer an emerging growth company or (2) affirmatively and irrevocably opt out of the extended transition period provided in the JOBS Act. As a result, our consolidated financial statements may not be comparable to companies that comply with new or revised accounting pronouncements as of public company effective dates.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks in the ordinary course of our business. Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign currency exchange rates. We do not hold or issue financial instruments for trading purposes.

Interest Rate Risk

As of April 30, 2021, we had cash, cash equivalents, and short-term investments of $1,093.4 million. As of April 30, 2020, we had cash, cash equivalents, and short-term investments of $245.0 million. Interest-earning instruments carry a degree of interest rate risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. As of April 30, 2021, a hypothetical 10% relative change in interest rates would not have had a material impact on the value of our cash equivalents or investment portfolio. Any realized gains or losses resulting from such interest rate changes would only occur if we sold the investments prior to maturity.

Foreign Currency Risk

Our functional currency is the U.S. dollar. For the fiscal year ended April 30, 2021, 2020 and 2019, approximately 25%, 20%, and 27% of our sales were denominated in euros, respectively, and therefore our revenue, accounts receivable, and cash deposits are subject to foreign currency risk. Our foreign operating expenses are denominated in the local currencies of the countries in which we operate. Our consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates. A hypothetical 10% change in foreign currency exchange rates may not result in a material impact on our consolidated financial statements. To date, we have not had a formal hedging program with respect to foreign currencies, but we may do so in the future if our exposure to foreign currencies should become more significant. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in currency rates.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to Consolidated Financial Statements

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of C3.ai, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of C3.ai, Inc. and subsidiaries (the "Company") as of April 30, 2021 and 2020, the related consolidated statements of operations, comprehensive loss, redeemable convertible preferred stock, redeemable convertible Class A-1 common stock and stockholders' equity (deficit), and cash flows, for each of the three years in the period ended April 30, 2021, 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 April 30, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2021, 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 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the 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

June 25, 2021

We have served as the Company's auditor since 2018.

C3.AI, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except for share and per share data)

	As of April 30,	
	2021	**2020**
Assets		
Current assets		
Cash and cash equivalents	$ 115,355	$ 33,104
Short-term investments	978,020	211,874
Accounts receivable, net of allowance of $812 and $755 as of April 30, 2021 and 2020, respectively[1]	65,460	30,827
Prepaid expenses and other current assets[2]	14,302	5,400
Total current assets	1,173,137	281,205
Property and equipment, net	6,133	8,723
Goodwill	625	625
Long-term investments	—	725
Other assets, non-current[3]	16,582	13,830
Total assets	$ 1,196,477	$ 305,108
Liabilities, redeemable convertible preferred stock, redeemable convertible Class A-1 common stock and stockholders' equity (deficit)		
Current liabilities		
Accounts payable[4]	$ 12,075	$ 4,726
Accrued compensation and employee benefits	21,829	13,693
Deferred revenue, current[5]	72,263	53,537
Accrued and other current liabilities[6]	18,318	9,083
Total current liabilities	124,485	81,039
Deferred revenue, non-current	2,964	6,758
Other long-term liabilities[7]	7,853	6,001
Total liabilities	$ 135,302	$ 93,798
Commitments and contingencies (note 7)		
Redeemable convertible preferred stock, $0.001 par value. No shares and 233,107,379 shares authorized as of April 30, 2021 and 2020, respectively; no shares and 37,128,768 shares issued and outstanding as of April 30, 2021 and 2020, respectively; Liquidation preference of $376,178 as of April 30, 2020	—	375,207
Redeemable convertible class A-1 common stock, $0.001 par value. No shares and 6,666,667 shares authorized as of April 30, 2021 and 2020, respectively; no shares and 6,666,665 shares issued and outstanding as of April 30, 2021 and 2020, respectively; Liquidation preference of $18,800 as of April 30, 2020	—	18,800
Stockholders' equity (deficit)		
Class A common stock, $0.001 par value. 1,000,000,000 and 390,000,000 shares authorized as of April 30, 2021 and 2020, respectively; 98,667,121 and 31,210,159 shares issued and outstanding as of April 30, 2021 and 2020 respectively	99	31
Class B common stock, $0.001 par value; 3,500,000 and 21,000,000 shares authorized as of April 30, 2021 and 2020, respectively; 3,499,992 and no shares issued and outstanding as of April 30, 2021 and 2020, respectively	3	—
Additional paid-in capital	1,410,325	110,485
Accumulated other comprehensive income	81	424
Accumulated deficit	(349,333)	(293,637)
Total stockholders' equity (deficit)	1,061,175	(182,697)
Total liabilities, redeemable convertible preferred stock, redeemable convertible Class A-1 common stock and stockholders' equity (deficit)	$ 1,196,477	$ 305,108

(1) Including amounts from a related party of $15,180 and $250 as of April 30, 2021 and 2020, respectively.
(2) Including amounts from a related party of $1,662 and nil as of April 30, 2021 and 2020, respectively.
(3) Including amounts from a related party of $6,602 and nil as of April 30, 2021 and 2020, respectively.
(4) Including amounts from a related party of $56 and nil as of April 30, 2021 and 2020, respectively.
(5) Including amounts from a related party of $7,697 and $1,499 as of April 30, 2021 and 2020, respectively.
(6) Including amounts from a related party of $3,413 and nil as of April 30, 2021 and 2020, respectively.
(7) Including amounts from a related party of $4,895 and nil as of April 30, 2021 and 2020, respectively.

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

C3.AI, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except for share and per share data)

	Fiscal Year Ended April 30, 2021	Fiscal Year Ended April 30, 2020	Fiscal Year Ended April 30, 2019
Revenue			
Subscription[1]	$ 157,366	$ 135,394	$ 77,4
Professional services[2]	25,851	21,272	14,1
Total revenue	183,217	156,666	91,6
Cost of revenue			
Subscription[3]	31,315	31,479	24,5
Professional services	13,204	7,308	5,8
Total cost of revenue	44,519	38,787	30,3
Gross profit	138,698	117,879	61,2
Operating expenses			
Sales and marketing[4]	96,991	94,974	37,8
Research and development	68,856	64,548	37,3
General and administrative	33,109	29,854	22,0
Total operating expenses	198,956	189,376	97,2
Loss from operations	(60,258)	(71,497)	(36,0
Interest income	1,255	4,251	3,5
Other income (expense), net	4,011	(1,752)	(5
Net loss before provision for income taxes	(54,992)	(68,998)	(33,0
Provision for income taxes	704	380	2
Net loss	$ (55,696)	$ (69,378)	$ (33,3
Net loss attributable to Class A common stockholders, basic and diluted	$ (0.90)	$ (1.94)	$ (1.
Net loss attributable to Class A-1 common stockholders, basic and diluted	$ (0.55)	$ (1.94)	$ (1.
Net loss attributable to Class B common stockholders, basic and diluted	$ (0.35)	$ —	$ —
Weighted-average shares used in computing net loss per share attributable to Class A common stockholders, basic and diluted	56,677,947	29,133,157	18,662,2
Weighted-average shares used in computing net loss per share attributable to Class A-1 common stockholders, basic and diluted	6,666,665	6,666,665	6,666,6
Weighted-average shares used in computing net loss per share attributable to Class B common stockholders, basic and diluted	3,499,992	—	—

(1) Including related party revenue of $30,557, $40,425, and $56 for the fiscal years ended April 30, 2021, 2020, and 2019, respectively.
(2) Including related party revenue of $4,825, $292, and nil for the fiscal years ended April 30, 2021, 2020, and 2019, respectively.
(3) Including related party cost of revenue of $56, nil and nil for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.
(4) Including related party sales and marketing expense of $44, nil and nil for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.

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

C3.AI, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(In thousands)

	Fiscal Year Ended April 30,		
	2021	2020	2019
Net loss	$ (55,696)	$ (69,378)	$ (33,34
Other comprehensive (loss) income			
Unrealized (loss) gain on investment securities, net of tax	(343)	350	7
Total comprehensive loss	$ (56,039)	$ (69,028)	$ (33,27

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

C3.AI, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK, REDEEMABLE CONVERTIBLE CLASS A-1 COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Redeemable Convertible Preferred Stock		Redeemable Convertible A-1 Common Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of April 30, 2018	31,582	$ 248,471	6,667	$ 18,800	18,568	$ 19	$ 50,999	$ (1)	$ (190,847)	$ (139,830)
Issuance of Series G Preferred Stock, net of issuance costs of $257	2,610	51,494	—	—	—	—	—	—	—	—
Issuance of Class A common stock upon exercise of stock options	—	—	—	—	1,489	1	1,838	—	—	1,839
Vesting of early exercised Class A common stock options	—	—	—	—	—	—	1,561	—	—	1,561
Stock-based compensation expense	—	—	—	—	—	—	4,267	—	—	4,267
Cumulative-effect adjustment related to the adoption of ASU 2016-09	—	—	—	—	—	—	66	—	(66)	—
Other comprehensive income	—	—	—	—	—	—	—	75	—	75
Net loss	—	—	—	—	—	—	—	—	(33,346)	(33,346)
Balance as of April 30, 2019	34,192	299,965	6,667	18,800	20,057	20	58,731	74	(224,259)	(165,434)
Issuance of Series G Preferred Stock, net of issuance costs $34	1,283	25,406	—	—	—	—	—	—	—	—
Issuance of Class A common stock	—	—	—	—	9,530	10	44,017	—	—	44,027
Issuance of Series H Preferred Stock, net of issuance costs $164	1,654	49,836	—	—	—	—	—	—	—	—
Issuance of Class A common stock upon exercise of stock options	—	—	—	—	1,787	2	2,319	—	—	2,321
Vesting of early exercised Class A common stock options	—	—	—	—	—	—	655	—	—	655
Tender offer repurchases	—	—	—	—	(164)	(1)	(3,547)	—	—	(3,548)
Stock-based compensation expense	—	—	—	—	—	—	8,310	—	—	8,310
Other comprehensive income	—	—	—	—	—	—	—	350	—	350
Net loss	—	—	—	—	—	—	—	—	(69,378)	(69,378)
Balance as of April 30, 2020	37,129	$ 375,207	6,667	$ 18,800	31,210	$ 31	$ 110,485	$ 424	$ (293,637)	$ (182,697)

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

C3.AI, INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK, REDEEMABLE CONVERTIBLE CLASS A-1 COMMON STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Redeemable Convertible Preferred Stock		Redeemable Convertible A-1 Common Stock		Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive (Loss) Income	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount	Shares	Amount				
Balance as of April 30, 2020	37,129	$ 375,207	6,667	$ 18,800	31,210	$ 31	$ 110,485	$ 424	$ (293,637)	$ (182,69
Repayment of Shareholder Loan	—	24,546	—	—	—	—	1,457	—	—	1,45
Conversion of redeemable convertible preferred stock to common stock upon initial public offering	(37,129)	(399,753)	(6,667)	(18,800)	43,796	44	418,509	—	—	418,55
Issuance of common stock upon initial public offering and private placements, net of underwriting discounts	—	—	—	—	21,396	21	844,554	—	—	844,57
Issuance of Class A common stock upon exercise of stock options	—	—	—	—	5,765	6	10,711	—	—	10,71
Vesting of early exercised Class A common stock options	—	—	—	—	—	—	2,869	—	—	2,86
Stock-based compensation expense	—	—	—	—	—	—	21,740	—	—	21,74
Other comprehensive loss	—	—	—	—	—	—	—	(343)	—	(34
Net loss	—	—	—	—	—	—	—	—	(55,696)	(55,69
Balance as of April 30, 2021	—	$ —	—	$ —	102,167	$ 102	$ 1,410,325	$ 81	$ (349,333)	$ 1,061,17

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

C3.AI, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Fiscal Year Ended April 30,		
	2021	2020	2019
Cash flows from operating activities:			
Net loss	$ (55,696)	$ (69,378)	$ (33,3
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	4,297	1,302	5
Non-cash operating lease cost	3,315	3,052	—
Stock-based compensation expense	21,740	8,310	4,2
Impairment on investment	—	1,025	—
Other	(180)	(657)	5
Changes in operating assets and liabilities			
Accounts receivable[1]	(34,690)	32,659	(46,1
Prepaid expenses, other current assets and other assets[2]	(14,855)	(4,265)	(1,6
Accounts payable[3]	7,450	(1,219)	
Accrued compensation and employee benefits	8,135	651	4,1
Operating lease liabilities	(3,551)	(3,174)	—
Other liabilities[4]	11,549	1,343	(5
Deferred revenue[5]	14,933	(30,930)	37,2
Net cash used in operating activities	(37,553)	(61,281)	(34,8
Cash flows from investing activities:			
Purchases of property and equipment	(1,628)	(2,298)	(6,8
Capitalized software development costs	—	(581)	—
Proceeds from sale of non-marketable equity security	725	—	—
Purchases of investments	(1,152,142)	(219,853)	(166,3
Maturities and sales of investments	385,893	98,659	76,8
Net cash used in investing activities	(767,152)	(124,073)	(96,2
Cash flows from financing activities:			
Proceeds from initial public offering and private placements, net of underwriting discounts	851,859	—	—
Proceeds from repayment of shareholder loan	26,003	—	—
Proceeds from issuance of Series G, net of issuance costs	—	25,333	51,5
Proceeds from issuance of Series H, net of issuance costs	—	49,836	—
Repurchase of common stock and options in tender offer	—	(3,548)	—
Payment of deferred offering costs	(7,179)	—	—
Proceeds from issuance of common stock	—	44,027	—
Proceeds from exercise of Class A common stock options	16,673	4,203	2,9
Net cash provided by financing activities	887,356	119,851	54,4
Net increase (decrease) in cash, cash equivalents and restricted cash	82,651	(65,503)	(76,6
Cash, cash equivalents and restricted cash at beginning of period	33,604	99,107	175,7
Cash, cash equivalents and restricted cash at end of period	$ 116,255	$ 33,604	$ 99,1
Cash and cash equivalents	115,355	33,104	98,6
Restricted cash included in other assets	900	500	5
Total cash, cash equivalents and restricted cash	$ 116,255	$ 33,604	$ 99,1

	Fiscal Year Ended April 30,		
	2021	2020	2019
Supplemental disclosure of cash flow information—cash paid for income taxes	$ 550	$ 660	$ 1
Supplemental disclosures of non-cash investing and financing activities:			
Purchases of property and equipment included in accounts payable and accrued liabilities	$ 212	$ 417	$
Deferred offering costs included in accounts payable and accrued liabilities	$ 105	$ —	$
Series G issuance cost included in accounts payable	$ —	$ —	$
Vesting of early exercised stock options	$ 2,869	$ 655	$ 1,5

(1) Including changes in related party balances of $(14,930), $19,750, and $(20,000) for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.
(2) Including changes in related party balances of $8,264, nil and nil for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.
(3) Including changes in related party balances of $56, nil and nil for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.
(4) Including changes in related party balances of $8,308, nil and nil for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.
(5) Including changes in related party balances of $6,198, $(18,445), and $19,944 for the fiscal years ended April 30, 2021, 2020, and 2019, respectively.

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

1. Summary of Business and Significant Accounting Policies

Business

C3.ai, Inc. (including its subsidiaries, "C3 AI" or "the Company") is an enterprise artificial intelligence ("AI") software provider. The Company's C3 AI Suite supports accelerating digital transformation in various industries with prebuilt and configurable C3 AI Applications for business use cases including predictive maintenance, fraud detection, sensor network health, supply network optimization, energy management, anti-money laundering, and customer engagement. The Company supports customers in the United States, Europe, and the rest of the world. The Company was initially formed as a limited liability company in Delaware on January 8, 2009 and converted to a Delaware corporation in June 2012.

Reclassification and Reverse Stock Split

In November 2020, the Company amended and restated its certificate of incorporation to effect a reclassification of the Company's prior Class B common stock and Class C common stock into Class A common stock and redeemable convertible Class B-1 common stock into a new redeemable convertible Class A-1 common stock. The rights, including the liquidation, dividend, and voting rights, are substantially identical for each class of common stock reclassified. All references to prior Class B common stock and Class C common stock have been recast to Class A common stock, and all references to redeemable convertible Class B-1 common stock have been recast to redeemable convertible Class A-1 common stock in these consolidated financial statements to give retrospective effect to the reclassification for all periods presented. The Company also authorized a new Class B common stock. The rights, including the liquidation and dividend rights, of the Class A common stock and the new Class B common stock are substantially identical, other than the voting rights and conversion rights upon transfer of the Class B common stock. See *Note 9. Stockholders' Equity* for more information.

Additionally, the Company effected a 6-for-1 reverse stock split of the Company's outstanding common stock, preferred stock, and stock option awards. The par value of the common stock and preferred stock was not adjusted as a result of the reverse stock split. The authorized shares of the Class A common stock, new Class A-1 common stock, new Class B common stock and preferred stock were also adjusted to 390,000,000 shares, 6,666,667 shares, 21,000,000 shares, and 233,107,379 shares, respectively. All authorized, issued, and outstanding shares of common stock, preferred stock, stock option awards, and per share data included in these consolidated financial statements have been recast to give retrospective effect to the adjusted authorized shares and reverse stock split for all periods presented.

Initial Public Offering and Concurrent Private Placements

In December 2020, the Company completed its initial public offering ("IPO"), in which the Company issued and sold 17,825,000 shares of its Class A common stock at $42.00 per share, which included 2,325,000 shares issued upon the exercise of the underwriters' over-allotment option to purchase additional shares. The Company received net proceeds of $694.6 million after deducting underwriting discounts and other offering expenses. In connection with the IPO:

- all 33,628,776 shares of the Company's outstanding redeemable convertible preferred stock, except the Series A* preferred stock, automatically converted into an equivalent number of shares of Class A common stock on a one-to-one basis;
- all 3,499,992 shares of the Company's outstanding redeemable convertible Series A* preferred stock automatically converted into an equivalent number of shares of Class B common stock on a one-to-one basis;
- all 6,666,665 shares of the Company's outstanding redeemable convertible Class A-1 common stock automatically converted into an equivalent number of shares of Class A common stock on a one-to-one basis; and
- the Company amended and restated its certificate of incorporation which became effective upon completion of the IPO.

Deferred offering costs consist primarily of direct and incremental accounting, legal and other fees related to the Company's IPO. Prior to the IPO, all deferred offering costs incurred were capitalized and included in other assets on the consolidated balance sheet. Upon completion of the IPO, $7.2 million of deferred offering costs were reclassified into stockholders' equity as a reduction of the IPO proceeds.

The Company also completed a concurrent private placement immediately subsequent to the closing of the IPO, in which the Company issued and sold 2,380,952 and 1,190,476 shares, respectively, of its Class A common stock at $42.00 per share to Spring Creek Capital LLC, an affiliate of Koch Industries, Inc., and Microsoft Corporation, respectively (the “Concurrent Private Placement”). The Company received aggregate proceeds of $150.0 million and did not pay underwriting discounts with respect to the shares of Class A common stock that were sold in the Concurrent Private Placement.

Basis of Presentation and Principles of Consolidation

The Company prepares its consolidated financial statements in accordance with generally accepted accounting principles in the United States (“GAAP”). The consolidated financial statements include the accounts of C3.ai, Inc. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions about future events. These estimates and the underlying assumptions affect the amounts of assets and liabilities reported, disclosures about contingent assets and liabilities, and reported amounts of revenue and expenses. Actual results and outcomes could differ significantly from the Company’s estimates, judgments, and assumptions. Significant estimates include determining standalone selling price for performance obligations in contracts with customers and estimating variable consideration, the estimated expected benefit period for deferred contract acquisition costs, the useful lives of long-lived assets and other assumptions used to measure stock-based compensation, and the valuation of deferred income tax assets and uncertain tax positions. These estimates and assumptions are based on management’s best estimates and judgment. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. The Company adjusts such estimates and assumptions when facts and circumstances dictate. Changes in those estimates resulting from continuing changes in the economic environment will be reflected in the financial statements in future periods. As future events and their effects cannot be determined with precision, actual results could materially differ from those estimates and assumptions.

Fiscal Year

The Company’s fiscal year ends on April 30. References to fiscal 2021, 2020 and 2019 relate to the fiscal years ended April 30, 2021, 2020 and 2019, respectively.

Concentration of Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist of cash and cash equivalents, investments and accounts receivable. The majority of the Company’s cash and cash equivalents are held by one financial institution. The Company is exposed to that financial institution to the extent that its cash balance with that financial institution is in excess of Federal Deposit Insurance Company (“FDIC”) insurance limits. The Company’s investment policy is to invest in securities with a minimum rating of P1 by Moody’s, A1 by Standard & Poor’s, F-1 by Fitch’s or higher for short-term investments, and minimum rating of A2 by Moody’s, A by Standard & Poor’s, or A by Fitch’s or higher for long-term investments.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents. The Company’s cash equivalents consisted of investments in money market funds as of April 30, 2021 and 2020.

Restricted Cash

The Company had restricted cash pledged as security deposits at April 30, 2021 and 2020 of $0.9 million and $0.5 million, respectively, primarily representing a security deposit required by certain leases. The balance of restricted cash as of April 30, 2021 and 2020 was recorded as long-term other assets on the consolidated balance sheets.

Investments

The Company determines the appropriate classification of investments at the time of purchase and reevaluates such determination at each period-end. The Company's investments, comprised of money market funds, U.S. treasury securities, certificates of deposit, U.S. government agency securities, commercial paper and corporate debt securities, are classified as available-for-sale marketable securities.

Such securities are carried at estimated fair values and reported in cash equivalents, short-term investments or long-term investments. Unrealized gains and losses, net of tax, are reported in other comprehensive (loss) income as a separate component on the consolidated statements of comprehensive loss. Fair value is determined based on quoted market rates when observable or by utilizing data points that are observable, such as quoted prices, interest rates and yield curves. Declines in fair value judged to be other-than-temporary on available-for-sale marketable securities are recorded within other income (expense), net on the consolidated statements of operations. In order to determine whether a decline in value is other-than-temporary, the Company evaluates, among other factors, the duration and extent to which the fair value has been less than the carrying value and its intent and ability to retain the investment for a period of time sufficient to allow for any anticipated recovery in fair value. The cost of securities sold is based on the specific-identification method. Interest on securities classified as available-for-sale marketable securities is included in interest income on the consolidated statements of operations.

Non-marketable equity securities without readily determinable fair values are recorded at cost, less impairment, and adjusted to fair value within other expense, net if there are observable price changes for identical or similar securities. Non-marketable equity securities are recorded within long-term investments. Impairment loss is recorded in other expense, net on the consolidated statements of operations. Prior to the adoption of ASU 2016-01 in the fiscal year beginning May 1, 2019, investments in non-marketable equity securities were recorded at cost less impairment, if any, with any losses resulting from an impairment recognized in other expense, net.

Accounts Receivable

Accounts receivable includes billed and unbilled receivables, net of allowance of doubtful accounts. Trade accounts receivable are recorded at invoiced amounts and do not bear interest. The expectation of collectability is based on a review of credit profiles of customers, contractual terms and conditions, current economic trends, and historical payment experience. The Company regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice and the collection history of each customer to determine the appropriate amount of allowance for doubtful accounts. An allowance for doubtful accounts balance of $0.8 million and $0.8 million was recorded as of April 30, 2021 and 2020, respectively. Accounts receivable included unbilled receivables of as of April 30, 2021 and April 30, 2020 of $3.8 million and $0.5 million, respectively.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. Assets and liabilities that are measured at fair value are reported using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. This hierarchy maximizes the use of observable inputs and minimizes the use of unobservable inputs. The three levels of inputs used to measure fair value are as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly.

Level 3—Inputs that are unobservable for the asset or liability.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The carrying amounts of the Company’s financial instruments, including cash, cash equivalents, restricted cash, accounts receivable, accounts payable, and accrued expenses, approximate their fair value due to their short maturities. The fair value of the company’s investments is discussed in *Note 3. Fair Value Measurements*.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets are comprised primarily of prepaid cloud subscriptions, other receivables, costs to obtain and fulfill a contract, prepaid software subscriptions, prepaid rent, and prepaid health insurance premiums.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Assets are depreciated using the straight-line method over useful lives of three to five years. Leasehold improvements and certain furniture and fixtures are amortized using the straight-line method over the lesser of the remaining respective lease term or useful lives.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets or asset groups for impairment whenever events indicate that the carrying value of an asset or asset group may not be recoverable based on expected future cash flows attributable to that asset or asset group. Recoverability of assets held and used is measured by comparing the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If the carrying amount of an asset or asset group exceeds estimated undiscounted future cash flows, then an impairment charge would be recognized based on the excess of the carrying amount of the asset or asset group over its fair value. Assets to be disposed of are reported at the lower of their carrying amount or fair value less costs to sell. There were no impairment charges recognized related to long-lived assets during the fiscal years ended April 30, 2021 and 2020.

Goodwill

Goodwill is the amount by which the cost of acquired net assets in a business combination exceeds the fair value of the net identifiable assets on the date of purchase and is carried at its historical cost. The Company tests goodwill for impairment on an annual basis or more frequently if events or changes in circumstances indicate that the asset might be impaired. The Company performs its annual impairment test of goodwill as of February 1, and whenever events or circumstances indicate that the asset might be impaired. The tests did not result in an impairment to goodwill during the fiscal years ended April 30, 2021 and 2020.

Leases

The Company has lease arrangements that include lease and non-lease components. The Company has elected to not account for the lease and non-lease components separately. For leases that commenced before the Company’s adoption date of Accounting Standards Codification (“ASC”) Topic 842, *Leases*, the Company elected the practical expedient to not reassess the following: (1) whether any expired or existing contracts contain leases; (2) the lease classification for any expired or existing leases; and (3) initial direct costs for any existing leases. For short-term leases, defined as leases with a lease term of 12 months or less, the Company elected to not recognize an associated lease liability and right-of-use (“ROU”), asset. Lease payments for short-term leases are expensed on a straight-line basis over the lease term.

The Company does not have financing leases. Operating lease ROU assets represent the Company’s right to use an underlying asset for the lease term and lease liabilities represent its obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of remaining lease payments over the lease term. The Company uses the rate implicit in the lease when readily determinable at lease inception. If the implicit rate is not readily determinable, the Company uses its incremental borrowing rate based on the information available at the adoption date for leases that commenced prior to the adoption date and the commencement date for leases that commenced after the adoption date. The incremental borrowing rate assumptions include the lease term and the Company’s credit risk. The operating lease ROU asset also includes any advance lease payments made and excludes lease incentives. The Company’s lease terms include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for lease payments is recognized on a straight-line basis as operating expense in the consolidated statements of operations over the lease term. Refer to *Note 6. Leases* for more information.

Deferred Revenue

Deferred revenue consists of billings or cash received for services in advance of revenue recognition and is recognized as revenue when all of the Company's revenue recognition criteria are met. The portion of deferred revenue that is anticipated to be recognized as revenue during the succeeding twelve-month period is recorded as deferred revenue, current and the remaining portion is recorded as deferred revenue, non-current. The Company's contract liabilities are classified as deferred revenue upon the right to invoice or when payments have been received for undelivered products or services.

Revenue Recognition

The Company accounts for revenue in accordance with ASC Topic 606, *Revenue From Contracts With Customers* ("ASC 606") for all periods presented. The core principle of ASC 606 is to recognize revenue for the transfer of promised goods or services to customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. This principle is achieved by applying the following five-step approach:

Identification of the Contract, or Contracts, with a Customer. A contract with a customer exists when (1) the Company enters into an enforceable contract with a customer that defines each party's rights regarding the goods or services to be transferred and identifies the payment terms related to these goods or services, (2) the contract has commercial substance and (3) the Company determines that collection of substantially all consideration for goods or services that are transferred is probable based on the customer's intent and ability to pay the promised consideration. The Company applies judgment in determining the customer's ability and intention to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, published credit and financial information pertaining to the customer.

Identification of the Performance Obligations in the Contract. Performance obligations promised in a contract are identified based on the goods or services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the goods or services either on their own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the goods or services is separately identifiable from other promises in the contract. To the extent a contract includes multiple promised goods or services, the Company applies judgment to determine whether promised goods or services are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promised goods or services are accounted for as a combined performance obligation.

Determination of the Transaction Price. The transaction price is determined based on the consideration to which the Company will be entitled in exchange for transferring goods or services to the customer, net of sales taxes or value-added taxes. If the transaction price includes variable consideration, the Company includes an estimate of the amount it expects to receive if it is probable that a significant reversal of cumulative revenue recognized will not occur. Usage-based fees earned in exchange for the use of the Company's software licenses and subscription services are subject to the usage-based royalty and series guidance variable consideration estimation exceptions, respectively.

Allocation of the Transaction Price to the Performance Obligations in the Contract. Contracts that contain multiple performance obligations require an allocation of the transaction price to each performance obligation based on a relative standalone selling price ("SSP"). When appropriate, the Company determines SSP based on the price at which the performance obligation has previously been sold through past transactions, taking into account internally approved pricing guidelines related to the performance obligations. When the SSP of a license or subscription and bundled maintenance and support services is highly variable and the contract also includes additional performance obligations with observable SSP, the Company first allocates the transaction price to the performance obligations with established SSPs and then applies the residual approach to allocate the remaining transaction price to the license or subscription and bundled maintenance and support services. If applying the residual approach results in zero or very little consideration being allocated to the combined performance obligation, or to a bundle of goods or services, the Company will consider all reasonably available data to determine an appropriate allocation of the transaction price. If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation.

Recognition of Revenue when, or as, Performance Obligations are Satisfied. The Company satisfies substantially all of its performance obligations over time, as discussed in further detail below. Revenue is recognized at the time the related performance obligation is satisfied with the transfer of a promised good or service to a customer over time.

Subscription Revenue

Subscription revenue is primarily comprised of term licenses, stand-ready COE support services, trials of our applications, and software-as-a-service (“SaaS”) offerings. Licenses represent a contractual right for a customer to take possession of the software and it is feasible for the customer to host the software independently. SaaS represents a right for a customer to access the software through the Company’s cloud environment and the customer does not have the right to take possession of the software. Subscriptions also include our maintenance and support services that comprised of critical and continuous updates to the software that are integral to maintaining the intended utility of the software over the contractual term. The Company’s software and maintenance and support services are highly interdependent and interrelated and represent a single distinct performance obligation within the context of the contract satisfied over time.

Determining whether the software license and maintenance and support services are considered distinct performance obligations that should be accounted for separately or as one combined performance obligation may require significant judgment. In reaching its conclusion, the Company considered the nature of its promise to provide the customer real time analytics and machine learning algorithms that require regular re-training to maintain and improve prediction accuracy. The Company fulfills this promise by providing real time data feeds to the machine learning model and by providing regular tuning, optimization and critical updates to the constantly changing type system. Accordingly, the Company has determined that the software license and maintenance and support services fulfill a single promise to the customer under the contract.

The Company’s subscriptions are generally offered under renewable, multi-year, fixed fee contracts where payments are typically due annually in advance. A time-elapsed output method is used to measure progress because the nature of the promise is a stand-ready service. The Company also offers premium stand-ready C3 Center of Excellence (“COE”) support services, hosting services and trial services, which are distinct performance obligations. A description of the Company’s offerings are as follows:

- *C3 AI Suite* is a comprehensive suite that allows for the design, deployment, and operation of AI, predictive analytics, and applications at enterprise scale. The C3 AI Suite provides data scientists and application developers robust advantages for rapid application and analytics development and deployment. Customers primarily pay for the C3 AI Suite via fixed annual fees based on the number of development users allowed to access the C3 AI Suite. The AI Suite offering is primarily a term subscription but at times has been sold as a perpetual license and generates additional runtime subscription fees, a type of consumption or usage-based revenue based on compute and storage resources required to run the C3 AI Suite.

- *C3 AI Applications* are production applications that address a wide range of predictive analytics use cases. C3 AI Applications are industry-tested and proven enterprise-grade applications built on a cohesive suite architecture that is designed to integrate and process highly dynamic data sets from sensor networks and enterprise and extraprise information systems, and enable advanced machine learning capabilities. C3 AI Applications sold without the C3 AI Suite can be in the form of term or perpetual licenses or subscriptions and earn revenue through a fixed fee and/or usage-based royalties.

- *C3 Maintenance and Support Services* are provided for the C3 AI Suite and the C3 AI Applications that are selected by the customer. This support includes standard monitoring, performance monitoring, database maintenance, security monitoring, upgrading, backup and restore, patching, etc. provided by the Company. The Company continuously provides updates that are critical to the continued utility of the software.

- *COE Support Services.* COE Support Services provide premium development services and support by an available pool of resources. The purpose of the COE is to allow the customer to utilize, extend or modify C3 applications and to develop its own applications on the C3 AI Suite. To facilitate customer’s efforts, C3 provides the following COE Support Services on C3 AI Suite and C3 applications to customer personnel during the subscription term of COE: (1) support and guidance on C3 AI overall software application architecture; (2) data integration, data science, and application development support on the C3 AI Suite; (3) training on the C3 AI Suite and C3 AI Applications to the customer project team members; and (4) support to help address any developmental issues faced by the customer. COE Support Services are generally offered under renewable, multi-year, fixed fee contracts whereby payments are primarily due annually in advance and in most cases are co-terminous with the C3 AI Suite subscription term. COE Support Services represent a stand-ready performance obligation comprised of a series of distinct days of service that is satisfied and recognized in revenue ratably over the term of the COE agreement. Revenue for COE Support Services is included within subscription revenue in the consolidated statements of operations.

- *Trials.* Trial projects typically consist of several phases including project kickoff, design, data integration, configuration, validation and final demonstration. These trials are typically fixed-price eight to 16-week production pilots during which the Company works with customers to define a specific business problem or use case and address the use case using AI-based predictive analytics. During the trial, the Company integrates data, configures machine learning algorithms supporting the use case, and configures a user interface to present the resulting insights. At the end of a trial, the Company demonstrates a working application that shows the utility, benefit, and economic value to be gained from a production deployment of big data, analytics, and machine learning applications. These paid trials are solely meant to demonstrate the feasibility of the Company's offering to the customer and provide them with a level of confidence to encourage them to enter into a large, multi-year arrangement with the Company. Trial revenue is recognized over time during the production pilot period.

- *Hosting Services.* For certain customers, the Company provides access to the C3 AI Suite and/or C3 AI Applications in the Company's cloud environment. The customer consumes and receives benefit throughout the hosting period from the entity's performance of hosting and providing access to the hosted software, which the customer would otherwise have to undertake itself or obtain another party to do. The Company recognizes hosting services over time based on the consumption patterns of the customers. Customers who choose to install the C3 AI Suite and/or C3 AI Applications in their own cloud environments do not subscribe to the Company's hosting services. Hosting services are generally offered as part of the subscription for C3 AI Suite and/or C3 Application arrangements and the amount of revenue recognized on a monthly basis varies based on actual consumption by the customer.

<u>Professional Services</u>

The Company's professional services primarily include implementation services, training and prioritized engineering services. The Company offers a complete range of professional service support both onsite and remotely, including training, application design, project management, system design, data modeling, data integration, application design, development support, data science, and application and AI Suite administration support. Professional services fees are based on the level of effort required to perform such tasks and are typically a fixed-fee engagement with a duration of less than 12 months.

<u>Contract balances</u>

The Company typically invoices customers for subscription fees in annual increments upon execution of the initial contract or subsequent renewal, payable within 30 to 60 days, and providing customers access to C3 AI Suite and/or C3 AI Applications. Monthly usage-based runtime and hosting charges are billed as they are delivered. Certain government contracts are cancellable during the subscription term depending on the future fiscal funding available to the contract. The Company has not experienced any cancellation due to the funding constraint related to such contracts.

The timing of revenue recognition may differ from the timing of invoicing to customers. Accounts receivable are recorded at the invoiced amount, net of an allowance for doubtful accounts. A receivable is recognized in the period the Company delivers goods or provides services, or when the Company's right to consideration is unconditional, whichever is earlier. In situations where revenue recognition occurs before invoicing, an unbilled receivable is recorded.

While the timing of revenue recognition usually differs from the timing of payment, the Company has determined the contracts generally do not include a significant financing component, because the period between when the Company transfers its software and services to a customer and when the customer pays for the software and service is one year or less. The primary purpose of the invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's software and services, not to receive financing from the customers or to provide customers with financing.

Costs to Obtain and Fulfill a Contract

The Company's customer acquisition costs are primarily related to sales commissions if such costs are incremental costs to obtain a contract without a service condition.

Sales commissions are deferred and then amortized taking into consideration the pattern of transfer to which assets relate. If the commissions paid on the initial and renewal contracts are not commensurate, the Company amortizes the commissions paid on the initial contract over an expected period of benefit, including expected renewals, which is determined to be approximately five years. In arriving at the average period of benefit the Company considered the duration of the Company's relationships with customers and the Company's technology. Sales commissions for renewal contracts are generally deferred and amortized over the contract period. Sales commissions for non-recurring contracts with a duration of one year or less are expensed when incurred.

Costs to obtain and fulfill a contract that will be amortized within the succeeding 12-month period are classified as current and included in prepaid expenses and other current assets on the consolidated balance sheets. The remaining balance is classified as non-current and are included in other assets on the consolidated balance sheets.

Cost of Revenue

Cost of subscription revenue consists primarily of costs related to compensation, including salaries, bonuses, benefits, stock-based compensation and other related expenses for the production environment, support and COE staff, hosting of the Company's AI Suite, including payments to outside cloud service providers, and allocated overhead and depreciation for facilities.

Cost of professional services revenue consists primarily of compensation, including salaries, bonuses, benefits, stock-based compensation and other related costs associated with the Company's professional service personnel, and allocated overhead and depreciation for facilities.

Warranties

The Company's offerings are warranted to perform in a manner consistent with industry standards.

The Company's arrangements generally include provisions for indemnifying customers against liabilities if its services infringe on a third party's intellectual property rights. They also generally include service-level agreements warranting defined levels of uptime reliability and performance.

To date, the Company has not incurred material costs as a result of its warranties and indemnifications. There are no accrued liabilities related to these obligations on the consolidated financial statements.

Stock-Based Compensation

Stock-based compensation expense related to stock option awards and restricted stock units ("RSUs") is recognized based on the fair value of the awards granted. The fair value of each option award is estimated on the grant date using the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying common stock, the expected term of the option, the expected volatility of the price of the Company's common stock, risk-free interest rates, and the expected dividend yield of the Company's common stock. The assumptions used to determine the fair value of the option awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. The fair value of each RSU is based on the fair value of the Company's common stock on the date of grant. The related stock-based compensation expense is recognized on a straight-line basis over the requisite service period of the awards. The Company accounts for forfeitures as they occur.

Software Development Costs

The Company capitalizes certain software development costs subsequent to the establishment of technological feasibility. Based on the Company's product development process and substantial development risks, the Company's products are made available for general release as soon as technological feasibility is reached. The Company has not capitalized any related software development costs in any of the periods presented.

Advertising Expenses

Advertising expenses of $35.3 million, $29.2 million and $5.2 million incurred during the fiscal years ended April 30, 2021, 2020 and 2019, respectively, were expensed as incurred as a component of sales and marketing expenses on the consolidated statements of operations.

401(k) Plan

The Company has a 401(k) tax deferred savings plan under which eligible employees may elect to have a portion of their salary deferred and contributed to the plan. Employer matching contributions are determined by the Company and are discretionary. During the fiscal years ended April 30, 2021, 2020 and 2019, the Company did not match any employee contributions.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the U.S. dollar. Accordingly, monetary assets and liabilities of the Company's foreign subsidiaries are remeasured into U.S. dollars at the exchange rates in effect at the reporting date, non-monetary assets and liabilities are re-measured at historical rates, and revenue and expenses are re-measured at average exchange rates in effect during each reporting period. Foreign currency transaction gains and losses are recognized in other income (expense), net within the consolidated statements of operations.

Income Taxes

The Company accounts for income taxes using the asset and liability method, which requires the recognition of deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the consolidated financial statements. Under this method, the Company determines deferred tax assets and liabilities on the basis of the differences between the financial statement and tax bases of assets and liabilities by using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date.

Deferred tax assets are recognized to the extent that these assets are more likely than not to be realized. In making such a determination, the Company considers all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If the Company determines that it is able to realize its deferred tax assets in the future in excess of their net recorded amount, the Company records an adjustment to the deferred tax asset valuation allowance, which reduces the provision for income taxes.

Tax benefits from uncertain tax positions are recognized only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the Company's consolidated financial statements from such positions are measured based on the largest benefit that has a greater than 50% likelihood of being realized. Interest and penalties are recognized associated with tax matters as part of the income tax provision and include accrued interest and penalties with the related income tax liability on the Company's consolidated balance sheets.

Net Loss Per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. The Company considers all series of its redeemable convertible preferred stock to be participating securities. Under the two-class method, the net loss attributable to common stockholders is not allocated to the redeemable convertible preferred stock as the holders of its redeemable convertible preferred stock do not have a contractual obligation to share in the Company's losses. Net income is attributed to common stockholders and participating securities based on their participation rights. Basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Diluted earnings per share attributable to common stockholders adjusts basic earnings per share for the potentially dilutive impact of stock options, RSUs and redeemable convertible preferred stock. As the Company has reported losses for all periods presented, all potentially dilutive securities are antidilutive and accordingly, basic net loss per share equals diluted net loss per share.

Other Comprehensive (Loss) Income

Other comprehensive (loss) income during the fiscal years ended April 30, 2021, 2020 and 2019, related to unrealized gains or losses from available-for-sale marketable securities.

Segment Information

Operating segments are defined as components of an entity where discrete financial information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and assessing performance. The Company has identified its Chief Executive Officer ("CEO") as the chief operating decision maker ("CODM"). The Company operates in one operating segment. The Company's CODM allocates resources and assesses performance at the consolidated level. See *Note 2. Revenue* for revenue by geographic region. The Company's property and equipment, net, are primarily located in the United States. No single other country accounted for more than 10% of total property and equipment, net as of April 30, 2021 and 2020.

Contribution Accounting

The Company entered into an agreement establishing the C3.ai Digital Transformation Institute ("C3.ai DTI"), a program established to attract the world's leading scientists to join in a coordinated and innovative effort to advance the digital transformation of business, government, and society. As part of the agreement, the Company issued cash grants to C3.ai DTI which are conditional in nature and subject to execution of the program in line with specific requirements on a quarterly basis. The cash grants do not represent an exchange transaction since there is not a commensurate transfer of resources at fair value, resulting in the application of the contribution accounting model. Contributions are allocated between sales and marketing and research and development based on the estimated benefits received by the Company. The Company's initial contribution to C3.ai DTI provided equal benefits across sales and marketing and research and development. From fiscal year 2021, the Company expected contributions to C3.ai DTI to primarily benefit its research and development efforts. The Company recognized nil, $5.7 million and nil of expense related to the contribution in sales and marketing for the years ended April 30, 2021, 2020 and 2019, respectively. Additionally, the Company recognized $2.7 million, $5.7 million and nil of expense related to the contribution in research and development for the years ended April 30, 2021, 2020 and 2019, respectively.

Recent Accounting Pronouncements

The Company currently qualifies as an "emerging growth company" under the Jumpstart Our Business Startups Act ("JOBS Act") of 2012. Accordingly, the Company is provided the option to adopt new or revised accounting guidance either (1) within the same periods as those otherwise applicable to public business entities or (2) within the same time periods as private companies, including early adoption when permissible.

The Company has elected to adopt new or revised accounting guidance within the same time period as private companies.

Recently Adopted Accounting Standards

In January 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*, which makes targeted improvements to the accounting for, and presentation and disclosure of, financial instruments. ASU No. 2016-01 requires that most equity investments be measured at fair value, with subsequent changes in fair value recognized in net income. ASU No. 2016-01 does not affect the accounting for equity investments that would otherwise be consolidated or accounted for under the equity method. The new standard also affects financial liabilities under the fair value option and the presentation and disclosure requirements for financial instruments. The Company adopted this guidance in the fiscal year beginning May 1, 2019 using the modified retrospective transition method for investments in marketable securities and the prospective transition method for investments in non-marketable securities. Adoption of this guidance did not have a material impact to the Company's consolidated financial statements and related disclosures.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*, that supersedes ASC Topic 840, Leases. Subsequently, the FASB issued several updates to ASU No. 2016-02, codified in ASC Topic 842. The Company early adopted ASC 842, Leases, on May 1, 2019 using the modified retrospective method for all leases not substantially completed as of the date of adoption. The consolidated financial statements as of and for the year ended April 30, 2020 reflect the application of ASC 842 guidance while the consolidated financial statements as of and for the year ended April 30, 2019 were prepared under the previous guidance of ASC 840. The cumulative impact of the adoption of ASC 842 was not material, therefore, the Company did not record any adjustments to retained earnings. As a result of adopting ASC 842, the Company recorded operating lease ROU assets of $11.5 million, operating lease liabilities of $12.4 million, and a reduction of $0.9 million to deferred rent, primarily related to the corporate office lease, based on the present value of the future lease payments on the date of adoption. The Company determines if an arrangement is a lease or contains an embedded lease at inception if it contains the right to control the use of an identified asset. The Company determines whether a contract conveys the right to control the use of an identified asset for a period of time if the contract contains both the right to obtain substantially all of the economic benefits from the use of the identified asset and the right to direct the use of the identified asset.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires a financial asset measured at amortized cost basis to be presented at the net amount expected to be collected. Credit losses relating to available-for-sale debt securities should be recorded through an allowance for credit losses. The guidance also limits the amount of credit losses to be recognized for available-for-sale debt securities to the amount by which carrying value exceeds fair value and requires the reversal of previously recognized credit losses if fair value increases. The guidance is effective for the fiscal year beginning May 1, 2023 with early adoption permitted. The Company early adopted the guidance as of May 1, 2020 using a prospective transition method. Adoption of this guidance did not have a material impact to the Company's consolidated financial statements and related disclosures.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment.* ASU 2018-04 simplifies how an entity is required to test goodwill for impairment by eliminating Step 2 from the goodwill impairment test. The guidance is effective for the fiscal year beginning May 1, 2023 with early adoption permitted. The Company early adopted the guidance as of May 1, 2020 using a prospective transition method. Adoption of this guidance did not have a material impact to the Company's consolidated financial statements and related disclosures.

In July 2017, the FASB issued ASU No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities from Equity (Topic 480), Derivatives and Hedging (Topic 815) I. Accounting for Certain Financial Instruments with Down Round Features II. Replacement of the Indefinite Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. Part I of this standard applies to entities that issue financial instruments such as warrants, convertible debt or redeemable convertible preferred stock that contain down-round features. Part II of this standard replaces the indefinite deferral for certain mandatorily redeemable noncontrolling interests and mandatorily redeemable financial instruments of nonpublic entities contained within ASC Topic 480 with a scope exception and does not impact the accounting for these mandatorily redeemable instruments. The Company adopted the guidance as of May 1, 2020 using a prospective transition method. Adoption of this guidance did not have a material impact to the Company's consolidated financial statements and related disclosures.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which modifies the disclosure requirements on fair value measurements with respect to Level 3 rollforwards, timing of liquidation of investments in certain entities that calculate net asset value, and measurement uncertainty. The Company adopted the guidance as of May 1, 2020 using a prospective transition method. Adoption of this guidance did not have a material impact to the Company's consolidated financial statements and related disclosures.

Recently Issued Accounting Standards Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, which requires a customer in a cloud computing arrangement that is a service contract to follow the internal-use software guidance in ASC 350-40 to determine which implementation costs to defer and recognize as an asset. The guidance is effective for the fiscal year beginning May 1, 2021. Early adoption is permitted. The Company has determined that this guidance will not have a material impact on its consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740)—Simplifying the Accounting for Income Taxes*. The amendments in this update simplify various aspects of the accounting for income tax by eliminating certain exceptions to the general approach under existing accounting guidance provided by ASC 740, Income Taxes, and clarifies certain aspects of the existing guidance to promote more consistent application. The amendments in this new standard include, the elimination of exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new standard also simplifies aspects of the accounting for franchise taxes and enacted changes in tax laws or rates and clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill and that single-member limited liability companies and similar disregarded entities that are not subject to income tax are not required to recognize an allocation of consolidated income tax expense in their separate financial statements, but could elect to do so. The guidance is effective for the Company beginning May 1, 2022. Early adoption is permitted. The Company is currently evaluating the effect that this guidance will have on the consolidated financial statements and related disclosures.

2. Revenue

Disaggregation of Revenue

The following table presents revenue by geographical region (in thousands):

	Fiscal Year Ended April 30,		
	2021	2020	2019
North America[1]	$ 119,795	$ 121,485	$ 61,314
Europe, the Middle East and Africa[1]	56,030	33,086	27,629
Asia Pacific[1]	5,992	2,095	2,662
Rest of World[1]	1,400	—	—
Total revenue	$ 183,217	$ 156,666	$ 91,605

(1) The United States comprised 65%, 78% and 66% of the Company’s revenue in the fiscal years ended April 30, 2021, 2020 and 2019, respectively. France comprised 12%, 10.5% and 15% of the Company’s revenue in the fiscal years ended April 30, 2021, 2020 and 2019, respectively. The Netherlands comprised 12% in the fiscal year ended April 30, 2021. No other country comprised 10% or greater of the Company’s revenue for each of the fiscal years ended April 30, 2021, 2020 and 2019.

Deferred Revenue

The following table reflects the deferred revenue balance (in thousands):

	As of April, 30	
	2021	2020
Deferred revenue, current	$ 72,263	$ 53,53
Deferred revenue, non-current	2,964	6,75
Total deferred revenue	$ 75,227	$ 60,29

Significant changes in the deferred revenue balances during the fiscal years ended April 30, 2021 and 2020 were as follows (in thousands):

		Deferred Revenue
May 1, 2019	$	91,22
Performance obligations satisfied during the period that were included in the deferred revenue balance at the beginning of the year		(83,09
Increases due to invoicing prior to satisfaction of performance obligations		52,16
April 30, 2020		60,29
Performance obligations satisfied during the period that were included in the deferred revenue balance at the beginning of the year		(57,54
Increases due to invoicing prior to satisfaction of performance obligations		72,47
April 30, 2021	$	75,22

Remaining Performance Obligation

Remaining performance obligations are committed and represent non-cancellable contracted revenue that has not yet been recognized and will be recognized as revenue in future periods. Some contracts allow customers to cancel the contracts without a significant penalty, and the cancellable amount of contract value is not included in the remaining performance obligations.

The Company excludes amounts related to performance obligations and usage-based royalties that are billed and recognized as they are delivered. This primarily consists of monthly usage-based runtime and hosting charges arising in some revenue contracts.

Revenue expected to be recognized from remaining performance obligations was approximately $293.8 million as of April 30, 2021 of which $145.2 million is expected to be recognized over the next 12 months and the remainder thereafter.

Costs to Obtain or Fulfill a Contract

As of April 30, 2021 and 2020, the amount of costs to obtain and fulfill a contract included in prepaid expenses and other current assets was $3.2 million and $0.9 million, respectively. The amount of costs to obtain and fulfill a contract included in other assets, non-current as of April 30, 2021 and 2020 was $9.1 million and $1.2 million, respectively. Expenses recognized for costs to obtain and fulfill a contract for the years ended April 30, 2021, 2020 and 2019 was $1.2 million, $1.0 million and $1.1 million, respectively, and is included in sales and marketing expenses on the consolidated statements of operations. There were no impairments related to costs to obtain or fulfill a contract for the fiscal years ended April 30, 2021, 2020 and 2019, respectively.

Customer Concentration

All of the Company’s customers consist of corporate and governmental entities. A limited number of customers have accounted for a large part of the Company’s revenue and accounts receivable to date. Two separate customers accounted for 19% and 12%, respectively, of revenue for the year ended April 30, 2021. Two separate customers accounted for 26% and 10%, respectively, of revenue for the year ended April 30, 2020. Two separate customers accounted for 14% and 12%, respectively, of revenue for the year ended April 30, 2019. Four separate customers accounted for 18%, 14%, 14%, and 11% of accounts receivable at April 30, 2021. Three separate customers accounted for 33%, 19%, and 15% of accounts receivable at April 30, 2020.

3. Fair Value Measurements

The Company’s financial instruments consist primarily of cash equivalents, restricted cash, available-for-sale marketable securities, accounts receivable, non-marketable equity securities, and accounts payable. Cash and cash equivalents and available-for-sale marketable securities are reported at their respective fair values on the consolidated balance sheets. Non-marketable equity securities are reported at cost less impairment. The remaining financial instruments are reported on the consolidated balance sheets at amounts that approximate current fair values.

The following table summarizes the types of assets measured at fair value on a recurring basis by level within the fair value hierarchy (in thousands):

	As of April 30, 2021				As of April 30, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Cash equivalents:								
Money market funds	$ 43,401	$ —	$ —	$ 43,401	$ 10,260	$ —	$ —	$ 10,260
Available-for-sale marketable securities:								
U.S. treasury securities	—	57,998	—	57,998	—	11,500	—	11,500
Certificates of deposit	—	422,978	—	422,978	—	28,477	—	28,477
U.S. government agencies securities	—	—	—	—	—	10,074	—	10,074
Commercial paper	—	494,676	—	494,676	—	94,397	—	94,397
Corporate debt securities	—	2,368	—	2,368	—	68,425	—	68,425
Total cash equivalents and available-for-sale marketable securities	$ 43,401	$ 978,020	$ —	$ 1,021,421	$ 10,260	$ 212,873	$ —	$ 223,133

The estimated fair value of securities classified as Level 2 financial instruments was determined based on third-party pricing services. The pricing services utilize industry standard valuation models, including both income- and market-based approaches, for which all significant inputs are observable, either directly or indirectly, to estimate fair value. Inputs used for fair value measurement categorized as Level 2 include benchmark yields, reported trades, broker or dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers, and reference data including market research publications.

4. Investments

Cash Equivalents and Available-for-Sale Marketable Securities

The following table summarizes the Company's cash equivalents and available-for-sale marketable securities (in thousands):

	As of April 30, 2021				As of April 30, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fai Value
Cash equivalents:								
Money market funds	$ 43,401	$ —	$ —	$ 43,401	$ 10,260	$ —	$ —	$ 10,2
Available-for-sale marketable securities:								
U.S. treasury securities	57,993	5	—	57,998	11,489	11	—	11,5
Certificates of deposit	422,952	32	(6)	422,978	28,476	1	—	28,4
U.S. government agencies securities	—	—	—	—	9,995	79	—	10,0
Commercial paper	494,625	64	(13)	494,676	94,242	155	—	94,3
Corporate debt securities	2,369	—	(1)	2,368	68,246	179	—	68,4
Total cash equivalents and available-for-sale marketable securities	$ 1,021,340	$ 101	$ (20)	$ 1,021,421	$ 222,708	$ 425	$ —	$ 223,1

The following table summarizes the Company's available-for-sale marketable securities by contractual maturity (in thousands):

	As of April 30, 2021		As of April 30, 2020	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Within one year	$ 977,939	$ 978,020	$ 212,449	$ 212,8
After one year through five years	—	—	—	-
Total	$ 977,939	$ 978,020	$ 212,449	$ 212,8

As of April 30, 2021, the Company had 8 investment positions that were in an unrealized loss position. As of April 30, 2020, the Company had 16 investment positions in an unrealized loss position. No investments were other-than-temporary impaired as of April 30, 2021, 2020 or 2019. The Company considers factors such as the duration, the magnitude and the reason for the decline in value, the potential recovery period, creditworthiness of the issuers of the securities and its intent to sell. For marketable securities, it also considers whether (i) it is more likely than not that the Company will be required to sell the debt securities before recovery of their amortized cost basis, and (ii) the amortized cost basis cannot be recovered as a result of credit losses. No significant facts or circumstances have arisen to indicate that there has been any significant deterioration in the creditworthiness of the issuers of the securities held by the Company. Based on the Company's review of these securities, including the assessment of the duration and severity of the unrealized losses and the Company's ability and intent to hold the investments until maturity, there were no other-than-temporary impairments for these marketable securities at April 30, 2021.

Non-Marketable Equity Securities

As of April 30, 2021, the Company had no non-marketable equity securities. As of April 30, 2020, non-marketable equity securities carried at cost of $0.7 million were recorded in long-term investments. The Company recognized an impairment on the non-marketable equity securities of $1.0 million, included in other income (expense), net, on the consolidated statements of operations, during the fiscal year ended April 30, 2020. In November 2020, the Company sold its non-marketable equity security for $0.7 million.

5. Balance Sheet Details

Property and Equipment, Net

Property and equipment consisted of the following at April 30, 2021 and 2020 (in thousands):

	Useful Life (in months)	As of April 30, 2021	2020
Leasehold improvements	*	$ 8,658	$ 8,215
Computer equipment	36	2,539	2,028
Office furniture and equipment	60	339	339
Total property and equipment		11,536	10,582
Less accumulated depreciation		(5,403)	(1,859)
Property and equipment, net		$ 6,133	$ 8,723

* Leasehold improvements are amortized over the shorter of the estimated useful lives of the improvements or the remaining lease term.

Depreciation and amortization expense related to property and equipment was $4.0 million, $1.2 million, and $0.5 million for the fiscal years ended April 30, 2021, 2020 and 2019.

Accrued Compensation and Employee Benefits

Accrued compensation and employee benefits consisted of the following at April 30, 2021 and 2020 (in thousands):

	As of April 30, 2021	2020
Accrued bonus	$ 12,216	$ 8,35
Accrued vacation	3,935	2,82
Accrued payroll taxes and benefits	3,405	1,39
Accrued commission	1,863	51
Accrued salaries	410	60
Accrued compensation and employee benefits	$ 21,829	$ 13,69

Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following at April 30, 2021 and 2020 (in thousands):

	As of April 30, 2021	2020
Liability for common stock exercised prior to vesting	$ 5,331	$ 2,24
Accrued general expenses	3,588	1,46
Operating lease liabilities, current	3,894	3,53
Other	5,505	1,84
Accrued and other current liabilities	$ 18,318	$ 9,08

Refer to *Note 6. Leases* for more information regarding the Company’s leases.

Cares Act Loan

On May 1, 2020, the Company entered into Paycheck Protection Program ("PPP") Promissory Note and Agreement with Bank of America, pursuant to which the Company received loan proceeds of $6.3 million (the "PPP Loan"). The PPP Loan was made under, and was subject to the terms and conditions of, the PPP which was established under the CARES Act and is administered by the U.S. Small Business Administration. The term of the PPP Loan was two years with a maturity date of May 1, 2022 and contains a favorable fixed annual interest rate of 1.00%. Payments of principal and interest on the PPP Loan were deferred for the first six months of the term of the PPP Loan until November 1, 2020. Principal and interest were payable monthly and could be prepaid by the Company at any time prior to maturity with no prepayment penalties. On August 18, 2020, the Company repaid in full the PPP loan outstanding, including accrued interest of $0.1 million, in the amount of $6.4 million.

6. Leases

The Company's operating lease liabilities at April 30, 2021 and 2020 are primarily comprised of future payments related to the Company's various operating lease agreements for office space. The components of total lease costs, including variable lease costs, for the fiscal years ended April 30, 2021 and 2020 were as follows (in thousands):

	Fiscal Year Ended April 30,			
Lease Costs	**2021**		**2020**	
Operating lease costs	$	3,793	$	3,82
Short term lease costs		1,568		1,32
Variable lease costs		1,589		1,54
Total lease costs	$	6,950	$	6,69

Variable lease costs are primarily related to payments made to the Company's landlords for common area maintenance, property taxes, insurance, and other operating expenses. Short-term lease costs primarily represents payments related to marketing arrangements that contain embedded short-term leases of billboards. Supplemental cash flow information related to leases was as follows (in thousands):

	Fiscal Year Ended April 30,			
	2021		**2020**	
Cash paid for amounts included in the measurement of operating lease liabilities:				
Operating cash flows from operating leases	$	4,031	$	3,94

The following table presents the lease balances within the consolidated balance sheet, weighted-average remaining lease term, and weighted-average discount rates related to the Company's operating leases (in thousands):

		As of April 30,			
Operating leases		**2021**		**2020**	
Right-of-use assets	Other assets, non-current	$	5,094	$	8,40
Lease liabilities, current	Other current liabilities		3,894		3,53
Lease liabilities, non-current	Other long-term liabilities		1,735		5,64
Total operating lease liabilities		$	5,629	$	9,18

	As of April 30,		
Operating leases	**2021**		**2020**
Weighted average remaining lease term (in months)	17.0		28.9
Weighted average discount rate	7.3	%	7.3

Future minimum payments under lease obligations at April 30, 2021 were as follows (in thousands):

		As of April 30, 2021
Fiscal 2022	$	4,1
Fiscal 2023		1,7
Fiscal 2024		-
Fiscal 2025		-
Fiscal 2026 and thereafter		-
Total future minimum lease payments		5,9
Less: Imputed interest		(2
Total operating lease liabilities	$	5,6

7. Commitments and Contingencies

Noncancelable Commitments

The Company entered into a noncancelable arrangement with a web-hosting services provider in November 2019. Under the arrangement, the Company committed to spend an aggregate of at least $30.0 million between November 2019 and November 2022, with a minimum amount of $10.0 million in each of the three years, on services with this vendor. The Company has incurred costs totaling $14.3 million, $4.4 million and $3.4 million under the arrangement during the fiscal years ended April 30, 2021, 2020 and 2019, respectively.

C3.ai DTI Grants

In February 2020, the Company entered into an agreement establishing the C3.ai DTI, a program established to attract many of the world's leading research institutions to join in a coordinated and innovative effort to advance the digital transformation of business, government, and society. As part of the agreement, the Company has agreed to issue grants to C3.ai DTI, which are subject to compliance with certain obligations. The grants shall be paid by the Company over five years in the form of cash, publicly traded securities, or other property of equivalent net value. As of April 30, 2021 and 2020, the total potential remaining contributions are $43.1 million and $45.8 million, respectively. The future grant payments are conditional in nature and subject to execution of the program in line with specific requirements.

Legal Proceedings

The Company is involved in various legal proceedings and periodically receives claims arising in the ordinary course of business. In the Company's opinion, resolution of these matters is not expected to have a material adverse impact on its consolidated statement of operations, cash flows, or balance sheet.

Blattman et al. v. Siebel et al., 15-cv-00530 (D. Del.)

On October 28, 2014, Eric Blattman and other former unitholders of E2.0 LLC ("E2.0") filed suit in federal court against Thomas M. Siebel and David Schmaier, alleging violation of Section 10(b) of the Securities Exchange Act of 1934 and common law fraud based on alleged misrepresentations made during negotiations leading up to an April 30, 2012 merger between E2.0 and the Company. Plaintiffs thereafter amended their complaint to add the Company as a defendant, and to add breach of contract claims based on alleged violations of certain earn-out and indemnification provisions in the parties' merger agreement. A bench trial was held in February 2019, and in a January 29, 2020 opinion the court ruled in favor of defendants the Company, Siebel and Schmaier on all claims. The court also awarded defendants their reasonable attorneys' fees and costs in defending the action.

In February 2020, Plaintiffs appealed only the portion of the district court's ruling related to the alleged breach of contract indemnification claim to the Third Circuit Court of Appeals, seeking damages of approximately $2.5 million. Plaintiffs also seek to overturn the district court's ruling that defendants are entitled to attorneys' fees, and contend that plaintiffs instead should recover their attorneys' fees. No appeal was taken with respect to the ruling in Defendants' favor on the remaining claims.

On February 17, 2021, the Third Circuit affirmed the judgment and orders of the district court in the Company's and defendants' favor. The Company intends to seek recovery of its attorneys' fees and costs as previously awarded by the district court. The District Court has appointed a special master to consider an order on recovery of fees and costs, with briefing in June 2021, and a motion for posting of bond.

8. Redeemable Convertible Preferred Stock and Redeemable Convertible A-1 Common Stock

Upon completion of the IPO, all 33,628,776 shares of the Company's outstanding redeemable convertible preferred stock, except the Series A* preferred stock, automatically converted into an equivalent number of shares of Class A common stock on a one-to-one basis and all 3,499,992 shares of the Company's outstanding redeemable convertible Series A* preferred stock automatically converted into an equivalent number of shares of Class B common stock on a one-to-one basis. The carrying value of $399.8 million of all classes of the Company's outstanding redeemable convertible preferred stock was reclassified into stockholders' equity. Additionally, all 6,666,665 shares of the Company's outstanding redeemable convertible Class A-1 common stock automatically converted into an equivalent number of shares of Class A common stock on a one-to-one basis and their carrying value of $18.8 million was reclassified into stockholders' equity. As of April 30, 2021, there were no shares of redeemable convertible preferred stock issued and outstanding. See *Note 1. Summary of Business and Significant Accounting Policies* for more information.

Redeemable convertible preferred stock outstanding as of April 30, 2020, respectively, consisted of the following (in thousands, except share amounts):

	Shares		Liquidation Amount	Carrying Value
	Authorized	Outstanding		
Series A*	21,000,000	3,499,992	$ 7,000	$ 7,000
Series B*	27,360,000	4,559,999	9,120	9,120
Series B-1A*	14,583,945	2,430,635	15,853	15,717
Series B-1B*	556,680	92,769	1,210	1,210
Series C*	16,678,511	2,779,738	19,014	18,980
Series D	73,670,824	12,278,422	103,662	103,531
Series E	3,240,060	540,003	11,803	11,756
Series F	42,701,251	5,399,581	81,322	81,157
Series G	23,392,520	3,893,701	77,194	76,900
Series H	9,923,588	1,653,928	50,000	49,836
Total convertible preferred stock	233,107,379	37,128,768	$ 376,178	$ 375,207

Series G Preferred Stock

From February through April 2019, the Company issued 2,610,376 shares of Series G Preferred Stock at $19.8252 per share for total cash proceeds of $51.5 million, net of issuance cost of $0.3 million.

In June 2019, the Company issued 1,283,325 shares of Series G Preferred Stock at $19.8252 per share for total cash proceeds of $25.4 million, net of issuance costs of less than $0.1 million.

Series H Preferred Stock

In August 2019, the Company issued 1,653,928 shares of Series H Preferred Stock at $30.2310 per share for total cash proceeds of $49.8 million, net of issuance cost of $0.2 million.

The holders of Series D, Series E, Series F, Series G, and Series H preferred stock receive senior liquidation preferences that equal to the original issuance price of Series D, Series E, Series F, Series G, and Series H preferred stock respectively, plus all declared and unpaid dividends on a pari passu basis.

Series A*, Series B*, Series B-1A*, and Series B-1B* are referred herein as Early Preferred. Early Preferred, Series C*, Series D, Series E, Series F, Series G, and Series H are referred herein as Series Preferred.

Significant rights and preferences of the above redeemable convertible preferred stock prior to its conversion into Class A common stock were as follows:

Conversion

Upon an IPO where the per share offering price multiplied by the outstanding shares of the Company was not less than $50.0 million and the gross cash proceeds to the Company were at least $30.0 million (a "Qualified Public Offering"), or upon the affirmative election of the holders of a majority of outstanding shares, Series A* Preferred were automatically converted into Class B common stock. All remaining Early Preferred and Series C* preferred stock automatically converted into shares of Class A common stock.

Upon an IPO where the per share offering price was not less than $8.4426 and the gross cash proceeds to the Company were at least $75.0 million, or upon the affirmative election of the holders of a majority of outstanding shares, Series D, E, F, G and H preferred stock were automatically converted into shares of Class A common stock.

Upon the affirmative vote or written consent of a majority of the shares of common stock and preferred stock voting together as a single class on an as-if-converted to Class A common stock basis, or upon the closing of a qualified IPO, all shares Class A-1 common stock were to be converted into fully paid and nonassessable shares of Class A common stock on a one-to-one basis.

The initial conversion price for the redeemable convertible preferred stock was $1.998 for Series A* preferred stock, $1.998 for Series B* preferred stock, $6.522 for the Series B-1A* preferred stock, $13.038 for Series B-1B* preferred stock, $6.84 for Series C* preferred stock, $8.442 for Series D preferred stock, $21.858 for Series E preferred stock, $19.608 for the Series F preferred stock, $19.8252 for Series G preferred stock, and $30.231 for Series H preferred stock.

Protective Provisions

In connection with a public offering, in which the price per share of the Company's common stock was less than $29.4102 (adjusted for stock splits, stock dividends, and the like), or if any shares of Series F, Series G, or Series H Preferred Stock, or collectively the Ratchet Preferred, converted to Class A common stock outside of a public offering and any company equity securities were listed with volume-weighted average closing sale price of less than $29.4102 (adjusted for stock splits, stock dividends, and the like), immediately prior to the completion of the public offering or conversion, the Ratchet Preferred conversion price would have been adjusted so that, the product of (1) the number of shares of common stock issuable upon conversion of such share of Ratchet Preferred at such adjusted Ratchet Preferred conversion price multiplied by (2) the public offering price, equal $29.4102 (adjusted for stock splits, stock dividends, and the like).

If the Company issued or sold additional common stock (outside of stock split, stock dividends, and the like), at a price less than the then effective Ratchet Preferred conversion price or Series E preferred conversion price, the then existing Ratchet Preferred conversion price or Series E preferred conversion price would be reduced by a fraction with the numerator being (1) the number of shares of common stock deemed outstanding, as defined, immediately prior to such issue or sale, plus (2) the number of shares of common stock that the aggregate consideration received or deemed received by the Company for the total number of additional shares of common stock so issued would purchase at such then-existing Series E Preferred Conversion Price or Ratchet Preferred Conversion Price, as applicable, and the denominator being the number of shares of common stock deemed outstanding immediately prior to such issue or sale plus the total number of additional shares of common stock so issued. No adjustment would have been made to the Series E or Ratchet Preferred conversion price in an amount less than 1% of such conversion price, but would otherwise be included in any subsequent adjustment. Through the date the Ratchet Preferred stock was converted, there were no adjustments made pursuant to these provisions.

Liquidation Rights

If a merger or acquisition, change of control, sale of the Company, liquidation or winding of the business, the holders of Series D, Series E, Series F, Series G, and Series H shall be entitled to receive, in preference of Early Preferred, Series C* Preferred Stock, and common stocks, an amount per share of $8.4426, $21.8574, $19.6068, $19.8252, and $30.231 respectively, plus any declared but unpaid dividends prior to any other distributions, on a pari passu basis. After the distribution to Series D, Series E, Series F, and Series G, holders of Series C* shall be entitled to receive, in preference of Early Preferred and common stocks, an amount of $6.84 per share, plus any declared but unpaid dividends. After the distribution to Series G, Series F, Series E, Series D, and Series C*, the holders of Early Preferred are entitled to receive an amount of $1.998, $1.998, $6.522, and $13.038 per share respectively, plus any declared but unpaid dividends, on a pari passu basis.

After the distribution to Series Preferred, the holders of Class A-1 common stock, in preference of Class A and Class B common stock, shall be entitled to receive an amount of $2.82 per share. After the distribution to Series Preferred and Class A-1 common stock set forth above, the remaining assets of the Company shall be distributed ratably to the holders of all common stock and preferred stock on an as-if-converted to Class A common basis or Class B common basis, as applicable.

In the event that, after distributions set forth above, the holders of Series D, Series F, Series G, and Series H Preferred Stock have not received an amount per share of $12.6642, $29.4102, $29.7378, and $45.3468 respectively, the holders of Series D, Series F, Series G, and Series H Preferred Stock shall be entitled to receive additional amounts per share until they receive an amount per share of $12.6642, $29.4102, $29.7378, and $45.3468 respectively, by (1) reducing common stock, Early Preferred, Series C* and Series E ratably in proportion to their full amounts; (2) reducing Class A-1 common ratably in proportion to their full amounts; (3) reducing Early Preferred ratably in proportion to their full amounts; (4) reducing Series C* ratably in proportion to their full amounts; and (5) reducing Series E ratably in proportion to their full amounts.

Redeemable Convertible Preferred Stock

As the shares of redeemable convertible preferred stock were redeemable upon a deemed liquidation event as discussed in the Liquidation Rights, and because the Company determined that such a deemed liquidation would be outside of its control, the redeemable convertible preferred stock were recorded at issuance date fair value outside of stockholders' equity (deficit) in the Redeemable Convertible Preferred Stock section of the consolidated balance sheet. As it was uncertain as to when a redemption event may occur, if ever, the carrying amounts of the redeemable convertible preferred stock are not accreted to their redemption value until such event were to become probable.

Redeemable Convertible Class A-1 Common Stock

Redeemable convertible Class A-1 common stock outstanding as of April 30, 2020, consisted of the following (in thousands, except share amounts):

	As of April 30, 2020			
	Shares			
	Authorized	Outstanding	Liquidation Amount	Carrying Value
Class A-1 common stock	6,666,667	6,666,665	$ 18,800	$ 18,80

As noted above the Class A-1 common stock has similar rights and privileges upon a liquidation event as the redeemable convertible preferred stock prior to its conversion into Class A common stock.

Dividends

Each share of preferred stock and common stock shall have the right to receive cash dividends, when and if declared by the board of directors. Prior and in preference to dividends on common stock, the holders of Series Preferred stock are entitled to receive non-cumulative cash dividends, at a rate of 6% of the original issue price of $1.998, $1.998, $6.522, $13.038, $6.84, $8.4426, $21.8574, $19.6068, $19.8252, and $30.231 per share for Series A*, B*, B-1A*, B-1B*, C*, D, E, F, G, and H Preferred Stock, respectively, as adjusted for stock dividends, combinations, splits, recapitalizations and the like, per annum, out of any assets at the time legally available therefor, when, as and if declared by the board of directors. If dividends are paid on any share of common stock, the Company shall pay equivalent additional dividend on all outstanding shares of Series Preferred stock on an as-if-converted to common stock basis.

No dividends on preferred stock or common stock have been declared by the board of directors as of April 30, 2021 and 2020 and 2019.

Voting Rights

In the event of a qualified public offering in which Series A* preferred stock converts to Class B common stock, Class B common stock will have full voting rights equivalent to 50 multiplied by the number of shares held. Each holder of Series B*, B-1A*, B-1B*, C*, D, E, F, G, and H preferred stock, Class A common stock and Class A-1 common stock that is not a holder of Series A* has full voting rights equivalent to the number of shares held. All voting securities shall vote together and not as a separate class.

9. Stockholders' Equity

Preferred Stock

The Company has authorized the issuance of 200,000,000 shares of undesignated preferred stock with a par value of $0.001 per share with rights and preferences, including voting rights, designated from time to time by the board of directors. As of April 30, 2021 there were no shares of preferred stock issued or outstanding.

Common Stock

The Company has authorized the issuance of 1,000,000,000 shares of Class A common stock and 3,500,000 shares of Class B common stock. The shares of Class A common stock and Class B common stock are identical, except with respect to voting, conversion, and transfer rights. Each share of Class A common stock is entitled to one vote. Each share of Class B common stock is entitled to 50 votes. Class A and Class B common stock have a par value of $0.001 per share and are referred to as common stock throughout the notes to the consolidated financial statements, unless otherwise noted. Holders of common stock are entitled to receive any dividends as may be declared from time to time by the board of directors.

Shares of Class B common stock may be converted to Class A common stock at any time at the option of the stockholder. Each share of Class B common stock will be automatically converted into one share of Class A common stock upon the earliest of the following: (i) the date that is six months following the death or incapacity of Mr. Siebel; (ii) the date that is six months following the date that Mr. Siebel is no longer providing services to the Company as an officer, employee, director, or consultant; (iii) December 11, 2040, which is the twentieth anniversary of the completion of the IPO; or (iv) the date specified by the holders of a majority of the then outstanding shares of Class B common stock, voting as a separate class. Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock.

Common Stock Subject to Repurchase

Under the Company's Amended and Restated 2012 Equity Incentive Plan (the "2012 Incentive Plan"), optionholders are allowed to exercise stock options to purchase Class A common stock prior to vesting. The Company has the right to repurchase at the original purchase price any unvested but outstanding common shares upon termination of service of the optionholder. The consideration received for an early exercise of a stock option is considered to be a deposit of the exercise price and the related amount is recorded as a liability. The net proceeds during the fiscal years ended April 30, 2021, 2020 and 2019 were $6.0 million, $1.9 million and $1.1 million, respectively. The liability is reclassified into equity on a ratable basis as the stock options vest. The Company has recorded a current liability of $5.3 million and $2.2 million as of April 30, 2021 and 2020, respectively. Unvested Class A common stock of 1,091,306 and 663,763 shares as of April 30, 2021 and 2020, respectively were subject to such repurchase right and are legally issued and outstanding as of each period presented. See *Note 10. Stock-Based Compensation* for more information.

Third-Party Stock Transactions

In October 2019, the Company announced and completed a tender offer to repurchase Class A common stock of 163,685 shares and vested stock options of 811,189 shares from employees and officers at a price of $30.2310 per share. The repurchase transactions for vested stock options were conducted as net cash settlements where the holders of vested stock options received the difference between the repurchase price and the respective option exercise price. The total net transaction price was $28.5 million. The Company recognized $24.9 million in compensation expense related to the shares repurchased for the difference between the repurchase price and the fair value of the Company's common stock at the time of repurchase.

10. Stock-Based Compensation

On June 29, 2012, the Company adopted the 2012 Incentive Plan. The 2012 Incentive Plan provided for the grant of stock-based awards to employees, non-employee directors, and other service providers of the Company. The 2012 Incentive Plan was terminated in December 2020 in connection with the IPO but continues to govern the terms of outstanding awards that were granted prior to the termination of the 2012 Incentive Plan. No further equity awards will be granted under the 2012 Incentive Plan. With the establishment of the 2020 Equity Incentive Plan (the “2020 Incentive Plan”) as further discussed below, upon the expiration, forfeiture, cancellation, or reacquisition of any shares of Class A common stock underlying outstanding stock-based awards granted under the 2012 Incentive Plan, an equal number of shares of Class A common stock will become available for grant under the 2020 Plan (the “Returning Shares”).

On November 27, 2020, the Company’s board of directors adopted, and its stockholders approved, the 2020 Incentive Plan, which became effective in connection with the IPO. The 2020 Incentive Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, RSU awards, performance awards and other equity awards. A total of 67,535,205 shares of Class A common stock were initially reserved for issuance under the 2020 Incentive Plan, including any Returning Shares that become available from time to time. The number of shares of Class A common stock reserved for issuance under the 2020 Incentive Plan is subject to automatic evergreen increases annually through (and including) May 1, 2030 pursuant to the terms of the 2020 Incentive Plan.

On November 27, 2020, the Company’s board of directors also adopted, and its stockholders also approved, the 2020 Employee Stock Purchase Plan (the “2020 ESPP”), which became effective immediately prior to the IPO. The 2020 ESPP authorizes the issuance of shares of Class A common stock pursuant to purchase rights granted to employees. A total of 3,000,000 shares of Class A common stock were initially reserved for future issuance under the 2020 ESPP. The number of shares of Class A common stock reserved for issuance under the 2020 ESPP is subject to automatic evergreen increases annually through (and including) May 1, 2030 pursuant to the terms of the 2020 ESPP. The 2020 ESPP permits participants to purchase shares of Class A common stock in an amount not exceeding 15% of their earnings during the relevant offering period. The offering dates and purchase dates for the 2020 ESPP are determined at the discretion of the Company’s board of directors. As of April 30, 2021, the Company had not yet launched its 2020 ESPP.

Stock Options to Acquire Class A Common Stock

These stock options generally expire 10 years from the date of grant, or earlier if services are terminated. Generally, each stock option for common stock is subject to a vesting schedule such that one fifth of the award vests after the first-year anniversary and one-sixtieth of the award vests each month thereafter over the remaining four years, subject to continuous service.

A summary of the Company’s option activity during the periods indicated was as follows:

	Options Outstanding					
	Number of Stock Options Outstanding		Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (years)		Aggregate Intrinsic Value
	(in thousands)					(in thousands)
Balance as of April 30, 2019	23,372	$	2.46	7.98	$	50,6[illegible]
Options granted	16,619	$	4.86			
Options exercised	(1,809)	$	2.34			
Options cancelled	(5,305)	$	3.84			
Balance as of April 30, 2020	32,877	$	3.48	8.03	$	116,9[illegible]
Options granted	14,504		11.50			
Options exercised	(5,799)		2.90			
Options cancelled	(3,095)		5.89			
Balance as of April 30, 2021	38,487	$	6.39	7.98	$	2,304,7[illegible]
Vested and exercisable as of April 30, 2021	13,290	$	3.35	6.55	$	835,9[illegible]
Vested and expected to vest as of 4/30/2021[(1)]	39,578	$	6.35	7.98	$	2,371,7[illegible]

(1) The number of options vested and expected to vest as of April 30, 2021 includes early exercised, unvested Class A common stock. Refer to *Note 9. Stockholders’ Equity* for more information.

The weighted average grant date fair value of options granted during the fiscal year ended April 30, 2021 was $6.17. Aggregate intrinsic value represents the difference between the estimated fair value of the underlying common stock and the exercise price of outstanding in-the-money options. The total intrinsic value of options exercised during the fiscal year ended April 30, 2021 was $137.3 million. The total grant date fair value of options vested during the fiscal year ended April 30, 2021 was $15.0 million.

As of April 30, 2021, there was $97.8 million of unrecognized compensation cost related to stock options which are expected to be recognized over an estimated weighted-average period of 3.8 years.

The grant-date fair value of the options issued for the fiscal years ended April 30, 2021 and 2020 are estimated on the date of grant using the Black-Scholes-Merton option pricing model. The weighted average assumptions underlying the fair value estimation are provided in the following table:

	Fiscal Year Ended April 30,	
	2021	2020
Valuation assumptions:		
Expected dividend yield	— %	— %
Expected volatility	43.8 %	38.6 %
Expected term (years)	6.3	6.3
Risk-free interest rate	0.4 %	1.7 %

Restricted Stock Units

During the fiscal year ended April 30, 2021, the Company began granting RSUs to its employees. No RSUs were granted prior to the IPO. The RSUs are typically subject to service-based vesting conditions satisfied over five years with one-fifth of the award vesting after the first-year anniversary and one-twenty-fifth of the award vesting quarterly thereafter. The related stock-based compensation is recognized on a straight-line basis over the requisite service period. For the fiscal year ended April 30, 2021, the Company recognized stock-based compensation expense of $1.0 million associated with such RSUs.

A summary of the Company’s RSU activities and related information is as follows:

	RSUs Outstanding		
	Number of RSUs	Weighted Average Grant Date Fair Value Per Share	
	(in thousands)		
Unvested Balance as of April 30, 2020	—	$	—
RSUs granted	447	$	74.52
RSUs vested	—	$	—
RSUs forfeited	—	$	—
Unvested Balance as of April 30, 2021	447	$	74.52

As of April 30, 2021, there was $32.2 million of unrecognized stock-based compensation expense related to outstanding RSUs granted to employees that is expected to be recognized over a weighted-average period of 4.8 years.

Stock-based Compensation Expense

The following table summarizes the effects of stock-based compensation on the Company’s consolidated statements of operations (in thousands):

	Fiscal Year Ended April 30,					
	2021		2020		2019	
Cost of subscription	$	828	$	370	$	149
Cost of professional services		376		122		69
Sales and marketing		9,080		3,074		1,739
Research and development		2,950		1,223		781
General and administrative		8,506		3,521		1,529
Total stock-based compensation expense	$	21,740	$	8,310	$	4,267

Shareholder Loan

In January 2018, in connection with the Series F preferred stock financing, the Company issued 1,251,921 shares of Series F preferred stock in exchange for a note receivable of $24.5 million from its CEO. Prior to the automatic conversion of all Series F preferred stock outstanding into Class A common stock upon the completion of the IPO, the underlying shares of Series F preferred stock were legally outstanding though were not included in the carrying amounts of preferred stock as the note receivable is treated as an equity classified stock-based option grant. In September 2020, the Company’s CEO paid the outstanding full recourse promissory note and accrued interest in the amount of $26.0 million. No interest income was recorded for the note. Refer to *Note 13. Related Party Transactions* for more information.

11. Income Taxes

The components of the Company’s net loss before provision for income taxes for the fiscal years ended April 30, 2021, 2020 and 2019 was as follows (in thousands):

	Fiscal Year Ended April 30,					
	2021		2020		2019	
Domestic	$	(58,407)	$	(69,887)	$	(33,86
Foreign		3,415		889		78
Net loss before provision for income taxes	$	(54,992)	$	(68,998)	$	(33,08

The components of the Company’s provision for income taxes for the fiscal years ended April 30, 2021, 2020 and 2019 was as follows (in thousands):

	Fiscal Year Ended April 30,		
	2021	2020	2019
Current expense			
Federal	$ —	$ —	$ —
State	286	113	
Foreign	418	267	26
Total	704	380	26
Deferred expense			
Federal	—	—	—
State	—	—	—
Foreign	—	—	—
Total	—	—	—
Total provision for income taxes	$ 704	$ 380	$ 26

The reconciliation of U.S. federal statutory rate to the Company’s effective tax rate was follows (in thousands):

	Fiscal Year Ended April 30,		
	2021	2020	2019
Expected benefit at federal statutory rate	$ (11,628)	$ (14,489)	$ (6,94
State tax expense—net of federal benefit	286	113	
Impact of foreign operations	(299)	85	30
Federal research and development credit	(694)	(530)	(38
Change in valuation allowance	30,587	14,837	6,58
Stock-based compensation	(17,667)	(23)	33
Meals and entertainment	35	242	20
Other permanent items	84	145	16
Total provision for income taxes	$ 704	$ 380	$ 26

The difference in the Company’s effective tax rate and the U.S. federal statutory tax rate is primarily due to recording a full valuation allowance on the Company’s U.S. deferred tax assets.

The components of deferred tax assets and liabilities as of April 30, 2021 and 2020 was as follows (in thousands):

Table of Contents

	As of April 30,	
	2021	2020
Deferred tax assets		
Accrued payroll	$ 889	$ 2,08
Other accruals & reserves	4,053	3,17
Operating lease liability	1,323	2,23
Deferred revenue	1,258	2,95
Depreciation	1,588	1,36
Net operating losses	73,189	40,24
R&D tax credit	4,778	3,61
Stock based compensation	3,690	2,62
Other	327	(
Gross deferred tax assets	91,095	58,29
Valuation allowance	(88,015)	(55,81
Total deferred tax assets	3,080	2,48
Deferred tax liabilities		
Prepaid expenses	(1,883)	(43
Operating lease right-of-use assets	(1,197)	(2,04
Total deferred tax liabilities	(3,080)	(2,48
Net deferred tax assets (liabilities)	$ —	$ -

In determining the need for a valuation allowance, the Company weighs both positive and negative evidence in the various jurisdictions in which it operates to determine whether it is more likely than not that its deferred tax assets are recoverable. In assessing the ultimate realizability of its net deferred tax assets, the Company considers all available evidence, including cumulative losses since inception and expected future losses and as such, management does not believe it is more likely than not that the deferred tax assets will be realized. Accordingly, a full valuation allowance has been established in the U.S. and no deferred tax assets and related tax benefit have been recognized in the accompanying financial statements. The valuation allowance as of April 30, 2021 and 2020 was $88.0 million and $55.8 million, respectively. The increase of $32.2 million in the Company’s valuation allowance compared to the prior fiscal year was primarily due to an increase in deferred tax assets arising from net operating loss.

As of April 30, 2021 and 2020, the Company had net operating loss carryforwards for federal income tax purposes of approximately $308.3 million and $168.6 million, respectively. The federal net operating loss carryforwards will expire, if not utilized, beginning in year 2029. Federal research and development tax credit carryforwards of approximately $5.4 million, will expire beginning in 2032 if not utilized. Federal charitable contribution carryforwards of approximately $14.3 million will expire beginning in 2022 if not utilized. Federal capital loss carryforwards of approximately $1.0 million will begin to expire in 2026 if not utilized.

In addition, as of April 30, 2021 and 2020, the Company had net operating loss carryforwards for state income tax purposes of approximately $139.7 million and $73.2 million, respectively. The state net operating loss carryforwards will expire, if not utilized, beginning in the year 2032. The Company had state research and development tax credit carryforwards of approximately $5.3 million. The state research and development tax credits do not expire. State capitol loss carryforwards of approximately $0.4 million will begin to expire in 2026 if not utilized.

The Tax Reform Act of 1986 and similar California legislation impose substantial restrictions on the utilization of net operating losses and tax credit carryforwards if there is a change in ownership as provided by Section 382 of the Internal Revenue Code and similar state provisions. Such a limitation could result in the expiration of the net operating loss carryforwards and tax credits before utilization.

A reconciliation of the beginning and ending amount of the Company’s total gross unrecognized tax benefits was as follows (in thousands):

	As of April 30,	
	2021	2020
Balance as of May 1	$ 4,048	$ 3,03
Increases for tax positions related to the current year	1,285	1,01
Balance as of April 30	$ 5,333	$ 4,04

As of April 30, 2021, no amount of unrecognized tax benefits, if recognized, would impact the Company's effective income tax rate, given the Company's full valuation allowance position. The Company does not expect any unrecognized tax benefits to be recognized within the next 12 months.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense. As of April 30, 2021 and 2020, the Company has no cumulative interest and penalties related to unrecognized tax benefits. The Company does not anticipate a significant change in the unrecognized tax benefits over the next 12 months.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was enacted by the United States on March 27, 2020. The CARES Act did not have a material impact on the Company's provision for income taxes for the fiscal year ended April 30, 2021.

The American Rescue Plan Act of 2021 ("ARPA") was signed by President Biden on March 11, 2021. The legislation revised IRC Section 162(m) which will go into effect beginning with tax years that begin after December 31, 2026. It expanded the definition of "covered employees" to include an additional five highest-compensated employees which do not remain as covered employees indefinitely. The Company has assessed the relevant provisions and concludes the tax provisions of the ARPA did not have a material impact on the Company's consolidated financial statements for the fiscal year ended April 30, 2021.

12. Net Loss Per Share Attributable to Common Stockholders

Basic and diluted net loss per share attributable to common stockholders is presented in conformity with the two-class method required for participating securities. Class A and B common shares have identical liquidation and distribution rights. Prior to the automatic conversion of all shares of redeemable convertible Class A-1 common stock into Class A common stock upon the completion of the IPO, the shares of redeemable convertible Class A-1 common stock had a liquidation preference, but were legal form common stock and participated in losses equally with all common stockholders.

Prior to the automatic conversion of all of its redeemable convertible preferred stock outstanding into Class A and Class B common stock upon the completion of the IPO, the Company considered all redeemable convertible preferred stock to be participating securities because they participated in any dividends declared on the Company's common stock on an as-if-converted basis. Redeemable convertible preferred stock did not participate in the net loss per share with common stockholders as the holders of the convertible preferred did not have a contractual obligation to share in the Company's losses.

Accordingly, under the two-class method, the net loss is not allocated to the redeemable convertible preferred stock such that the resulting net loss for all periods presented was allocated on a proportionate basis to shares of Class A, Class A-1, and Class B common stock for the number of days that each class was issued and outstanding during the period.

Basic net loss per share attributable to common stockholders is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. Diluted net loss per share attributable to common stockholders is computed by giving effect to all potential dilutive common stock equivalents outstanding for the period to the extent they are dilutive. For purposes of this calculation, the convertible preferred, stock options, and early exercised stock options subject to repurchase are considered to be potential common stock equivalents but have been excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is anti-dilutive for all periods presented. Basic net loss per share was the same as diluted net loss per share for the periods presented because the Company was in a loss position for years ended April 30, 2021, 2020 and 2019.

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

	Fiscal Year Ended April 30,		
	2021	2020	2019
Numerator			
Net loss attributable to common stockholders	$ (55,696)	$ (69,378)	$ (33,34
Denominator			
Basic and diluted weighted-average Class A common shares outstanding	56,678	29,133	18,60
Basic and diluted weighted-average Class A-1 common shares outstanding	6,667	6,667	6,66
Basic and diluted weighted-average Class B common shares outstanding	3,500	—	-
Basic and diluted net loss per share attributable to common stockholders			
Basic and diluted net loss per Class A common shares outstanding	$ (0.90)	$ (1.94)	$ (1.3
Basic and diluted net loss per Class A-1 common shares outstanding	$ (0.55)	$ (1.94)	$ (1.3
Basic and diluted net loss per Class B common shares outstanding	$ (0.35)	$ —	$ -

At April 30, 2021, 2020 and 2019, the Company's potentially dilutive securities were convertible preferred stock and stock options, which have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share attributable to common stockholders. Based on the amounts outstanding at April 30, 2021, 2020 and 2019, the potential shares of common stock that were excluded from the computation of diluted net loss per share attributable to common stockholders for the period presented because including them would have had an antidilutive effect were as follows:

	Fiscal Year Ended April 30,		
	2021	2020	2019
Convertible preferred stock			
Series A*	—	3,499,992	3,499,9
Series B*	—	4,559,999	4,559,9
Series B-1A*	—	2,430,635	2,430,63
Series B-1B*	—	92,769	92,7
Series C*	—	2,779,738	2,779,73
Series D	—	12,278,422	12,278,42
Series E	—	540,003	540,0
Series F	—	5,399,581	5,399,5
Series G	—	3,893,701	2,610,3
Series H	—	1,653,928	-
Stock options	39,577,809	33,533,380	23,821,5
RSUs	447,095	—	-

13. Related Party Transactions

Shareholder Loan

In January 2018, the Company issued 1,251,921 shares of Series F Preferred Stock in exchange for a non-recourse promissory note to Thomas M. Siebel, the Company's CEO, in the amount of $24.5 million. The promissory note has a term of five years with the ability to renew for up to four successive one-year periods and bears interest at a rate of 2.18% per annum, compounded annually. In September 2020, Mr. Siebel paid the outstanding promissory note in full including accrued interest in the total amount of $26.0 million. Refer to *Note 10. Stock-Based Compensation* for more information.

Secondary Transactions

In October 2019, two secondary transactions occurred for total proceeds of $50.0 million each. The CEO sold 1,685,979 shares of Series D preferred and 193,489 shares of Series E preferred, each at a price of $26.6034 per share, to an existing stockholder. Additionally, the CEO sold 584,795 shares of Series C* preferred, 825,012 shares of Series D preferred, and 673,526 shares of redeemable convertible Class A-1 common stock at a price of $24.0000 per share to an existing stockholder. Stock-based compensation expense was not recognized in connection with these secondary transactions as the purchase price was equal to fair value in respect of the redemption and liquidation features of the shares sold at the time of sale.

In October 2019, the Company also completed a tender offer to repurchase Class A common stock and vested stock options from employees, including officers, at a price of $30.2310 per share. Refer to *Note 9. Stockholders' Equity* for more information.

Revenue Transactions with Baker Hughes Company

In June 2019, the Company entered into multiple agreements with Baker Hughes Company ("Baker Hughes") under which Baker Hughes received a three-year subscription to use the Company's software. These agreements were revised in June 2020 to extend the term to five years and modify the subscription fees due. Under the revised agreements, Baker Hughes has made minimum, non-cancelable revenue commitments, which are inclusive of their direct subscription fees and third party revenue generated through a joint marketing arrangement with Baker Hughes, in the amount of $46.7 million in fiscal year 2020, $53.3 million in fiscal year 2021, $75.0 million in fiscal year 2022, $125.0 million in fiscal year 2023, and $150.0 million in fiscal year 2024. During the fiscal year ended April 30, 2021, the Company recognized total revenue of $55.9 million related to this arrangement. For future periods, any shortfalls against the total annual revenue commitment made to the Company by Baker Hughes will be assessed and recorded.

Under the joint marketing arrangement, the Company is obligated to pay Baker Hughes a sales commission on subscriptions and services offerings it resells in excess of these minimum revenue commitments. The Company recognized $8.3 million of sales commission as deferred costs during the fiscal year ended April 30, 2021 related to this arrangement, which will be amortized over an expected period of five years. As of April 30, 2021, the current portion of deferred costs of $1.7 million was included in prepaid expenses and other current assets and the non-current portion of $6.6 million was included in other assets, non-current. The Company amortized an immaterial amount of deferred commissions during the fiscal year ended April 30, 2021, and this amount was included in sales and marketing expense in the consolidated statements of operations.

The sales commissions of $8.3 million is payable to Baker Hughes over the term of three-years based on the agreement. As of April 30, 2021, accrued and other current liabilities included $3.4 million and other long-term liabilities included $4.9 million. The Company did not incur any sales commission related to this arrangement during the fiscal years ended April 30, 2020 and 2019.

The Company recognized subscription revenue from direct subscription fees from Baker Hughes of $30.6 million, $40.4 million and $0.1 million during the fiscal years ended April 30, 2021, 2020 and 2019, respectively and recognized professional services revenue from Baker Hughes of $4.8 million, $0.3 million and nil for the fiscal years ended April 30, 2021, 2020, and 2019, respectively. As of April 30, 2021 and 2020, accounts receivable, net included $15.2 million and $0.3 million and deferred revenue, current included $7.7 million and 1.5 million, respectively.

The Company recognized cost of subscription revenue from Baker Hughes, of $0.1 million, nil and nil for the fiscal years ended April 30, 2021, 2020 and 2019, respectively. As of April 30, 2021 and 2020, accounts payable included $0.1 million and nil, respectively.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this Annual Report on Form 10-K, and have concluded that, based on such evaluation, our disclosure controls and procedures were effective as of April 30, 2021 at the reasonable assurance level to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control Over Financial Reporting

This Annual Report on Form 10-K does not include a report of management's assessment regarding internal control over financial reporting or an attestation report of our registered public accounting firm due to a transition period established by rules of the Securities and Exchange Commission for newly public companies.

In addition, because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting for so long as we are an emerging growth company.

Changes in Internal Controls 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 period covered by this Annual Report on Form 10-K that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints, and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, 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. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business, but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item (other than the information set forth in the next paragraph) will be included in our definitive proxy statement for our 2021 annual meeting of stockholders, or our 2021 Proxy Statement, to be filed with the SEC within 120 days after the end of our fiscal year ended April 30, 2021, and is incorporated herein by reference.

Our board of directors has adopted a code of conduct that applies to all of our employees, officers, and directors, including our Chief Executive Officer, Chief Financial Officer and other executive and senior financial officers. The full text of our code of conduct is posted on the investor relations section on our website, which is located at https://ir.c3.ai. 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 conduct by posting such information in the investor relations section of our website.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be included in our 2021 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 in our 2021 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 in our 2021 Proxy Statement and is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be included in our 2021 Proxy Statement and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

1. Financial Statements

See Index to Financial Statements under Part II, Item 8 of this Annual Report on Form 10-K.

2. Financial Statement Schedules

Schedules not listed above have been omitted because they are not required, not applicable, or the required information is otherwise included.

3. Exhibits

The exhibits listed below are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference as indicated.

		Incorporated by Reference			
Exhibit Number	**Description**	**Form**	**SEC File No.**	**Exhibit**	**Filing Date**
3.1	Amended and Restated Certificate of Incorporation of the Registrant.	8-K	001-39744	3.1	December 11, 2020
3.2	Amended and Restated Bylaws of the Registrant.	S-1/A	333-250082	3.4	November 30, 2020
4.1	Form of Class A common stock certificate of the Registrant.	S-1/A	333-250082	4.1	November 30, 2020
4.2	Amended and Restated Registration Rights Agreement by and among the Registrant and certain of its stockholders, dated August 15, 2019.	S-1/A	333-250082	4.2	November 23, 2020
4.2.1*	Amendment to Registration Rights Agreement and Waiver of Registration Rights and Notice by and among the Registrant and certain of its stockholders, dated December 3, 2020				
4.3	Voting Agreement by and among the Registrant, Thomas M. Siebel and Patricia A. House, dated January 15, 2015.	S-1	333-250082	4.3	November 13, 2020
4.4*	Description of Capital Stock of the Registrant.				
10.1+	C3.ai, Inc. Amended and Restated 2012 Equity Incentive Plan and forms of agreements thereunder.	S-1	333-250082	10.1	November 13, 2020
10.2+	C3.ai, Inc. 2020 Equity Incentive Plan and forms thereunder.	S-1/A	333-250082	10.2	November 30, 2020
10.2.1*+	C3.ai, Inc. 2020 Equity Incentive Plan forms of international award agreements.				
10.3+	C3.ai, Inc. 2020 Employee Stock Purchase Plan.	S-1/A	333-250082	10.3	November 30, 2020
10.4+	Offer Letter by and between the Registrant and Edward Y. Abbo, dated July 22, 2009.	S-1	333-250082	10.4	November 13, 2020
10.5+	Offer Letter by and between the Registrant and Houman Behzadi, dated January 6, 2010.	S-1	333-250082	10.5	November 13, 2020

10.6+	Revised Offer Letter by and between the Registrant and Edward Y. Abbo, dated July 15, 2011.	S-1	333-250082	10.6	November 13, 2020
10.7+	Amended and Restated Advisor Agreement by and between the Registrant and Jim Hagemann Snabe, dated September 13, 2020.	8-K	001-39744	10.1	March 1, 2021
10.8+	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.	S-8	333-253944	10.1	March 5, 2021
10.9	Lease by and between the Registrant and Google LLC (as successor-in-interest to VII Pac Shores Investors, LLC), dated October 28, 2011.	S-1	333-250082	10.7	November 13, 2020
10.9.1	First Amendment to Lease by and between the Registrant and Google LLC, dated April 4, 2017.	S-1	333-250082	10.8	November 13, 2020
10.9.2	Second Amendment to Lease by and between the Registrant and Google LLC, dated November 7, 2017.	S-1	333-250082	10.9	November 13, 2020
10.10#	Joint Venture Agreement by and between the Registrant and Baker Hughes Holdings LLC, dated June 6, 2019.	S-1	333-250082	10.10	November 13, 2020
10.10.1#	First Amendment to Joint Venture Agreement by and between the Registrant and Baker Hughes Holdings LLC, dated September 26, 2019.	S-1	333-250082	10.11	November 13, 2020
10.10.2#	Second Amendment to Joint Venture Agreement by and between the Registrant and Baker Hughes Holdings LLC, dated June 1, 2020.	S-1	333-250082	10.12	November 13, 2020
10.11	Common Stock Purchase Agreement by and between the Registrant and Spring Creek Capital, LLC, dated as of November 25, 2020.	S-1/A	333-250082	10.13	November 30, 2020
10.12	Common Stock Purchase Agreement by and between the Registrant and Microsoft Corporation, dated as of November 27, 2020.	S-1/A	333-250082	10.14	November 30, 2020
21.1*	List of subsidiaries of the Registrant.				
23.1*	Consent of Deloitte & Touche LLP, independent registered public accounting firm.				
24.1*	Power of Attorney (included on signature page)				
31.1*	Certification of Chief Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2*	Certification of Chief Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1**	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.				
32.2**	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.				
101.INS*	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH*	XBRL Taxonomy Extension Schema Document.				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.				

101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.
104**	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibits 101).

* Filed herewith.

** The certifications furnished in Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are not deemed filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

\+ Indicates management contract or compensatory plan.

\# Portions of this exhibit (indicated by asterisks) have been omitted as the registrant has determined that (1) the omitted information is not material and (2) the omitted information would likely cause competitive harm to the registrant if publicly disclosed.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

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

C3.ai, Inc.

Date: June 25, 2021

By: /s/ Thomas M. Siebel
Thomas M. Siebel
Chief Executive Officer
(Principal Executive Officer)

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Thomas M. Siebel and David Barter, and each one of them, as his or her true and lawful attorney-in-fact and agent, with the power of substitution and re-substitution, for him or her and in their name, place and stead, 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 exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as they might or could do in person, hereby ratifying and confirming all that each of said attorneys-in-fact, or his or her substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Thomas M. Siebel Thomas M. Siebel	Chief Executive Officer and Chairman of the Board *(Principal Executive Officer)*	June 25, 2021
/s/ David Barter David Barter	Senior Vice President and Chief Financial Officer *(Principal Financial and Accounting Officer)*	June 25, 2021
/s/ Patricia A. House Patricia A. House	Director	June 25, 2021
/s/ Richard C. Levin Richard C. Levin	Director	June 25, 2021
/s/ Michael G. McCaffery Michael G. McCaffery	Director	June 25, 2021
/s/ Nehal Raj Nehal Raj	Director	June 25, 2021
/s/ Condoleezza Rice Condoleezza Rice	Director	June 25, 2021
/s/ S. Shankar Sastry S. Shankar Sastry	Director	June 25, 2021
/s/ Bruce Sewell Bruce Sewell	Director	June 25, 2021
/s/ Lorenzo Simonelli Lorenzo Simonelli	Director	June 25, 2021
/s/ Jim H. Snabe Jim H. Snabe	Director	June 25, 2021
/s/ Stephen M. Ward, Jr. Stephen M. Ward, Jr.	Director	June 25, 2021

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

The following is a summary of the rights of our common and preferred stock and some of the provisions of our amended and restated certificate of incorporation, our amended and restated bylaws, and certain provisions of Delaware General Corporation Law. The descriptions herein are qualified in their entirety by our amended and restated certificate of incorporation, our amended and restated bylaws, copies of which have been filed as exhibits to our Annual Report on Form 10-K of which this description is a part, as well as certain provisions of Delaware General Corporation Law. References to the terms "we," "our," and "us" refer to C3.ai, Inc., unless the context otherwise requires.

General

Our authorized capital stock consists of the following:

- 1,000,000,000 shares designated as Class A common stock, par value $0.001 per share;
- 3,500,000 shares designated as Class B common stock, par value $0.001 per share; and
- 200,000,000 shares designated as preferred stock, par value $0.001 per share.

As of April 30, 2021, only our Class A common stock was registered under Section 12 of the Securities Exchange Act of 1934, as amended, or the Exchange Act.

Class A and Class B Common Stock

All authorized but unissued shares of our Class A common stock and Class B common stock are available for issuance by our board of directors without any further stockholder action, except as required by the listing standards of the New York Stock Exchange. Our amended and restated certificate of incorporation provides that, except with respect to voting rights and conversion rights, our Class A common stock and Class B common stock are treated equally and identically.

Voting Rights

Holders of Class A common stock are entitled to one vote per share on all matters to be voted upon by our stockholders, and holders of Class B common stock are entitled to 50 votes per share on all matters to be voted upon by our stockholders. Holders of Class A common stock and Class B common stock generally vote together as a single class on all matters submitted to a vote of our stockholders, unless otherwise required by Delaware law or our amended and restated certificate of incorporation. Delaware law could require either holders of Class A common stock or Class B common stock to vote separately as a single class in the following circumstances, among others:

- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the number of authorized shares of a class of our capital stock (other than our preferred stock), then that class would be required to vote separately to approve the proposed amendment;
- if we were to seek to amend our amended and restated certificate of incorporation to increase or decrease the par value of a class of our capital stock, then that class would be required to vote separately to approve the proposed amendment; and

- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences, or special rights of a class of our capital stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

As a result, in these instances, the holders of a majority of shares of Class A common stock entitled to vote could defeat an amendment to our amended and restated certificate of incorporation.

Our amended and restated certificate of incorporation does not provide for cumulative voting for the election of directors.

Dividend Rights

Holders of Class A common stock and Class B common stock are entitled to ratably receive dividends if, as and when declared from time to time by our board of directors at its own discretion out of funds legally available for that purpose, after payment of dividends required to be paid on outstanding preferred stock, if any.

Right to Receive Liquidation Distributions

Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of Class A common stock and Class B common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion

Each share of Class B common stock is convertible at any time at the option of the holder into one share of Class A common stock. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon any transfer, whether or not for value, except certain transfers to entities, to the extent the transferor retains sole dispositive power and exclusive voting control with respect to the shares of Class B common stock, and certain other transfers described in our amended and restated certificate of incorporation. All outstanding shares of Class B common stock will convert into shares of Class A common stock upon the earliest of (1) the date that is six months following the death or incapacity of Mr. Siebel, (2) the date that is six months following the date that Mr. Siebel is no longer providing services to us as an officer, employee, director or consultant, (3) the 20-year anniversary of the date of the closing of our initial public offering, and (4) the date specified by the holders of a majority of the then outstanding shares of Class B common stock, voting as a separate class.

Other Matters

The Class A common stock and Class B common stock have no preemptive rights pursuant to the terms of our amended and restated certificate of incorporation and our amended and restated bylaws. There are no redemption or sinking fund provisions applicable to the Class A common stock and Class B common stock.

Preferred Stock

Our board of directors may, without further action by our stockholders, fix the rights, preferences, privileges, and restrictions of up to an aggregate of 200,000,000 shares of preferred stock in one or more series and authorize their issuance. These rights, preferences, and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting any series or the designation of such series, any or all of which may be greater than the rights of our common stock. The issuance of our preferred stock could adversely affect the voting power of holders of our common stock and the likelihood that such holders will receive dividend payments and payments upon liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change of control or other corporate action.

No shares of preferred stock are currently outstanding.

Registration Rights

We are party to an amended and restated registration rights agreement, or the Registration Rights Agreement, that provides demand, piggyback and shelf registration rights to certain holders of our common stock. The registration of shares of our common stock by the exercise of registration rights described below would enable the holders to sell these shares without restriction under the Securities Act of 1933, as amended, or the Securities Act, when the applicable registration statement is declared effective.

The demand, piggyback and shelf registration rights provided pursuant to the Registration Rights Agreement will expire three years after the completion of our initial public offering or, with respect to any particular stockholder, (1) the time that such stockholder can sell all of its shares entitled to registration rights under Rule 144 of the Securities Act during any 90-day period or (2) the time that such stockholder owns less than 1% of our outstanding Class A common stock. We will pay the registration expenses, not to exceed $25,000, of the shares registered by the demand, piggyback and shelf registrations conducted pursuant to the Registration Rights Agreement.

Anti-Takeover Effects of Delaware Law and Our Certificate of Incorporation and Bylaws

Some provisions of Delaware law, our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that could make the following transactions more difficult: (1) an acquisition of us by means of a tender offer; (2) an acquisition of us by means of a proxy contest or otherwise; (3) or the removal of our incumbent officers and directors. It is possible that these provisions could make it more difficult to accomplish or could deter transactions that stockholders may otherwise consider to be in their best interest or in our best interests, including transactions which provide for payment of a premium over the market price for our shares.

These provisions, summarized below, are intended to discourage coercive takeover practices and inadequate takeover bids. These provisions are also designed to encourage persons seeking to acquire control of us to first negotiate with our board of directors. We believe that the benefits of the increased protection of our potential ability to negotiate with the proponent of an unfriendly or unsolicited proposal to acquire or restructure us outweigh the disadvantages of discouraging these proposals because negotiation of these proposals could result in an improvement of their terms.

Dual Class Stock

As described above in "—Class A and Class B Common Stock—Voting Rights," our amended and restated certificate of incorporation establishes for a dual class common stock structure, which provides our founders with significant influence over all matters requiring stockholder approval, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or our assets.

Stockholder Meetings

Our amended and restated bylaws provide that a special meeting of stockholders may be called only by our chairman of the board, chief executive officer or president, or by a resolution adopted by a majority of our board of directors.

Requirements for Advance Notification of Stockholder Nominations and Proposals

Our amended and restated bylaws establish advance notice procedures with respect to stockholder proposals to be brought before a stockholder meeting and the nomination of candidates for election as directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors.

Elimination of Stockholder Action by Written Consent

Our amended and restated certificate of incorporation and amended and restated bylaws eliminate the right of stockholders to act by written consent without a meeting.

Staggered Board

Our board of directors is divided into three classes. The directors in each class serve for a three-year term, with one class elected each year by our stockholders. This system of electing and removing directors may tend to discourage a third party from making a tender offer or otherwise attempting to obtain control of us because it generally makes it more difficult for stockholders to replace a majority of the directors.

Removal of Directors

Our amended and restated certificate of incorporation provides that no member of our board of directors may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

Stockholders Not Entitled to Cumulative Voting

Our amended and restated certificate of incorporation does not permit stockholders to cumulate their votes in the election of directors. Accordingly, the holders of a majority of the outstanding shares of our common stock entitled to vote in any election of directors can elect all of the directors standing for election, if they choose, other than any directors that holders of our preferred stock may be entitled to elect.

Delaware Anti-Takeover Statute

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits persons deemed to be “interested stockholders” from engaging in a “business combination” with a publicly held Delaware corporation for three years following the date these persons become interested stockholders unless the business combination is, or the transaction in which the person became an interested stockholder was, approved in a prescribed manner or another prescribed exception applies. Generally, an “interested stockholder" is a person who, together with affiliates and associates, owns, or within three years prior to the determination of interested stockholder status did own, 15% or more of a corporation's voting stock. Generally, a "business combination" includes a merger, asset or stock sale, or other transaction resulting in a financial benefit to the interested stockholder. The existence of this provision may have an anti-takeover effect with respect to transactions not approved in advance by the board of directors.

Choice of Forum

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the exclusive forum for the following types of actions or proceedings under Delaware statutory or common law: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees, or agents to us or our stockholders; (3) any action asserting a claim against us arising pursuant to any provision of the General Corporation Law of the State of Delaware or our certificate of incorporation or bylaws; (4) any action to interpret, apply, enforce, or determine the validity of our certificate of incorporation or bylaws; or (5) any action asserting a claim governed by the internal affairs doctrine. The provisions would not apply to suits brought to enforce a duty or liability created by the Securities Act, the Exchange Act, or any other claim for which the U.S. federal courts have exclusive jurisdiction. However, as Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act, and an investor cannot waive compliance with the federal securities laws and the rules and regulations thereunder, there is uncertainty as to whether a court would enforce such a provision. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation provides that the U.S. federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. 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. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

These exclusive forum provisions may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers, or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find either exclusive-forum provision in our amended and restated certificate of incorporation to be inapplicable or unenforceable in an action, we may incur further significant additional costs associated with resolving the dispute in other jurisdictions, all of which could seriously harm our business.

Amendment of Charter Provisions

The amendment of any of the above provisions, except for the provision making it possible for our board of directors to issue preferred stock, would require approval by holders of at least two-thirds of the total voting power of all of our outstanding voting stock.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock and Class B common stock is Computershare Trust Company, N.A. The transfer agent's address is 250 Royall Street, Canton, Massachusetts 02021.

Exchange Listing

Our Class A common stock is listed on the New York Stock Exchange under the symbol "AI".

C3.AI, INC.

AMENDMENT TO REGISTRATION RIGHTS AGREEMENT AND WAIVER OF REGISTRATION RIGHTS AND NOTICE

This Amendment to Registration Rights Agreement and Waiver of Registration Rights and Notice (this "**Amendment and Waiver**") is made as of December 3, 2020 (the "**Amendment Date**"), by and among C3.ai, Inc., a Delaware corporation (the "**Company**"), and the undersigned Investors (as defined below).

RECITALS

WHEREAS, the Company and certain of its stockholders (the "**Investors**") have previously entered into that certain Registration Rights Agreement, dated August 15, 2019, as amended, by and among the Company and the parties named therein (as the same may be amended and/or restated from time to time, the "**Rights Agreement**"). Capitalized terms used but not defined herein shall have the respective meanings set forth in the Rights Agreement.

WHEREAS, pursuant to the terms of the Rights Agreement, the undersigned and each other Holder has under certain circumstances the right to be notified prior to filing any registration statement for the purposes of effecting a public offering of the Company's common stock and to include in such registration statement certain Registrable Securities held by the undersigned and each such other Holder (the "**Registration Rights**").

WHEREAS, the undersigned understands that the Company is considering the sale of its common stock to the public through a firm commitment underwritten initial public offering (the "**Proposed IPO**"), pursuant to a Registration Statement on Form S-1 under the Securities Act and any related registration statement filed pursuant to Rule 462(b) of the Securities Act (collectively, the "**IPO Registration Statement**").

WHEREAS, in connection with the Proposed IPO and the preparation and filing of the IPO Registration Statement, the undersigned understands that the Company is requesting the waiver of (i) any and all Registration Rights in connection with the submission and filing of, and the Proposed IPO to be made pursuant to, the IPO Registration Statement, and (ii) any right to notice with respect to the foregoing under the Rights Agreement or otherwise, including without limitation any such notice rights granted under the Rights Agreement (the "**Notice Rights**").

WHEREAS, Section 3.5 of the Agreement provides that the Rights Agreement may be amended or modified, and the obligations of the Company and the rights of the Holders under this Agreement may be waived, only upon the written consent of (i) the Company, (ii) the Investors holding at least a majority of the voting power of all then outstanding shares of capital stock held by such Investors, (iii) with respect to amendments or waivers that materially adversely affects the powers, rights, preferences or privileges of the holders of the Series D Preferred Stock, the holders of a majority of the outstanding Series D Preferred Stock, (iv) with respect to amendments or waivers that materially adversely affects the powers, rights, preferences or privileges of the holders of the Series F Preferred Stock, the holders of a majority of the outstanding Series F Preferred Stock, (v) with respect to amendments or waivers that materially adversely affects the powers, rights, preferences or privileges of the holders of the Series G Preferred Stock, the holders of at least sixty-eight percent (68%) of the outstanding Series G Preferred Stock and (iv) with respect to amendments or waivers that materially adversely affects the powers, rights, preferences or privileges of the holders of the Series H Preferred Stock, the holders of a majority of the outstanding Series H Preferred Stock (collectively, the "**Requisite Parties**").

WHEREAS the Company has entered into that certain Common Stock Purchase Agreement, dated on or about the date hereof, with Microsoft Corporation, a Washington corporation ("**Microsoft**," and such agreement, the "**Microsoft Purchase Agreement**"), pursuant to which Microsoft will purchase shares of the Company's Class A Common Stock (the "**Microsoft Shares**"), immediately subsequent to the closing of the Proposed IPO.

WHEREAS, the Company has entered into that certain Common Stock Purchase Agreement, dated on or about the date hereof, with Spring Creek Capital, LLC, a Delaware limited liability company and an affiliate of Koch Industries, Inc., ("**Koch**," and such agreement, the "**Koch Purchase Agreement**"), pursuant to which Koch will purchase shares of the Company's Class A Common Stock (the "**Koch Shares**"), immediately subsequent to the closing of the Proposed IPO.

WHEREAS, in connection with the consummation of the Microsoft Purchase Agreement and the Koch Purchase Agreement, the undersigned understands that the Company is requesting the amendment of the Rights Agreement to provide Registration Rights and Notice Rights under the Rights Agreement to Microsoft and Koch with respect to the Microsoft Shares and the Koch Shares, respectively.

WHEREAS, the undersigned constitute the Requisite Parties and desire to waive the Registration Rights and the Notice Rights and amend the Rights Agreement to provide Registration Rights and Notice Rights to certain new investors.

AGREEMENT

NOW, THEREFORE, in exchange for good and valuable consideration, the receipt of which is hereby acknowledged, the Company and the undersigned Investors, on behalf of themselves and each of their affiliates, agree as follows:

1. Amendments.

(a) Section 1.1(i) of the Rights Agreement is amended and restated to read in its entirety as follows:

"(i) "**Registrable Securities**" means (i) Common Stock of the Company issuable or issued upon conversion of the Shares, (ii) any Common Stock of the Company issued as (or issuable upon the conversion or exercise of any warrant, right or other security which is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, such above-described securities, (iii) the shares of Common Stock issuable pursuant to that certain Common Stock Purchase Agreement, dated on or about November 25, 2020, with Microsoft Corporation, a Washington corporation ("**Microsoft**" and such shares of Common Stock, the "**Microsoft Registrable Securities**") and (iv) the shares of Common Stock issuable pursuant to that certain Common Stock Purchase Agreement, dated on or about November 25, 2020, with Spring Creek Capital, LLC, a Delaware limited liability company and an affiliate of Koch Industries, Inc. ("**Koch**" and such shares of Common Stock, the "**Koch Registrable Securities**"); *provided, however*, that such Microsoft Registrable Securities and Koch Registrable Securities shall not be deemed Registrable Securities and Microsoft and Koch shall not be deemed to be a Holder with respect to such Microsoft Registrable Securities or Koch Registrable Securities, as applicable, for the purposes of Sections 2.2 (and any other applicable sections of this Agreement with respect to registrations under Section 2.2), 2.4 (and any other applicable sections of this Agreement with respect to registrations under Section 2.4) and 2.6 of this Agreement. Notwithstanding the foregoing, Registrable Securities shall not include any securities (A) sold by a person to the public either pursuant to a registration statement or Rule 144 or (B) sold in a private transaction in which the transferor's rights under Section 2 of this Agreement are not assigned."

2. Waiver.

(a) The undersigned has been requested to waive any and all Registration Rights and Notice Rights in connection with the submission and filing of, and the Proposed IPO to be made pursuant to, the IPO Registration Statement. The undersigned desires to facilitate a successful Proposed IPO and in connection therewith (i) hereby waives, on behalf of itself and each and every party to the Rights Agreement, any and all Registration Rights in connection with the submission and filing of, and the Proposed IPO to be made pursuant to, the IPO Registration Statement; and (ii) hereby waives, on behalf of itself and each and every party to the Rights Agreement, any Notice Rights with respect to the foregoing.

(b) The undersigned understands and acknowledges that, pursuant to the terms of the Rights Agreement, the rights of the Holders pursuant thereto, including the Registration Rights, and the related Notice Rights, may be waived with the written consent of the Requisite Parties. The undersigned further acknowledges that this waiver (the "**Waiver**") shall apply only with respect to the submission and filing of, and the Proposed IPO to be made pursuant to, the IPO Registration Statement and will not affect the undersigned's Registration Rights, Notice Rights or any other rights in connection with any registration statements other than the IPO Registration Statement. Except as expressly waived herein, all other terms and conditions of the Rights Agreement shall remain in full force and effect.

(c) This Waiver shall automatically terminate upon the earliest to occur, if any, of (i) the date that the Company advises the Representatives (as defined in the Underwriting Agreement), in writing, prior to the execution of the Underwriting Agreement related to the Proposed IPO (the "**Underwriting Agreement**"), that it has determined not to proceed with the Proposed IPO, (ii) the date of termination of the Underwriting Agreement if prior to the closing of the Proposed IPO, or (iii) June 30, 2021 if the Proposed IPO has not been completed by such date.

(d) The undersigned understands and acknowledges that the Company will proceed with the Proposed IPO and the preparation and filing of the IPO Registration Statement in reliance on this Waiver and in connection therewith, the undersigned hereby represents and warrants to the Company that (i) the undersigned has the full right, power and authority to execute and deliver this Waiver, (ii) this Waiver has been duly executed and delivered by the undersigned and constitutes the legal, valid and binding obligation of the undersigned, enforceable in accordance with its terms.

3. No Other Amendment or Waiver. Except as set forth in this Amendment, the Rights Agreement shall remain in full force and effect in all respects without any modification. This Amendment shall become effective when executed and delivered by the Requisite Parties.

4. Counterparts; Facsimile Signature. This Amendment may be executed in counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement. A facsimile, telecopy or other reproduction of this Amendment may be executed by one or more parties hereto and delivered by such party (or parties) by facsimile or any similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen. Such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute and deliver an original of this Amendment as well as any facsimile, telecopy or other reproduction hereof.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

COMPANY:

C3.AI, INC.

By:	/s/ Thomas M. Siebel
Name:	Thomas M. Siebel
Title:	Chief Executive Officer

C3.AI, INC.
WAIVER OF REGISTRATION RIGHTS AND NOTICE

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

MICROSOFT CORPORATION

By:	/s/ Keith Dolliver
Name:	Keith Dolliver
Title:	Assistant Secretary

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

SPRING CREEK CAPITAL, LLC

By:	/s/ Eric Butcher
Name:	Eric Butcher
Title:	President

In Witness Whereof, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

TPG GROWTH III CADIA, L.P.

By: TPG Growth GenPar III, L.P.
its general partner

By: TPG Growth GenPar III Advisors, L.L.C.
its general partner

By:	/s/ Michael LaGatta
Name:	Michael LaGatta
Title:	Vice President

THE RISE FUND CADIA, L.P.

By: The Rise Fund GenPar, L.P.
its general partner

By: The Rise Fund GenPar Advisors, LLC
its general partner

By:	/s/ Michael LaGatta
Name:	Michael LaGatta
Title:	Vice President

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

BAKER HUGHES HOLDING LLC

By:	/s/ Brian Worrell
Name:	Brian Worrell
Title:	Chief Financial Officer

In Witness Whereof, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

Master Focus Growth LLC

By: BlackRock Advisors, LLC, its Adviser

By: /s/ Lawrence Kemp

Name: Lawrence Kemp

Title: Managing Director

Master large Cap Focus Growth Portfolio, a series of Master Large Cap Series LLC

By: BlackRock Advisors, LLC, its Adviser

By: /s/ Lawrence Kemp

Name: Lawrence Kemp

Title: Managing Director

C3.ai, Inc.
Waiver of Registration Rights and Notice

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

BLACKROCK SCIENCE & TECHNOLOGY OPPORTUNITIES PORTFOLIO A SERIES OF BLACKROCK FUNDS II

By: BlackRock Advisors, LLC, its Investment Adviser

By: /s/ Tony Kim

Name: Tony Kim

Title: Managing Director

BLACKROCK SCIENCE AND TECHNOLOGY TRUST

By: BlackRock Advisors, LLC, its Investment Adviser

By: /s/ Tony Kim

Name: Tony Kim

Title: Managing Director

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

BLACKROCK SCIENCE AND TECHNOLOGY TRUST II

By: BlackRock Advisors, LLC, its Investment Adviser

By: /s/ Tony Kim

Name: Tony Kim

Title: Managing Director

BLACKROCK GLOBAL FUNDS – WORLD TECHNOLOGY FUND

By: BlackRock Investment Management LLC, its Investment Adviser

By: /s/ Tony Kim

Name: Tony Kim

Title: Managing Director

BLACKROCK GLOBAL FUNDS – NEXT GENERATION TECHNOLOGY FUND

By: BlackRock Investment Management LLC, its Investment Adviser

By: /s/ Tony Kim

Name: Tony Kim

Title: Managing Director

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

BLACKROCK GLOBAL FUNDS - GLOBAL ALLOCATION FUND

By: BlackRock Investment Management, LLC, its Investment Sub-Adviser

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

BLACKROCK GLOBAL FUNDS - GLOBAL DYNAMIC EQUITY FUND

By: BlackRock Investment Management, LLC, its Investment Sub-Adviser

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

BLACKROCK GLOBAL ALLOCATION COLLECTIVE FUND

By: BlackRock Institutional Trust Company, NA, not in its individual capacity but as Trustee of the BlackRock Global Allocation Collective Fund

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

BLACKROCK GLOBAL ALLOCATION COLLECTIVE FUND (AUSTRALIA)

By: BlackRock Investment Management, LLC, as Investment Manager for BlackRock Investment Management (Australia) Limited, the Responsible Entity of BlackRock Global Allocation Fund (Australia)

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

BLACKROCK GLOBAL ALLOCATION FUND, INC.

By: BlackRock Advisors, LLC, its Investment Adviser

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

BLACKROCK GLOBAL ALLOCATION PORTFOLIO OF BLACKROCK SERIES FUND, INC.

By: BlackRock Advisors, LLC, its Investment Adviser

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

BLACKROCK GLOBAL ALLOCATION V.I. FUND OF BLACKROCK VARIABLE SERIES FUNDS, INC.

By: BlackRock Advisors, LLC, its Investment Adviser

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

MASSMUTUAL SELECT BLACKROCK GLOBAL ALLOCATION FUND

By: BlackRock Investment Management LLC, its Investment Adviser

By: /s/ Ariana Berry

Name: Ariana Berry

Title: Authorized Signatory

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

Thomas M. Siebel

/s/ Thomas M. Siebel

The Siebel Living Trust u/a/d 7/27/93, as amended

/s/ Thomas M. Siebel

By: Thomas M. Siebel, Trustee of The Siebel Living
Trust u/a/d 7/27/93, as amended

Siebel Asset Management, L.P.

/s/ Thomas M. Siebel

By: Thomas M. Siebel, Trustee of The Siebel Living Trust u/a/d
7/27/93, as amended
Its: General Partner

Siebel Asset Management III, L.P.

/s/ Thomas M. Siebel

By: Thomas M. Siebel, Trustee of The Siebel Living Trust u/a/d
7/27/93, as amended
Its: General Partner

The Siebel 2011 Irrevocable Children's Trust

/s/ Thomas M. Siebel

By: Thomas M. Siebel, Co-Trustee

First Virtual Holdings, LLC

/s/ Thomas M. Siebel

By: Thomas M. Siebel, Chairman

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

The Siebel 2012 Annuity Trust I u/a/d 9/18/2012

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2012 Annuity Trust I u/a/d 9/18/2012

The Siebel 2012 Annuity Trust II u/a/d 9/18/2012

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2012 Annuity Trust II u/a/d 9/18/2012

The Siebel 2013 Annuity Trust I u/a/d 10/08/2013

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2013 Annuity Trust I u/a/d 10/08/2013

The Siebel 2013 Annuity Trust II u/a/d 10/08/2013

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2013 Annuity Trust II u/a/d 10/08/2013

The Siebel 2014 Annuity Trust I u/a/d 10/22/2014

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2014 Annuity Trust I u/a/d 10/22/2014

The Siebel 2014 Annuity Trust II u/a/d 10/22/2014

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2014 Annuity Trust II u/a/d 10/22/2014

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

The Siebel 2017 Annuity Trust I u/a/d 11/28/2017

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2017 Annuity Trust I u/a/d 11/28/2017

The Siebel 2017 Annuity Trust II u/a/d 11/28/2017

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2017 Annuity Trust II u/a/d 11/28/2017

The Siebel 2018 Annuity Trust I u/a/d 12/13/2018

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2018 Annuity Trust I u/a/d 12/13/2018

The Siebel 2018 Annuity Trust II u/a/d 12/18/2018

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2018 Annuity Trust II u/a/d 12/18/2018

The Siebel 2020 Annuity Trust I u/a/d 3/4/2020

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2020 Annuity Trust I u/a/d 3/4/2020

The Siebel 2020 Annuity Trust II u/a/d 3/4/2020

/s/ Eric C. Jensen

By: Eric C. Jensen, Special Trustee of The Siebel 2020 Annuity Trust II u/a/d 3/4/2020

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

Taylor Michelle Siebel Irrevocable Trust, dated July 27, 1993, as amended

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of the Taylor Michelle Siebel Irrevocable Trust, dated July 27, 1993, as amended

Arthur Riley Siebel Irrevocable Trust, dated July 27, 1993, as amended

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of the Arthur Riley Siebel Irrevocable Trust, dated July 27, 1993, as amended

Casey Austin Siebel Irrevocable Trust, dated July 27, 1993, as amended

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of the Casey Austin Siebel Irrevocable Trust, dated July 27, 1993, as amended

Hunter Rose Siebel Irrevocable Trust, dated December 22, 1998, as amended

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of the Hunter Rose Siebel Irrevocable Trust, dated December 22, 1998, as amended

IN WITNESS WHEREOF, the undersigned has executed this Amendment and Waiver effective as of December 3, 2020.

INVESTORS:

The Arthur Riley Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of The Arthur Riley Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

The Casey Austin Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of The Casey Austin Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

The Hunter Rose Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of The Hunter Rose Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

The Taylor Michelle Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

/s/ Audrey K. Scott

By: Audrey K. Scott, Trustee of The Taylor Michelle Siebel Irrevocable Trust U/T Siebel 2012 Annuity Trust I u/a/d 9/18/2012

C3.ai, Inc.
International RSU Award Grant Notice
(2020 Equity Incentive Plan)

C3.ai, Inc. (the ***"Company"***) has awarded to you (the "***Participant***") the number of restricted stock units specified and on the terms set forth below in consideration of your services (the ***"RSU Award"***). Your RSU Award is subject to all of the terms and conditions as set forth herein and in the Company's 2020 Equity Incentive Plan (the ***"Plan"***) and the International RSU Award Agreement, including any additional terms and conditions for your country included in the appendix attached thereto (the "***Appendix***" and together, the "***Agreement***"), which are incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the Agreement shall have the meanings set forth in the Plan or the Agreement.

Participant: __
Date of Grant: __
Vesting Commencement Date: __
Number of Restricted Stock Units: __

Vesting Schedule: [____]. Notwithstanding the foregoing, vesting shall terminate upon the Participant's termination of Continuous Service.

Issuance Schedule: One share of Class A Common Stock will be issued for each restricted stock unit which vests at the time set forth in Section 5 of the Agreement.

Participant Acknowledgements: By your signature below or by electronic acceptance or authentication in a form authorized by the Company, you understand and agree that:

- The RSU Award is governed by this International RSU Award Grant Notice (the "***Grant Notice***"), and the provisions of the Plan and the Agreement, all of which are made a part of this document. Unless otherwise provided in the Plan, this Grant Notice and the Agreement (together, the "***RSU Award Agreement***") may not be modified, amended or revised except in a writing signed by you and a duly authorized officer of the Company.
- You have read and are familiar with the provisions of the Plan, the RSU Award Agreement and the Prospectus. In the event of any conflict between the provisions in the RSU Award Agreement, or the Prospectus and the terms of the Plan, the terms of the Plan shall control.
- The RSU Award Agreement sets forth the entire understanding between you and the Company regarding the acquisition of Class A Common Stock and supersedes all prior oral and written agreements, promises and/or representations on that subject with the exception of: (i) other equity awards previously granted to you, and (ii) any written employment agreement, offer letter, severance agreement, written severance plan or policy, or other written agreement between the Company and you in each case that specifies the terms that should govern this RSU Award.

C3.ai, Inc. **Participant:**

By: __ __
Signature Signature

Title: __ Date: __

Date:__

By providing an additional signature below, I declare that I expressly agree with the provisions regarding termination of Continuous Service described in the Plan (including in Section 5(a)(iv) thereof), the Agreement (including in Sections 6(j)-(k) thereof), and the attached Appendix for my country.

Participant:

__

Signature

Date:__

C3.ai, Inc.
2020 Equity Incentive Plan

International RSU Award Agreement

As reflected by your International RSU Award Grant Notice ("***Grant Notice***") C3.ai, Inc. (the "***Company***") has granted you a RSU Award under its 2020 Equity Incentive Plan (the "***Plan***") for the number of restricted stock units as indicated in your Grant Notice (the "***RSU Award***"). The terms of your RSU Award as specified in this International RSU Award Agreement for your RSU Award, including any additional terms and conditions for your country included in the appendix attached thereto (the "***Appendix***" and together, the "***Agreement***") and the Grant Notice constitute your "***RSU Award Agreement***". Capitalized terms not explicitly defined in this Agreement but defined in the Grant Notice or the Plan shall have the same definitions as in the Grant Notice or Plan, as applicable.

The general terms applicable to your RSU Award are as follows:

1. Governing Plan Document. Your RSU Award is subject to all the provisions of the Plan. Your RSU Award is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the RSU Award Agreement and the provisions of the Plan, the provisions of the Plan shall control.

2. Grant of the RSU Award. This RSU Award represents your right to be issued on a future date the number of shares of the Company's Class A Common Stock that is equal to the number of restricted stock units indicated in the Grant Notice subject to your satisfaction of the vesting conditions set forth therein (the "***Restricted Stock Units***"). Any additional Restricted Stock Units that become subject to the RSU Award pursuant to Capitalization Adjustments as set forth in the Plan and the provisions of Section 3 below, if any, shall be subject, in a manner determined by the Board, to the same forfeiture restrictions, restrictions on transferability, and time and manner of delivery as applicable to the other Restricted Stock Units covered by your RSU Award.

3. Dividends. You shall receive no benefit or adjustment to your RSU Award with respect to any cash dividend, stock dividend, or other distribution that does not result from a Capitalization Adjustment as provided in the Plan; provided, however, that this sentence shall not apply with respect to any shares of Class A Common Stock that are delivered to you in connection with your RSU Award after such shares have been delivered to you.

4. Withholding Obligations.

(a) You acknowledge that, regardless of any action taken by the Company or, if different, the Affiliate employing or engaging you (the "***Employer***"), the ultimate liability for all income tax (including U.S. federal, state, and local taxes and/or foreign taxes), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("***Tax-Related Items***") is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. You further acknowledge that the Company and/or your Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the RSU Award, including, but not limited to, the grant of the RSU Award, the vesting of the RSU Award, the issuance of shares in settlement of vesting of the RSU Award, the subsequent sale of any shares of Class A Common Stock acquired pursuant to the RSU Award and the receipt of any dividends or dividend equivalents; and (ii) do not commit to and are under no obligation to reduce or eliminate your liability for Tax-Related Items. Further, if you become subject to taxation in more than one country, you acknowledge that the Company and/or your Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one country.

(b) Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer; (ii) withholding from proceeds of the sale of shares of Class A Common Stock acquired upon settlement of the Restricted Stock Units either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); (iii) withholding from shares of Class A Common Stock to be issued to you upon settlement of the Restricted Stock Units; or (iv) any other method of withholding determined by the Company and permitted by Applicable Law; provided, however, that that if you are a Section 16 officer of the Company under the Exchange Act, then the Administrator shall establish the method of withholding from alternatives (i)-(iv) herein and, if the Administrator does not exercise its discretion prior to the applicable withholding event, then you shall be entitled to elect the method of withholding from the alternatives above.

(c) The Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in your jurisdiction, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Class A Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in shares of Class A Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Class A Common Stock subject to the vested Restricted Stock Units, notwithstanding that a number of the shares of Class A Common Stock is held back solely for the purpose of paying the Tax-Related Items.

(d) You agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Class A Common Stock, or the proceeds of the sale of shares of Class A Common Stock, if you fail to comply with your obligations in connection with the Tax-Related Items.

5. Date of Issuance.

(a) To the extent your RSU Award is exempt from application of Section 409A of the Code and any state law of similar effect (collectively ***"Section 409A"***), the Company will deliver to you a number of shares of the Company's Class A Common Stock equal to the number of vested

Restricted Stock Units subject to your RSU Award, including any additional Restricted Stock Units received pursuant to Section 3 above that relate to those vested Restricted Stock Units on the applicable vesting date(s), or if such date is not a business day, such delivery date shall instead fall on the next following business day (the "***Original Distribution Date***").

(b) Notwithstanding the foregoing, in the event that you are prohibited from selling shares of the Company's Class A Common Stock in the public market on the scheduled delivery date by the Trading Policy or otherwise, and the Company elects not to satisfy the obligations to withhold Tax-Related Items by withholding shares from your distribution, then such shares shall not be delivered on such Original Distribution Date and shall instead be delivered on the first business day when you are not prohibited from selling shares of the Company's Class A Common Stock in the open market, but, if you are subject to taxation in the U.S., in no event later than the fifteenth (15th) day of the third calendar month of the calendar year following the calendar year in which the shares covered by the RSU Award vest. If you are subject to taxation in the U.S., delivery of the shares pursuant to the provisions of Section 5 is intended to comply with the requirements for the short-term deferral exemption available under Treasury Regulations Section 1.409A-1(b)(4) and shall be construed and administered in such manner. However, if and to the extent the RSU Award is a Non-Exempt Award, the provisions of the Plan with respect to Non-Exempt Awards shall apply in lieu of the provisions in this Section 5.

6. **Nature of Grant.** In accepting the RSU Award, you acknowledge, understand and agree that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the RSU Award is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, other equity awards or benefits in lieu of equity awards, even if equity awards have been granted in the past;

(c) all decisions with respect to future RSU Awards or other grants, if any, will be at the sole discretion of the Company;

(d) the RSU Award grant and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate;

(e) you are voluntarily participating in the Plan;

(f) the RSU Award and any shares of Class A Common Stock acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the RSU Award and any shares of Class A Common Stock acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

(h) the future value of the shares of Class A Common Stock underlying the RSU Award is unknown, indeterminable, and cannot be predicted with certainty;

(i) if the RSU Award vests and you are issued shares of Class A Common Stock, the value of such shares of Class A Common Stock may increase or decrease in value following the date the shares are issued; even below the Fair Market Value on the date the RSU Award is granted to you;

(j) for purposes of the RSU Award, your Continuous Service will be considered terminated as of the date you are no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and unless otherwise expressly provided in this Agreement or determined by the Company, your right to vest in the RSU Award under the Plan, if any, will terminate as of such date and will not be extended by any notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); and the Board shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the RSU Award (including whether you may still be considered to be providing services while on a leave of absence);

(k) no claim or entitlement to compensation or damages shall arise from forfeiture of the RSU Award resulting from your termination of Continuous Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed, or the terms of your employment agreement, if any), and in consideration of the grant of this RSU Award to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer or any Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer and any Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

(l) unless otherwise agreed with the Company in writing, the RSU Award and any shares of Class A Common Stock acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of the Company or any Affiliate; and

(m) neither the Company, the Employer or any Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the RSU Award or the subsequent sale of any shares of Class A Common Stock acquired upon settlement of the RSU Award.

7. **Transferability.** Except as otherwise provided in the Plan, your RSU Award is not transferable, except to your personal representative on your death.

8. **Corporate Transaction.** Your RSU Award is subject to the terms of any agreement governing a Corporate Transaction involving the Company, including, without limitation, a provision for the appointment of a stockholder representative that is authorized to act on your behalf with respect to any escrow, indemnities and any contingent consideration.

9. **No Liability for Taxes**. As a condition to accepting the RSU Award, you hereby (a) agree to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax and/or social insurance liabilities arising from the RSU Award or other Company compensation and (b) acknowledge that you were advised to consult with your own personal tax, financial and other legal advisors regarding the tax and social insurance consequences of the RSU Award and have either done so or knowingly and voluntarily declined to do so.

10. **Severability**. If any part of this Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Agreement (or part of such a Section) so declared to be unlawful or invalid will, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

11. **Waiver.** You acknowledge that a waiver by the Company of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any other provision of this Agreement, or of any subsequent breach of this Agreement.

12. **No Advice Regarding Grant.** The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Class A Common Stock. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

13. **Data Privacy.**

i. By signing the Grant Notice or otherwise accepting this Agreement in accordance with the Company's acceptance procedures, you explicitly and unambiguously acknowledge and consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, your Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company, its Affiliates and your Employer hold certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security number (or other identification number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan ("***Data***"). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, in particular in the US, and that the recipient country may have different data privacy laws providing less protections of your personal data than your country. You may request a list with the names and addresses of any potential recipients of the Data by contacting the stock plan administrator at the Company (the "***Stock Plan Administrator***"). You acknowledge that the recipients may receive, possess, process, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any shares of Class A Common Stock acquired upon the vesting of your RSU Award. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Stock Plan Administrator in writing.

ii. For the purposes of operating the Plan, the Company will collect and process information relating to you in accordance with the Privacy Notice for C3 AI Employees and Contractors in the C3 AI Employee Handbook.

14. **Language.** You acknowledge that you are sufficiently proficient in the English language, or have consulted with an advisor who is sufficiently proficient in English, so as to allow you to understand the terms and conditions of this Agreement. If you have received this Agreement or any other documents related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

15. **Governing Law/Venue.** This Agreement and any controversy arising out of or relating to this Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Delaware, without regard to conflict of law principles that would result in any application of any law other than the law of the State of Delaware. For purposes of any action, lawsuit or other proceeding brought to enforce this Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, and no other courts where this grant is made and/or to be performed.

16. **Insider Trading Restrictions / Market Abuse Law.** You may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Class A Common Stock are listed and in applicable jurisdictions, including the United States, your country and the designated broker's country, which may affect your ability to accept, acquire, sell or otherwise dispose of shares of Class A Common Stock, rights to shares of Class A Common Stock (*i.e.*, RSU Awards) or rights linked to the value of the shares of Class A Common Stock under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction(s)). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's Insider Trading Policy, or any other applicable insider trading policy then in effect. You acknowledge that you are responsible for complying with any applicable restrictions and are encouraged to speak with your personal legal advisor for further details regarding any applicable insider-trading and/or market-abuse laws in your country.

17. Foreign Asset/Account, Exchange Control and Tax Reporting. You may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of shares of Class A Common Stock or cash (including dividends and the proceeds arising from the sale of shares of Class A Common Stock) derived from your participation in the Plan in, to and/or from a brokerage/bank account or legal entity located outside your country. The Applicable Laws in your country may require that you report such accounts, assets and balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker within a certain time after receipt. You acknowledge that it is your responsibility to be compliant with such regulations and you are encouraged to consult with your personal legal advisor for any details.

18. Country-Specific Provisions. Notwithstanding any provisions of this Agreement to the contrary, if you reside or are employed outside of the United States, the RSU Award shall be subject to any terms and conditions for your country of residence (and country of employment / engagement, if different) set forth in the Appendix. Further, if you transfer residence and/or employment to another country reflected in the Appendix, the terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of this Agreement.

19. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the RSU Award and on any shares of Class A Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

20. Other Documents. You hereby acknowledge receipt of or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Prospectus. In addition, you acknowledge receipt of the Company's Trading Policy.

21. Questions. If you have questions regarding these or any other terms and conditions applicable to your RSU Award, including a summary of certain tax consequences please see the Prospectus.

APPENDIX
TO THE

C3.AI, INC.
2020 EQUITY INCENTIVE PLAN
INTERNATIONAL RSU AWARD AGREEMENT

Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan, the Grant Notice and/or the International RSU Award Agreement (the "***Agreement***").

References herein to Common Stock are to the Company's Class A Common Stock.

This Appendix includes additional terms and conditions that govern the RSU Award granted to you under the Plan if you are an employee that works or resides outside the U.S. and/or in one of the countries listed below. If you are a citizen or resident of a country other than the one in which you are currently working and/or residing, transfer employment and/or residency to another country after the date of grant, are a consultant, change employment status to a consultant position, or are considered a resident of another country for local law purposes, the Company shall, in its discretion, determine the extent to which the special terms and conditions contained herein shall be applicable to you. References to your Employer shall include any entity that engages your services.

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is provided solely for your convenience and is based on the Company's understanding of the securities, exchange control and other laws in effect in the respective countries. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date by the time you vest in the RSU or sell any shares of Class A Common Stock acquired upon settlement of the vested RSU.

In addition, the information contained in this Appendix is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the applicable laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer to another country after the date of grant, or are considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to you in the same manner.

C3.ai, Inc.
International Stock Option Grant Notice
(2020 Equity Incentive Plan)

C3.ai, Inc. (the "***Company***"), pursuant to its 2020 Equity Incentive Plan (the "***Plan***"), has granted to you ("***Optionholder***") an option to purchase the number of shares of the Class A Common Stock set forth below (the "***Option***"). Your Option is subject to all of the terms and conditions as set forth herein and in the Plan, and the International Stock Option Agreement, the definition of which shall include any additional terms and conditions for your country included in the appendix attached thereto (the "***Appendix***"), and the Notice of Exercise, all of which are attached hereto and incorporated herein in their entirety. Capitalized terms not explicitly defined herein but defined in the Plan or the International Stock Option Agreement shall have the meanings set forth in the Plan or the International Stock Option Agreement, as applicable.

Optionholder:	
Date of Grant:	
Vesting Commencement Date:	
Number of Shares of Class A Common Stock Subject to Option:	
Exercise Price (Per Share) (US$):	
Total Exercise Price (US$):	
Expiration Date:	

Type of Grant: Nonstatutory Stock Option

Exercise and
Vesting Schedule: Subject to the Optionholder's Continuous Service through each applicable vesting date, the Option will vest as follows:

[________________________]

Optionholder Acknowledgements: By your signature below or by electronic acceptance or authentication in a form authorized by the Company, you understand and agree that:

- The Option is governed by this International Stock Option Grant Notice, and the provisions of the Plan and the International Stock Option Agreement and the Notice of Exercise, all of which are made a part of this document. Unless otherwise provided in the Plan, this Grant Notice and the International Stock Option Agreement (together, the "***Option Agreement***") may not be modified, amended or revised except in a writing signed by you and a duly authorized officer of the Company.
- You consent to receive this Grant Notice, the International Stock Option Agreement, the Plan, the Prospectus and any other Plan-related documents by electronic delivery and to participate in the Plan through an on-line or electronic system established and maintained by the Company or another third party designated by the Company.
- You have read and are familiar with the provisions of the Plan, the International Stock Option Agreement, the Notice of Exercise and the Prospectus. In the event of any conflict between the provisions in this Grant Notice, the Option Agreement, the Notice of Exercise, or the Prospectus and the terms of the Plan, the terms of the Plan shall control.
- The Option Agreement sets forth the entire understanding between you and the Company regarding the acquisition of Class A Common Stock and supersedes all prior oral and written agreements, promises and/or representations on that subject with the exception of other equity awards previously granted to you and any written employment agreement, offer letter, severance agreement, written severance plan or policy, or

other written agreement between the Company and you in each case that specifies the terms that should govern this Option.

- Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, Uniform Electronic Transactions Act or other applicable law) or other transmission method and any counterpart so delivered will be deemed to have been duly and validly delivered and be valid and effective for all purposes.

C3.ai, Inc.	**Optionholder:**
By:__ Signature	__ Signature
Title:__	Date:__
Date:__	

By providing an additional signature below, I declare that I expressly agree with the provisions regarding termination of Continuous Service described in the Plan (including in Section 4(g)-(h) thereof), the Agreement (including in Sections 2, 3 and 6(k)-(l) thereof), and the attached Appendix for my country.

Optionholder:

__ Signature

Date:__

C3.ai, Inc.
2020 Equity Incentive Plan

International Stock Option Agreement

As reflected by your International Stock Option Grant Notice ("***Grant Notice***") C3.ai, Inc. (the "***Company***") has granted you an option under its 2020 Equity Incentive Plan (the "***Plan***") to purchase a number of shares of Class A Common Stock at the exercise price indicated in your Grant Notice (the "***Option***"). Capitalized terms not explicitly defined in this Agreement but defined in the Grant Notice or the Plan shall have the meanings set forth in the Grant Notice or Plan, as applicable. The terms of your Option as specified in the Grant Notice and this International Stock Option Agreement, including any additional terms and conditions for your country included in the appendix attached hereto (the "***Appendix***"), constitute your Option Agreement.

The general terms and conditions applicable to your Option are as follows:

1. Governing Plan Document. Your Option is subject to all the provisions of the Plan. Your Option is further subject to all interpretations, amendments, rules and regulations, which may from time to time be promulgated and adopted pursuant to the Plan. In the event of any conflict between the Option Agreement and the provisions of the Plan, the provisions of the Plan shall control.

2. Exercise.

i. You may generally exercise the vested portion of your Option for whole shares of Class A Common Stock at any time during its term by delivery of payment of the exercise price and applicable Tax Related Items and other required documentation to the Plan Administrator in accordance with the exercise procedures established by the Plan Administrator, which may include an electronic submission. Please review the Plan, which may restrict or prohibit your ability to exercise your Option during certain periods.

ii. To the extent permitted by Applicable Law, you may pay your Option exercise price as follows:

a. cash, check, bank draft or money order;

b. subject to Company and/or Committee consent at the time of exercise, pursuant to a "cashless exercise" program as further described in the Plan if at the time of exercise the Class A Common Stock is publicly traded;

c. subject to Company and/or Committee consent at the time of exercise, by delivery of previously owned shares of Class A Common Stock as further described in the Plan; or

d. subject to Company and/or Committee consent at the time of exercise, by a "net exercise" arrangement as further described in the Plan.

3. **Term.** You may not exercise your Option before the commencement of its term or after its term expires. The term of your Option commences on the Date of Grant and expires upon the earliest of the following:

iii. immediately upon the termination of your Continuous Service for Cause;

iv. three months after the termination of your Continuous Service for any reason other than Cause, Disability or death;

v. 12 months after the termination of your Continuous Service due to your Disability;

vi. 18 months after your death if you die during your Continuous Service;

vii. immediately upon a Corporate Transaction if the Board has determined that the Option will terminate in connection with a Corporate Transaction,

viii. the Expiration Date indicated in your Grant Notice; or

ix. the day before the 10th anniversary of the Date of Grant.

Notwithstanding the foregoing, if you die during the period provided in Section 3(b) or 3(c) above, the term of your Option shall not expire until the earlier of (i) eighteen months after your death, (ii) upon any termination of the Option in connection with a Corporate Transaction, (iii) the Expiration Date indicated in your Grant Notice, or (iv) the day before the tenth anniversary of the Date of Grant. Additionally, the Post-Termination Exercise Period of your Option may be extended as provided in the Plan.

4. **Withholding Obligations.**

x. You acknowledge that, regardless of any action taken by the Company, or if different, the Affiliate employing or engaging you (the "***Employer***"), the ultimate liability for all income tax (including U.S. federal, state, and local taxes and/or non-U.S. taxes), social insurance, payroll tax, fringe benefits tax, payment on account or other tax-related items related to your participation in the Plan and legally applicable to you ("***Tax-Related Items***") is and remains your responsibility and may exceed the amount, if any, actually withheld by the Company or the Employer. You further acknowledge that the Company and/or the Employer (i) make no representations or undertakings regarding the treatment of any Tax-Related Items in connection with any aspect of the Option, including the grant of the Option, the vesting of the Option, the exercise of the Option, the subsequent sale of any shares of Class A Common Stock acquired pursuant to the Option and the receipt of any dividends; and (ii) do not commit to and are under no obligation to reduce or eliminate your liability for Tax-Related Items. Further, if you become subject to taxation in more than one country, you acknowledge that the Company and/or the Employer (or former employer, as applicable) may be required to withhold or account for Tax-Related Items in more than one country.

xi. Prior to any relevant taxable or tax withholding event, as applicable, you agree to make adequate arrangements satisfactory to the Company and/or the Employer to satisfy all Tax-Related Items. In this regard, you authorize the Company and/or the Employer, or their respective agents, at their discretion, to satisfy any applicable withholding obligations with regard to all Tax-Related Items by one or a combination of the following: (i) withholding from your wages or other cash compensation paid to you by the Company and/or the Employer; (ii) allowing or requiring you to make a cash payment to cover the Tax-Related Items; (iii) withholding from proceeds of the sale of shares of Class A Common Stock acquired upon exercise of this Option either through a voluntary sale or through a mandatory sale arranged by the Company (on your behalf pursuant to this authorization without further consent); (iv) withholding from the shares of Class A Common Stock to be issued to you upon exercise of this Option; or (v) any other method of withholding determined by the Company and permitted by applicable law; provided, however, that that if you are a Section 16 officer of the Company under the Exchange Act, then the Administrator shall establish the method of withholding from alternatives (i)-(iv) herein and, if the Administrator does not exercise its discretion prior to the applicable withholding event, then you shall be entitled to elect the method of withholding from the alternatives above.

xii. The Company and/or the Employer may withhold or account for Tax-Related Items by considering applicable statutory withholding amounts or other applicable withholding rates, including maximum rates applicable in your jurisdiction, in which case you may receive a refund of any over-withheld amount in cash and will have no entitlement to the equivalent amount in shares of Class A Common Stock. If the obligation for Tax-Related Items is satisfied by withholding in shares of Class A Common Stock, for tax purposes, you are deemed to have been issued the full number of shares of Class A Common Stock subject to the exercised Option, notwithstanding that a number of the shares of Class A Common Stock is held back solely for the purpose of paying the Tax-Related Items.

xiii. You agree to pay to the Company or the Employer any amount of Tax-Related Items that the Company or the Employer may be required to withhold or account for as a result of your participation in the Plan that cannot be satisfied by the means previously described. The Company may refuse to issue or deliver the shares of Class A Common Stock, or the proceeds of the sale of shares of Class A Common Stock, if you fail to comply with your obligations in connection with the Tax-Related Items.

5. **Nature of Grant.** In accepting the Option, you acknowledge, understand and agree that:

xiv.the Plan is established voluntarily by the Company, it is discretionary in nature, and may be amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

xv.the grant of the Option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of options or benefits in lieu of options, even if options have been granted in the past;

xvi.all decisions with respect to future Options or other grants, if any, will be at the sole discretion of the Company;

xvii.the Option grant and your participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company, the Employer or any Affiliate;

xviii.you are voluntarily participating in the Plan;

xix. the Option and any shares of Class A Common Stock acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;

xx. the Option and any shares of Class A Common Stock acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation for any purpose, including, without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, holiday pay, bonuses, long-service awards, pension or retirement or welfare benefits or similar mandatory payments;

xxi. the future value of the shares of Class A Common Stock underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

xxii. if the underlying shares of Class A Common Stock do not increase in value, the Option will have no value;

xxiii. if you exercise the Option and acquire shares of Class A Common Stock, the value of such shares of Class A Common Stock may increase or decrease in value, even below the exercise price;

xxiv. for purposes of the Option, your Continuous Service will be considered terminated as of the date you are no longer actively providing services to the Company or one of its Affiliates (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any), and unless otherwise expressly provided in the Option Agreement or determined by the Company, (i) your right to vest in the Option under the Plan, if any, and (ii) the period (if any) during which you may exercise the Option after such termination of Continuous Service will terminate as of such date and in each instance will not be extended by any notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where you are employed or the terms of your employment agreement, if any); and the Board shall have the exclusive discretion to determine when you are no longer actively providing services for purposes of the Option (including whether you may still be considered to be providing services while on a leave of absence);

xxv. no claim or entitlement to compensation or damages shall arise from forfeiture of the Option resulting from your termination of Continuous Service (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where you are employed, or the terms of your employment agreement, if any), and in consideration of the grant of this Option to which you are otherwise not entitled, you irrevocably agree never to institute any claim against the Company, the Employer or any Affiliate, waive your ability, if any, to bring any such claim, and release the Company, the Employer and any Affiliate from any such claim; if, notwithstanding the foregoing, any such claim is allowed by a court of competent jurisdiction, then, by participating in the Plan, you shall be deemed irrevocably to have agreed not to pursue such claim and agree to execute any and all documents necessary to request dismissal or withdrawal of such claim;

xxvi. unless otherwise agreed with the Company in writing, the Option and any shares of Class A Common Stock acquired under the Plan, and the income from and value of same, are not granted as consideration for, or in connection with, any service you may provide as a director of the Company or any Affiliate; and

xxvii. neither the Company, the Employer or any Affiliate shall be liable for any foreign exchange rate fluctuation between your local currency and the United States Dollar that may affect the value of the Option or of any amounts due to you pursuant to the exercise of the Option or the subsequent sale of any shares of Class A Common Stock acquired upon exercise.

6. Transferability. Except as otherwise provided in the Plan, your Option is not transferable, except to your personal representative on your death, and is exercisable during your life only by you.

7. Corporate Transaction. Your Option is subject to the terms of any agreement governing a Corporate Transaction involving the Company, including, without limitation, a provision for the appointment of a stockholder representative that is authorized to act on your behalf with respect to any escrow, indemnities and any contingent consideration.

8. No Liability for Taxes. As a condition to accepting the Option, you hereby (a) agree to not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates related to tax and/or social insurance liabilities arising from the Option or other Company compensation and (b) acknowledge that you were advised to consult with your own personal tax, financial and other legal advisors regarding the tax and social insurance consequences of the Option and have either done so or knowingly and voluntarily declined to do so. Additionally, if you are subject to taxation in the U.S., you acknowledge that the Option is exempt from Section 409A for U.S. tax purposes, only if the exercise price is at least equal to the "fair market value" of the Class A Common Stock on the date of grant as determined by the U.S. Internal Revenue Service and there is no other impermissible deferral of compensation associated with the Option. Additionally, as a condition to accepting the Option, you agree not make any claim against the Company, or any of its Officers, Directors, Employees or Affiliates in the event that the U.S. Internal Revenue Service asserts that such exercise is less than the "fair market value" of the Class A Common Stock on the date of grant as subsequently determined by the Internal Revenue Service.

9. Severability. If any part of this Option Agreement or the Plan is declared by any court or governmental authority to be unlawful or invalid, such unlawfulness or invalidity will not invalidate any portion of this Option Agreement or the Plan not declared to be unlawful or invalid. Any Section of this Option Agreement (or part of such a Section) so declared to be unlawful or invalid will, if possible, be construed in a manner which will give effect to the terms of such Section or part of a Section to the fullest extent possible while remaining lawful and valid.

10. Waiver. You acknowledge that a waiver by the Company of a breach of any provision of this Option Agreement shall not operate or be construed as a waiver of any other provision of this Option Agreement, or of any subsequent breach of this Option Agreement.

11. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding your participation in the Plan, or your acquisition or sale of the underlying shares of Class A Common Stock. You should consult with your own personal tax, legal and financial advisors regarding your participation in the Plan before taking any action related to the Plan.

12. Data Privacy.

i. By signing the Grant Notice or otherwise accepting this Option Agreement in accordance with the Company's acceptance procedures, you explicitly and unambiguously acknowledge and consent to the collection, use and transfer, in electronic or other form, of your personal data as described in this document by and among, as applicable, your Employer, the Company and its Affiliates for the exclusive purpose of implementing, administering and managing your participation in the Plan. You understand that the Company, its Affiliates and your Employer hold certain personal information about you, including, but not limited to, name, home address and telephone number, date of birth, social security number (or other identification number), salary, nationality, job title, any shares of stock or directorships held in the Company, details of all options or any other entitlement to shares of stock awarded, canceled, purchased, exercised, vested, unvested or outstanding in your favor for the purpose of implementing, managing and administering the Plan ("***Data***"). You understand that the Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in your country or elsewhere, in particular in the US, and that the recipient country may have different data privacy laws providing less protections of your personal data than your country. You may request a list with the names and addresses of any potential recipients of the Data by contacting the stock plan administrator at the Company (the "***Stock Plan Administrator***"). You acknowledge that the recipients may receive, possess, process, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing your participation in the Plan, including any requisite transfer of such Data, as may be required to a broker or other third party with whom you may elect to deposit any shares of Class A Common Stock acquired upon the exercise of your Option. You understand that Data will be held only as long as is necessary to implement, administer and manage your participation in the Plan. You may, at any time, view the Data, request additional information about the storage and processing of the Data, require any necessary amendments to the Data or refuse or withdraw the consents herein, in any case without cost, by contacting the Stock Plan Administrator in writing.

ii. For the purposes of operating the Plan the Company will collect and process information relating to you in accordance with the Privacy Notice for C3 AI Employees and Contractors in the C3 AI Employee Handbook.

13. Language. You acknowledge that you are sufficiently proficient in the English language, or have consulted with an advisor who is sufficiently proficient in English, so as to allow you to understand the terms and conditions of this Option Agreement. If you have received this Option Agreement or any other documents related to the Plan translated into a language other than English, and if the meaning of the translated version is different than the English version, the English version will control.

14. Governing Law/Venue. The Option Agreement and any controversy arising out of or relating to the Option Agreement shall be governed by, and construed in accordance with, the internal laws of the State of Delaware, without regard to conflict of law principles that would result in any application of any law other than the law of the State of Delaware. For purposes of any action, lawsuit or other proceeding brought to enforce the Option Agreement, relating to it, or arising from it, the parties hereby submit to and consent to the sole and exclusive jurisdiction of the courts of New York County, New York, or the federal courts for the United States for the Southern District of New York, and no other courts where this grant is made and/or to be performed.

15. Insider Trading Restrictions / Market Abuse Law. You may be subject to insider trading restrictions and/or market abuse laws based on the exchange on which the shares of Class A Common Stock are listed and in applicable jurisdictions, including the United States, your country and the designated broker's country, which may affect your ability to accept, acquire, sell or otherwise dispose of shares of Class A Common Stock, rights to shares of Class A Common Stock (*i.e.*, Options) or rights linked to the value of the shares of Class A Common Stock under the Plan during such times as you are considered to have "inside information" regarding the Company (as defined by the laws in the applicable jurisdiction(s)). Local insider trading laws and regulations may prohibit the cancellation or amendment of orders you placed before you possessed inside information. Furthermore, you could be prohibited from (i) disclosing the inside information to any third party, which may include fellow employees and (ii) "tipping" third parties or causing them otherwise to buy or sell securities. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under the Company's insider trading policy, or any other applicable insider trading policy then in effect. You acknowledge that you are responsible for complying with any applicable restrictions and are encouraged to speak with your personal legal advisor for further details regarding any applicable insider-trading and/or market-abuse laws in your country.

16. Foreign Asset/Account, Exchange Control and Tax Reporting. You may be subject to foreign asset/account, exchange control and/or tax reporting requirements as a result of the acquisition, holding and/or transfer of shares of Class A Common Stock or cash (including dividends and the proceeds arising from the sale of shares of Class A Common Stock) derived from your participation in the Plan in, to and/or from a brokerage/bank account or legal entity located outside your country. The Applicable Laws in your country may require that you report such accounts, assets and balances therein, the value thereof and/or the transactions related thereto to the applicable authorities in such country. You may also be required to repatriate sale proceeds or other funds received as a result of your participation in the Plan to your country through a designated bank or broker within a certain time after receipt. You acknowledge that it is your responsibility to be compliant with such regulations and you are encouraged to consult with your personal legal advisor for any details.

17. Country-Specific Provisions. Notwithstanding any provisions of the Option Agreement to the contrary, the Option shall be subject to any terms and conditions for your country of residence (and country of employment, if different) set forth in the Appendix. Further, if you transfer residence and/or engagement/employment to another country reflected in the Appendix, the terms and conditions for such country will apply to you to the extent the Company determines, in its sole discretion, that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Appendix constitutes part of the Option Agreement.

18. Imposition of Other Requirements. The Company reserves the right to impose other requirements on your participation in the Plan, on the Option and on any shares of Class A Common Stock acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require you to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing.

19. **Other Documents.** You hereby acknowledge receipt of or the right to receive a document providing the information required by Rule 428(b)(1) promulgated under the Securities Act, which includes the Prospectus. In addition, you acknowledge receipt of the Company's Trading Policy.

20. **Questions.** If you have questions regarding these or any other terms and conditions applicable to your Option, including a summary of certain tax consequences please see the Prospectus.

* * * *

APPENDIX
TO THE

C3.AI, INC.
2020 EQUITY INCENTIVE PLAN
INTERNATIONAL STOCK OPTION AGREEMENT

Capitalized terms used but not defined in this Appendix have the meanings set forth in the Plan, the Grant Notice and/or the International Stock Option Agreement (the "***Option Agreement***").

References herein to Common Stock are to the Company's Class A Common Stock.

This Appendix includes additional terms and conditions that govern the Option granted to you under the Plan if you are an employee that works or resides outside the U.S. and/or in one of the countries listed below. If you are a citizen or resident of a country other than the one in which you are currently working and/or residing, transfer employment and/or residency to another country after the date of grant, are a consultant, change employment status to a consultant position, or are considered a resident of another country for local law purposes, the Company shall, in its discretion, determine the extent to which the special terms and conditions contained herein shall be applicable to you. References to your Employer shall include any entity that engages your services.

This Appendix also includes information regarding exchange controls and certain other issues of which you should be aware with respect to your participation in the Plan. The information is provided solely for your convenience and is based on the Company's understanding of the securities, exchange control and other laws in effect in the respective countries. Such laws are often complex and change frequently. As a result, the Company strongly recommends that you not rely on the information noted herein as the only source of information relating to the consequences of your participation in the Plan because the information may be out of date by the time you vest in or exercise the Option or sell any shares of Class A Common Stock acquired upon exercise.

In addition, the information contained in this Appendix is general in nature and may not apply to your particular situation, and the Company is not in a position to assure you of any particular result. Accordingly, you should seek appropriate professional advice as to how the applicable laws in your country may apply to your situation.

Finally, if you are a citizen or resident of a country other than the one in which you are currently residing and/or working, transfer to another country after the date of grant, or are considered a resident of another country for local law purposes, the notifications contained herein may not be applicable to you in the same manner.

Subsidiaries of C3.ai, Inc.

Name of Subsidiary	Jurisdiction of Organization
C3, Inc.	Delaware
C3.ai Gov, Inc.	Delaware
C3.ai International, Inc.	Delaware
AI Press, Inc.	Delaware
C3.ai France, S.A.S.	France
C3.ai UK Ltd.	United Kingdom
C3.ai Italy S.r.l.	Italy
C3.ai Belgium SRL	Belgium
C3.ai Japan K.K.	Japan
C3.ai Netherlands B.V.	The Netherlands
C3.ai Australia Pty Ltd.	Australia
C3.ai Hong Kong Limited	Hong Kong
C3.ai Singapore Pte Ltd.	Singapore

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-251236 and 333-253944 on Form S-8 of our report dated June 25, 2021, relating to the consolidated financial statements of C3.ai, Inc. and subsidiaries appearing in this Annual Report on Form 10-K for the year ended April 30, 2021.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
June 25, 2021

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

I, Thomas M. Siebel, certify that:

1. I have reviewed this Annual Report on Form 10-K of C3.ai, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. 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

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 25, 2021	By:	/s/ Thomas M. Siebel
		Thomas M. Siebel
		Chief Executive Officer and Chairman of the Board of Directors
		(Principal Executive Officer)

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

I, David Barter, certify that:

1. I have reviewed this Annual Report on Form 10-K of C3.ai, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. 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

   c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 25, 2021	By:	/s/ David Barter
		David Barter
		Senior Vice President and Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)

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

I, Thomas M. Siebel, Chairman and Chief Executive Officer of C3.ai, Inc. (the “Company”), do hereby certify, to the best of my knowledge and pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a. the Annual Report on Form 10-K of the Company for the year ended April 30, 2021, to which this Certification is attached as Exhibit 32.1 (the “Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

a. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2021	By:	/s/ Thomas M. Siebel
		Thomas M. Siebel
		Chief Executive Officer and Chairman of the Board of Directors
		(Principal Executive Officer)

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

I, David Barter, Senior Vice President and Chief Financial Officer of C3.ai, Inc. (the “Company”), do hereby certify, to the best of my knowledge and pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

a. the Annual Report on Form 10-K of the Company for the year ended April 30, 2021, to which this Certification is attached as Exhibit 32.2 (the “Report”), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

b. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 25, 2021	By:	/s/ David Barter
		David Barter
		Senior Vice President and Chief Financial Officer
		(Principal Financial Officer and Principal Accounting Officer)