CLOUDERA, INC.

Consolidated Financial Statements

Fiscal Year 2024

Table of Contents

TABLE OF CONTENTS

Ernst & Young LLP
303 Almaden Boulevard
San Jose, CA 95110

Building a better working world

Report of Independent Auditors

To the Board of Directors and Stockholders
Cloudera, Inc.

Opinion

We have audited the consolidated financial statements of Cloudera, Inc. (the Company), which comprise the consolidated balance sheets as of January 31, 2024 and 2023, and the related consolidated statements of operations, comprehensive loss, stockholders' equity and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at January 31, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Ernst + Young LLP

June 4, 2024

Consolidated Balance Sheets
(in thousands)

	As of January 31, 2024	As of January 31, 2023
ASSETS		
Current assets:		
Cash and cash equivalents	$ 205,297	$ 106,674
Accounts receivable, net	354,033	343,906
Other current assets	100,798	104,840
Total current assets	660,128	555,420
Property and equipment, net	15,116	13,066
Intangible assets, net	1,618,721	1,812,538
Goodwill	2,968,820	2,968,820
Restricted cash	196,835	18,799
Operating lease right-of-use assets	62,323	78,920
Other non-current assets	44,393	67,162
TOTAL ASSETS	$ 5,566,336	$ 5,514,725
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 32,300	$ 39,299
Accrued compensation	53,769	95,099
Operating lease liabilities	31,848	33,918
Contract liabilities	658,340	650,819
Short-term debt	4,942	4,259
Total current liabilities	781,199	823,394
Long-term debt	2,284,840	2,049,264
Operating lease liabilities, non-current	89,474	116,530
Contract liabilities, non-current	61,631	64,743
StreamScale patent litigation accrual	265,365	-
Other accrued liabilities, non-current	41,025	10,405
TOTAL LIABILITIES	3,523,534	3,064,336
Stockholders' equity:		
Common stock $0.01 par value, 1,000 shares authorized, 100 shares issued and outstanding as of January 31, 2024 and 2023	-	-
Additional paid-in capital	2,840,877	2,838,200
Accumulated other comprehensive income	53,004	76,063
Accumulated deficit	(851,079)	(463,874)
TOTAL STOCKHOLDERS' EQUITY	2,042,802	2,450,389
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 5,566,336	$ 5,514,725

See accompanying notes to consolidated financial statements.

CLOUDERA, INC.
Consolidated Statements of Operations
(in thousands)

	Years Ended January 31,	
	2024	**2023**
Revenue:		
Subscription	$ 969,477	$ 924,594
Services	101,536	113,331
Total revenue	1,071,013	1,037,925
Cost of revenue:		
Subscription	76,516	91,734
Services	73,019	94,537
Total cost of revenue	149,535	186,271
Gross profit	921,478	851,654
Operating expenses:		
Research and development	245,789	266,392
Sales and marketing	508,231	562,630
General and administrative	104,290	197,124
StreamScale patent litigation accrual	265,365	-
Total operating expenses	1,123,675	1,026,146
Loss from operations	(202,197)	(174,492)
Interest expense, net	(169,064)	(140,500)
Other expense, net	(282)	(1,792)
Loss before provision for income taxes	(371,543)	(316,784)
Provision for income taxes	(15,662)	(9,040)
Net loss	$ (387,205)	$ (325,824)

See accompanying notes to consolidated financial statements.

CLOUDERA, INC.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Years Ended January 31,	
	2024	**2023**
Net loss	$ (387,205)	$ (325,824)
Other comprehensive (loss) income, net of tax:		
Foreign currency translation loss	(511)	(208)
Net unrealized (loss) gain on cash flow hedge	(22,548)	62,680
Total other comprehensive (loss) income, net of tax	(23,059)	62,472
Comprehensive loss	$ (410,264)	$ (263,352)

See accompanying notes to consolidated financial statements.

CLOUDERA, INC.
Consolidated Statements of Stockholders' Equity
(in thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of January 31, 2022	1	$ -	$ 2,826,000	$ 13,591	$ (138,050)	$ 2,701,541
Stock-based compensation expense	-	-	11,700	-	-	11,700
Common units issued by Sky U.S. HoldCo LP	-	-	500	-	-	500
Other comprehensive income	-	-	-	62,472	-	62,472
Net loss	-	-	-	-	(325,824)	(325,824)
Balance as of January 31, 2023	1	-	2,838,200	76,063	(463,874)	2,450,389
Stock-based compensation expense	-	-	7,207	-	-	7,207
Profits interest units repurchased by Sky U.S. HoldCo LP	-	-	(4,530)	-	-	(4,530)
Other comprehensive loss	-	-	-	(23,059)	-	(23,059)
Net loss	-	-	-	-	(387,205)	(387,205)
Balance as of January 31, 2024	1	$ -	$ 2,840,877	$ 53,004	$ (851,079)	$ 2,042,802

See accompanying notes to consolidated financial statements.

Table of Contents

CLOUDERA, INC.

Consolidated Statements of Cash Flows

(in thousands)

	Years Ended January 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (387,205)	$ (325,824)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization expense	263,668	281,823
Stock-based compensation expense	42,214	15,617
Non-cash lease expense	30,940	35,680
StreamScale patent litigation accrual	265,365	-
Impairment of long-lived assets	1,973	57,530
Other	(53)	(1,247)
Changes in assets and liabilities:		
Accounts receivable	(12,417)	(17,229)
Other assets	(2,844)	9,123
Deferred contract costs	(44,865)	(63,337)
Accounts payable and accrued liabilities	(9,758)	324
Accrued compensation	(40,801)	(7,207)
Operating lease liabilities	(44,889)	(43,299)
Contract liabilities	5,055	39,262
Net cash provided by (used in) operating activities	66,383	(18,784)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of marketable securities	(24,410)	(36,898)
Proceeds from sale of marketable securities	15,745	16,959
Maturities of marketable securities	9,000	20,000
Capital expenditures	(8,668)	(4,607)
Net cash used in investing activities	(8,333)	(4,546)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt, net of issuance costs	240,823	-
Principal repayment of debt	(17,036)	(16,400)
Common units issued by Sky U.S. HoldCo LP	-	500
Profits interest units repurchased by Sky U.S. HoldCo LP	(4,530)	-
Net cash provided by (used in) financing activities	219,257	(15,900)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(648)	(709)
Net increase (decrease) in cash, cash equivalents and restricted cash	276,659	(39,939)
Cash, cash equivalents and restricted cash — beginning of period	125,473	165,412
Cash, cash equivalents and restricted cash — end of period	$ 402,132	$ 125,473

Supplemental disclosures of cash flow information:

	Years Ended January 31,	
	2024	2023
Cash paid for income taxes	$ 15,494	$ 11,024
Cash paid for interest	162,675	129,564

Supplemental disclosures of non-cash investing and financing activities:

	Years Ended January 31,	
	2024	2023
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 8,230	$ 6,010

Reconciliation of cash, cash equivalents and restricted cash as shown in the statement of cash flows:

	Years Ended January 31,	
	2024	2023
Cash & cash equivalents	$ 205,297	$ 106,674
Restricted cash	196,835	18,799
Total cash, cash equivalents and restricted cash	$ 402,132	$ 125,473

See accompanying notes to consolidated financial statements.

CLOUDERA, INC.
Notes to Consolidated Financial Statements

1. Summary of Business and Significant Accounting Policies

Description of Business

Cloudera, Inc. was incorporated in the state of Delaware on June 27, 2008. Cloudera is an enterprise data cloud company. We sell software subscriptions and public cloud services for the Cloudera Data Platform (CDP) solution-set and software subscriptions for our traditional on-premises data platforms. Subscriptions include software access rights and technical support. We also provide professional services for the implementation and use of our software subscriptions, machine learning expertise and consultation, training, and education services. Our offerings are based predominantly on open-source software, utilizing data stored natively in public cloud object stores as well as in various open-source data stores. Unless the context requires otherwise, the words "we," "us," "our" and "Cloudera" refer to Cloudera, Inc. and its subsidiaries taken as a whole.

Basis of Presentation

The consolidated financial statements include the accounts of Cloudera, Inc. and its wholly owned subsidiaries which are in various countries, including the United States, Australia, China, India, Germany, Ireland, The Netherlands, Singapore, Hungary, and the United Kingdom. All intercompany balances and transactions have been eliminated upon consolidation. The financial statements are prepared in accordance with accounting principles generally accepted in the United States ("GAAP").

Certain prior period amounts reported in our consolidated financial statements and notes thereto have been reclassified to conform to current period presentation.

Fiscal Year

Our fiscal year ends on January 31. References to fiscal 2024, for example, refers to the fiscal year ended January 31, 2024.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Significant items subject to such estimates include the useful lives of property and equipment and intangible assets, allowance for credit losses, fair value of awards granted as part of stock-based compensation, self-insurance costs incurred, the fair value of tangible and intangible assets acquired and liabilities assumed resulting from business combinations, the evaluation for impairment of long-lived assets, the estimated period of benefit for deferred contract costs, estimates related to our revenue recognition such as, the determination of stand-alone selling price for performance obligations, contingencies, and the incremental borrowing rate used in discounting our lease liabilities. These estimates and assumptions are based on management's best estimates and judgment. Management regularly evaluates its estimates and assumptions using historical experience and other factors; however, actual results could differ significantly from these estimates.

Foreign Currency Translation

The functional currency of our foreign subsidiaries is generally the local currency. The gains and losses resulting from translating our foreign subsidiaries' financial statements into U.S. dollars have been reported in accumulated other comprehensive income on the consolidated balance sheet. Assets and liabilities are translated at exchange rates in effect at the balance sheet date. Equity is translated at the historical rates from the original transaction period. Revenue and expenses are translated at average exchange rates in effect during the period. Foreign currency transaction gains and losses are included in other expense, net on the consolidated statements of operations.

Cash and Cash Equivalents

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

Restricted Cash

As of January 31, 2024, restricted cash of $196.8 million consists of $177.2 million cash on deposit with financial institutions as collateral for the appeal bond posted in the StreamScale patent litigation discussed in Note 9 and $19.6 million in cash on deposit with financial institutions in support of letters of credit outstanding in favor of certain landlords for office space.

Restricted cash in the amount of $19.6 million as of January 31, 2023, represents cash on deposit with financial institutions in support of letters of credit outstanding in favor of certain landlords for office space.

Concentration of Credit Risk and Significant Customers

Financial instruments that subject us to concentrations of credit risk consist primarily of cash and cash equivalents, restricted cash, and accounts receivable. Our cash is deposited with high credit quality financial institutions. At times, such deposits may be more than the Federal Depository Insurance Corporation insured limits. We have not experienced any losses on these deposits.

As of January 31, 2024 and 2023, no single customer represented more than 10% of accounts receivable. For the periods presented, no single customer accounted for 10% or more of revenue.

Accounts Receivable and Allowance for Credit Losses

Our trade receivables are recorded at the invoice amount, net of an allowance for credit losses, which is not material. The allowance for credit losses reflects our best estimate of probable losses inherent in the receivable portfolio based on various factors including historical experience, credit quality of the customer, current economic conditions, and management's expectations of future economic conditions. Receivables are written-off and charged against the recorded allowance when we have exhausted collection efforts without success. As of January 31, 2024 and 2023, allowance for credit losses was $4.7 million and $3.5 million, respectively. The movement in the allowance for credit losses was not significant for the periods presented.

Property and Equipment, Net

Property and equipment are stated at cost, net of accumulated depreciation and amortization. Depreciation and amortization of property and equipment is calculated using a straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs that do not extend the life or improve the asset are expensed when incurred.

The estimated useful lives of our property and equipment are as follows:

Computer software	2 years
Computer equipment	2-3 years
Furniture and office equipment	3 years

Leasehold improvements	Shorter of remaining lease term or estimated useful life

We review property and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. An impairment loss is recognized when the total of estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than its carrying amount. Impairment, if any, would be assessed using discounted cash flows or other appropriate measures of fair value. There was no significant impairment of property and equipment during the periods presented.

Leases

At the inception of a contract, we determine whether the contract is or contains a lease. All leases with a term greater than one year are recognized on the balance sheet as operating lease right-of-use ("ROU") assets and lease liabilities. We have elected the short-term leases practical expedient which allows any leases with a term of 12 months or less to be considered short-term and thus will not have a lease liability or ROU asset recognized on the balance sheet.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. The incremental borrowing rate is the rate incurred to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and initial direct costs incurred. Our lease terms may include options to extend or terminate the lease, which we include in our minimum lease terms if the options are reasonably certain to be exercised. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

We have lease agreements with lease and non-lease components which we have elected to account for as a single lease component. On the lease commencement date, we establish assets and liabilities for the present value of estimated future costs to retire long-lived assets at the termination or expiration of a lease. Such assets are depreciated over the lease term to operating expenses.

Additionally, we have unoccupied leased office space that we have either subleased or plan to sublease. Any impairments to the ROU asset, leasehold improvements, or other assets as a result of leased office space no longer being used by us are recognized as an operating expense in the period the sublease is executed or in the case of a planned sublease or planned abandonment, upon the day of cease-use and determination that the lease related ROU asset, leasehold improvements or other assets are impaired. Any sublease payments received in excess of the straight-line rent payments for the sublease are recorded as an offset to operating expenses and recognized over the sublease life.

For the years ended January 31, 2024 and 2023, we recorded an impairment charge of $1.6 million and $29.9 million, respectively, for ROU assets and $0.4 million and $1.8 million, respectively, for related leasehold improvements and IT infrastructure, related to certain office leases that are no longer being used by us. The impairment was determined by comparing the fair value of the impacted ROU asset, leasehold improvements, and IT infrastructure to the carrying value of the assets as of the impairment measurement date, as required under Accounting Standards Codification Topic 360, Property, Plant, and Equipment ("ASC 360"). See Note 8 for additional discussion related to these impairment charges.

Goodwill and Intangible Assets

Goodwill represents the excess of the fair value of purchase consideration in a business combination over the fair value of net tangible and intangible assets acquired. Goodwill amounts are not amortized, but rather tested for impairment at least annually or more often if circumstances indicate that the carrying value may not be recoverable.

Intangible assets are amortized over their useful lives. Each period we evaluate the estimated remaining useful life of our intangible assets and whether events or changes in circumstances warrant a revision to the remaining period of amortization.

We evaluate the recoverability of our long-lived assets, including intangible assets, for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by comparison of the carrying amount of each asset to the future undiscounted cash flows the asset is expected to generate. If the undiscounted cash flows used in the test for recoverability are less than the carrying amount of these assets, then the carrying amount of such assets is reduced to fair value.

There were no impairments of goodwill for the years ended January 31, 2024 and 2023, and no impairments of intangible assets for the year ended January 31, 2024. In the year ended January 31, 2023, we recorded an impairment charge of $25.9 million for developed technology intangible assets related to certain acquired technology that are no longer being used. The impairment was determined by comparing the fair value of the impacted developed technology related intangible assets to the carrying value of the assets as of the impairment measurement date, as required under ASC 360. See Note 4 for additional discussion related to this impairment charge.

Derivative Contracts

Balance Sheet

We use derivative financial instruments as a part of our strategy to manage exposure related to foreign currency denominated monetary assets and liabilities. These derivative contracts consist of foreign currency forward contracts and are not designated as hedging instruments under the applicable accounting guidance. Accordingly, they are carried at fair value as either assets or liabilities on our consolidated balance sheet. The changes in the fair value are included in other expense, net within our consolidated statements of operations and are intended to offset the foreign currency gains or losses associated with the underlying monetary assets and liabilities.

Interest Rate Swap

We use interest rate swap derivative instruments that have been designated as cash flow hedges and are recorded at fair value on the consolidated balance sheet. The effective portion of the gain or loss on the derivative instruments are recorded as a component of accumulated other comprehensive income on the consolidated balance sheet and reclassified into the consolidated statements of operations when the hedged items affect earnings. Any ineffective portion of the gain or loss is recognized immediately into other expense, net on the consolidated statements of operations. Cash flows from the derivative instruments are classified in the consolidated statements of cash flows in the same category as the hedged item.

Business Combinations

We use our best estimates and assumptions to assign fair value to tangible and intangible assets acquired and liabilities assumed at the acquisition or merger date. Such estimates are inherently uncertain and subject to refinement. We continue to collect information and reevaluate these estimates and assumptions and record any adjustments to the preliminary estimates of goodwill provided we are within the measurement period. Upon the conclusion of the measurement period or final determination of the fair value of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the consolidated statements of operations.

Capitalized Software Costs

Capitalization of software development costs for products to be sold to third parties begins upon the establishment of technological feasibility and ceases when the product is available for general release. There is generally no significant passage of time between achievement of technological feasibility and the availability of our software for general release, and most of our software is open-source. Therefore, we have no capitalized software costs as of January 31, 2024 and 2023. All software development costs have been charged as incurred to research and development on the consolidated statements of operations.

Comprehensive Loss

Comprehensive loss represents the net loss for the periods presented plus the results of certain changes to stockholders' equity that are not reflected in the consolidated statements of operations.

Revenue Recognition

We generate revenue from subscriptions and services. Subscription revenue relates to term (or time-based) subscription agreements for both open-source and proprietary software including support and, to a lesser extent, consumption-based revenue from our cloud offerings. Subscription arrangements are typically one to three years in length. Arrangements with our customers typically do not include general rights of return. Services revenue relates to professional services for the implementation and use of our subscriptions, machine learning expertise and consultation, training and education services and related reimbursable travel costs.

We price our subscription offerings based on the number of servers in a cluster, or nodes, core or edge devices, data under management and/or the scope of support provided and/or on a consumption basis for our cloud-based solutions. Our consulting services are priced primarily on a time and materials basis, and to a lesser extent, a fixed fee basis, and training services are generally priced based on attendance.

We determine revenue recognition through the following steps, which are described in more detail below:

- Identification of the contract or contracts with a customer
- Identification of the performance obligation(s) in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligation(s) in the contract
- Recognition of revenue when, or as, a performance obligation is satisfied

Our agreements with customers often include multiple subscriptions and/or professional services elements, and these elements are sometimes included in separate contracts. We consider an entire customer arrangement to determine if separate contracts entered at or near the same time should be considered combined for the purposes of revenue recognition. We work with partners in various capacities whereby we are typically responsible for providing the actual product or service as a principal.

At contract inception, we assess the subscription and services product offerings or bundle of product offerings in our contracts to identify performance obligations that are distinct. A performance obligation is distinct when it is separately identifiable from other items in a bundled package and if a customer can benefit from it on its own or with other resources that are readily available to the customer. To identify our performance obligations, we consider all the product offerings promised in the contract. We have concluded that our contracts with customers do not contain warranties that give rise to a separate performance obligation.

The transaction price is the total amount of consideration we expect to be entitled to in exchange for the product offerings in a contract. Sales, value-added and other taxes we collect from customers concurrent with revenue-producing activities are excluded from revenue. In the instance where our contracts with customers contain variable consideration, we estimate variable consideration primarily using the expected value method.

Once we have determined the transaction price, the total transaction price is allocated to each performance obligation in a manner depicting the amount of consideration to which we expect to be entitled in exchange for transferring the product(s) or service(s) to the customer (allocation objective). If the allocation objective is met at contractual prices, no allocations are performed. Otherwise, we allocate the transaction price to each performance obligation identified in the contract on a relative stand-alone selling price basis.

To determine the stand-alone selling price, we conduct a periodic analysis that requires judgment and considers multiple factors that are reasonably available and maximizes the use of observable inputs that may vary over time depending upon the unique facts and circumstances related to each performance obligation. To have observable inputs, we require that a substantial majority of the stand-alone selling prices for a product offering fall within a pricing range. If a directly observable stand-alone selling price does not exist, we estimate a stand-alone selling price range by reviewing external and internal market factor categories, which may include pricing practices, historical discounting, industry practices, service groups and geographic considerations. There is also no hierarchy for how to estimate or otherwise determine the stand-alone selling price for product offerings that are not sold separately, however, we maximize the use of observable data. We believe that this analysis results in an estimate that approximates the price we would charge for the product offerings if they were sold separately.

The following describes the nature of our primary types of revenue and the revenue recognition policies and significant payment terms as they pertain to the types of transactions we enter with our customers.

Subscription revenue

We sell subscriptions and services for an integrated suite of data analytics and management products. Our subscription offerings are based predominantly on open-source software including Spark, Impala, Hive, HBase, Kafka, Hadoop, and more. The open-source software is available from the Apache Software Foundation ("ASF") or available through an Affero General Public License ("AGPL"). Certain subscriptions also include licenses of proprietary software that provide additional features and functionality not included in the open-source software.

Subscription revenue relates to term (or time-based) subscriptions to our platform, which can include both open-source and proprietary software and related support. Subscriptions include internet, email and phone support, bug fixes, and the right to receive unspecified software updates and upgrades released when and if available during the subscription term. Within our subscription arrangements, we account for the license to the proprietary software, if any, and support as two separate performance obligations. As the open-source software is publicly available at no cost to the customer, we have determined that there is no value to be assigned to the open-source software in our subscription arrangements. The proprietary software license represents a promise to provide a license to use functional intellectual property that is recognized at a point in time on the date access to the software is made available to the customer and the license period has begun. We have concluded the support is a stand-ready performance obligation that consists of a series of distinct days of service that are satisfied ratably over time as the services are provided. We use a time-based output method to measure progress because our efforts are expended evenly throughout the period given the nature of the promise is a stand-ready service. We recognize support revenue ratably, typically beginning on the start of the contractual term of the arrangement.

As part of our support offered under a subscription, we stand ready to help customers resolve technical issues related to the installed platform. The subscriptions are designed to assist throughout a customer's lifecycle from development to proof-of-concept, to quality assurance and testing, to production and development. Our subscriptions are generally offered under renewable, fixed fee contracts where payments are typically due annually in advance and may have a term of one year or multiple years. The contracts generally do not contain refund provisions for fees earned related to services performed. Unearned subscription revenue is included in contract liabilities. On occasion, we may sell engineering services and/or a premium subscription agreement that provides a customer with development input and the opportunity to work more closely with our developers.

Services revenue

Services revenue is derived primarily from customer fees for consulting services engagements and education services. Our professional services are provided primarily on a time and materials basis and, to a lesser extent, a fixed fee basis, and education services are generally priced based on attendance. Time and material contracts are generally invoiced based upon hours incurred monthly and fixed fee contracts may be invoiced up-front or as milestones are achieved throughout the project. Services revenue is typically recognized over time as the services are rendered. Depending on the nature of the professional services engagement (e.g., time and materials basis, fixed fee basis, etc.), various measures of progress may be used to recognize revenue. These measures of progress include recognizing revenue in an amount equal to and at the time of invoicing, a measure of time incurred relative to remaining hours expected to be delivered, or other similar measures. These measures depict our efforts to satisfy services contracts and therefore reflect the transfer of control for the services to a customer.

Contract Assets

Contract assets consist of the right to consideration in exchange for product offerings that we have transferred to a customer when that right is conditional on something other than the passage of time (e.g., performance prior to invoicing on fixed fee service arrangements with substantive acceptance terms). We record unbilled accounts receivable related to revenue recognized in excess of amounts invoiced as we have an unconditional right to invoice and receive payment in the future related to those fulfilled obligations. When we have unconditional rights to consideration, except for the passage of time, a receivable is recorded on the consolidated balance sheet. We do not typically include extended payment terms in our contracts with customers. As of January 31, 2024 and 2023, contract assets totaled $2.5 million and $2.1 million, respectively, and are included in other current assets.

Contract Liabilities

Contract liabilities represent an obligation to transfer product offerings for which we have received consideration, or for which an amount of consideration is due under our contracts with customers and is recognized as revenue as the revenue recognition criteria are met. Our contract balances are reported as net contract assets or liabilities on a contract-by-contract basis at the end of each reporting period.

Other Practical Expedients

We elected to apply a practical expedient related to significant financing components. The practical expedient states that the promised amount of consideration for the effects of a significant financing component is not adjusted if we expect, at contract inception, that the period between when we transfer a promised product offering to a customer and when the customer pays for that product offering will be one year or less.

Contract Costs

Contract costs, consisting primarily of sales commissions and related payroll taxes, that are incremental to obtaining a subscription contract with a customer are capitalized and recorded as deferred costs. We expect to recover deferred contract costs over the period of benefit from the underlying contracts. The amortization period for recovery is consistent with the timing of transfer to the customer of services to which the capitalized costs relate. Contract costs that relate to an underlying transaction are expensed commensurate with the recognition of revenue as performance obligations are satisfied. Contract costs that are incurred in excess of those relating to an underlying transaction are not considered commensurate with recognition of revenue as performance obligations are satisfied and are amortized on a straight-line basis over the expected benefit period of five years. Commissions for services are treated as a separate class with a contract duration of less than a year and are expensed as incurred.

Deferred contract costs are as follows (in thousands):

	As of January 31,	
	2024	2023
Deferred contract costs included in other current assets	$ 35,708	$ 41,844
Deferred contract costs included in other non-current assets	14,340	15,429
Total deferred contract costs	$ 50,048	$ 57,273

Amortization expense related to deferred contract costs for the years ended January 31, 2024 and 2023, was $52.1 million and $37.0 million, respectively. There was no impairment loss in relation to the costs capitalized. We do not incur direct fulfillment-related costs of a nature required to be capitalized and amortized.

Cost of Revenue

Cost of revenue for subscriptions and services is expensed as incurred. Cost of revenue for subscriptions primarily consists of personnel costs such as salaries, bonuses, travel costs, benefits and stock-based compensation for employees providing technical support for our subscription customers, allocated shared costs (including rent and information technology) and amortization of certain acquired intangible assets from business combinations. Cost of revenue for services primarily consists of personnel costs including salaries, bonuses, benefits and stock-based compensation for employees and fees to subcontractors associated with service contracts, travel costs and allocated shared costs (including rent and information technology).

Research and Development

Research and development costs are expensed as incurred and primarily consist of personnel costs including salaries, bonuses, travel costs, benefits and stock-based compensation for employees, contractor fees, allocated shared costs (including rent and information technology), supplies, and depreciation of equipment associated with the continued development of our platform and the related maintenance of the existing technology.

Advertising Expenses

Advertising costs are expensed as incurred. Advertising expenses for the years ended January 31, 2024 and 2023, was $11.8 million and $12.5 million, respectively.

Stock-Based Compensation

We recognize stock-based compensation expense for all stock-based payments over the requisite service period on a straight-line basis. Stock-based compensation expense for employee related equity classified awards is estimated at the grant date based on the fair value of the awards and liability classified awards is based on the intrinsic value of the awards at each reporting date through the date of settlement. Stock-based compensation expense was recorded based on awards that were ultimately expected to vest, and such expense was reduced for forfeitures as they occurred.

Stock Appreciation Rights (“SARs”)

We grant SARs to our employees under our Stock Appreciation Rights Plan. Due to cash settlement features of the plan, the SARs have been liability classified. Stock-based compensation expense is recognized based on the intrinsic value of the SARs at each reporting date through the date of settlement.

Profits Interest Units (“PIUs”)

A Limited Liability Partnership (the “Partnership”) affiliated with Cloudera grants PIUs to our senior level employees under terms set forth in the participant’s Profits Interest Unit Grant Agreements. PIUs are accounted for as part of our consolidated financial statements and have both service-based and performance-based vesting conditions with 75% service-based and the remaining 25% as performance-based.

The service-based PIUs generally vest quarterly over a five-year period and become fully vested upon the sale of the Partnership. The PIUs are subject to repurchase conditions whereby (1) the participant has the opportunity to cause the Partnership to repurchase 50%, 75%, and 100% of the vested PIUs at the end of the third, fourth and fifth anniversaries of the PIUs grant date, respectively, and (2) the Partnership has the right, but not the obligation to repurchase or cause the redemption of all or some of the vested PIUs within one year following a termination of employment. In each case, the repurchase price to be paid by the Partnership is the fair market value of the PIUs as of the date of repurchase. The portion of service-based awards expected to vest in the first 4.5 years have been equity classified and the remainder will be liability classified. Liability classification for the final two vesting periods was required because of the participant’s ability to avoid bearing risk and rewards normally associated with equity share ownership for a reasonable period of time.

The performance-based PIUs vest only upon a sale of the Partnership and are contingent upon achievement of certain returns of investment to the Institutional Partners (CD&R and KKR).

The fair value of the equity classified PIUs was determined using a Monte Carlo method of valuation modeling.

Income Taxes

We account for income taxes under the liability method, whereby deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to affect taxable income. A valuation allowance is established when, in management’s estimate, it is more likely than not that the deferred tax asset will not be realized.

Any liability related to uncertain tax positions is recorded on the financial statements within other liabilities. Penalties and interest expense related to income taxes, including uncertain tax positions, are classified as a component of provision for income taxes, as necessary.

Commitments and Contingencies

Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties and other sources are recorded when it is probable that a liability has been or will be incurred and the amount of the liability can be reasonably estimated. Interest expense related to contingencies is classified as a component of the related claim, assessment or litigation, as necessary. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Recently Issued Accounting Standards

In December 2022, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2022-06 *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848,* amends ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional guidance to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. Because the current relief in Topic 848 may not cover a period during which a significant number of modifications may take place, the amendments in this update defer the sunset date of Topic 848 from December 31, 2022, to December 31, 2024, after which entities will no longer be permitted to apply the relief in Topic 848. We adopted this standard on February 1, 2023. Since our debt contracts and derivative instruments contain reference rate change provisions, the adoption of ASU 2022-06 did not have a material impact on our consolidated financial statements and disclosures.

In October 2023, the FASB issued ASU 2023-06 *Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative,* which provides disclosure updates to ASC 230-10 on derivative gains and losses; ASC 440-10 on letters of credit, lease and commitments; 470-10 on unused commitments and lines of credit. The changes are applicable upon issue of the update. We adopted the update and applied applicable guidance on a prospective basis. The adoption of ASU 2023-06 did not have a material impact on our consolidated financial statements and disclosures.

In December 2023, the FASB issued ASU 2023-09 *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which guidance related the rate reconciliation and income taxes paid disclosures improve the transparency of income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. The amendments allow investors to better assess, in their capital allocation decisions, how an entity's worldwide operations and related tax risks and tax planning and operational opportunities affect its income tax rate and prospects for future cash flows.

The other amendments in this update improve the effectiveness and comparability of disclosures by (1) adding disclosures of pretax income (or loss) and income tax expense (or benefit) to be consistent with U.S. Securities and Exchange Commission (SEC) Regulation S-X 210.4-08(h), Rules of General Application—General Notes to Financial Statements: Income Tax Expense, and (2) removing disclosures that no longer are considered cost beneficial or relevant. This update is effective for non-public entities in fiscal years beginning after December 15, 2025. We are currently evaluating the impacts of this update on our consolidated financial statements and disclosures.

2. Cash Equivalents

We had $139.7 million in cash equivalents as of January 31, 2024 and none as of January 31, 2023. Cash equivalents consist of short-term (due within three months) money market funds with an amortized cost equal to fair value. Realized gains and losses on cash equivalents are included in other expense, net on the consolidated statement of operations and were not material for either period.

3. Fair Value Measurement

Our financial assets and liabilities consist principally of cash and cash equivalents, accounts receivable, and accounts payable. We measure and record certain financial assets and liabilities at fair value on a recurring basis. The estimated fair value of accounts receivable and accounts payable approximates their carrying value due to their short-term nature. Cash equivalents are recorded at estimated fair values.

All our cash equivalents are classified within Level 1 or Level 2 because the cash equivalents are valued using quoted market prices or alternative pricing sources and models utilizing observable market inputs.

We follow a three-level valuation hierarchy for disclosure of fair value measurements as follows:

Level 1 Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

Level 2 Inputs (other than quoted market prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.

Level 3 Inputs reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risk inherent in the valuation technique and the risk inherent in the inputs to the model.

Assets Measured at Fair Value on a Recurring Basis

We value our Level 1 assets using quoted prices in active markets for identical instruments. We value our Level 2 assets with the help of a third-party pricing service using quoted market prices for similar instruments, nonbinding market prices that are corroborated by observable market data, or pricing models such as discounted cash flow techniques. We use such pricing data as the primary input, to which we have not made any material adjustments during the periods presented, to make our determination and assessments as to the ultimate valuation of these assets.

Our money market funds are classified within level 1 in the fair value hierarchy as the valuation inputs are based on quoted prices in active markets.

Our foreign currency forward contract liabilities and assets are classified within Level 2 in the fair value hierarchy as the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, including currency spot and forward rates. The fair value of these contracts was not material as of January 31, 2024 and 2023. See Note 5 for additional information.

Our interest rate swap assets are classified within Level 2 in the fair value hierarchy as the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, including the Secured Overnight Financing Rate ("SOFR") and forward interest rates. The fair value of these interest rate swaps as of January 31, 2024 and 2023, of $54.0 million and $76.6 million, respectively. See Notes 5 and 6 for additional information.

We have no Level 1 or 3 liabilities and no Level 3 assets measured on a recurring basis.

Assets Measured at Fair Value on a Nonrecurring Basis

Certain of our long-lived assets, including intangible assets, goodwill, and ROU assets are measured at fair value on a nonrecurring basis when there are indicators of impairment. In fiscal year 2024, we recorded an impairment charge of $2.0 million related to our ROU assets and other long-lived assets related to certain office leases. In fiscal year 2023, we recorded impairment charges of $57.6 million on developed technology related intangible assets, lease related ROU assets, and other long-lived assets primarily related to certain office leases. The impairments were derived by comparing the fair value of the impacted assets to the carrying value of those assets as of the impairment measurement date, as required under ASC Topic 360 using Level 3 inputs. See Notes 4 and 8 for additional discussion related to these impairment charges.

4. Goodwill and Intangible Assets

Goodwill

There were no changes to goodwill for the periods ended January 31, 2024 and 2023.

Intangible Assets

Intangible assets consisted of the following as of January 31, 2024 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (in years)
Customer relationships	$ 1,400,000	$ (216,022)	$ 1,183,978	12.8
Trade name	500,000	(77,151)	422,849	12.8
Developed technology	22,143	(10,249)	11,894	2.8
Unbilled contracts	183,000	(183,000)	-	0.0
Total	$ 2,105,143	$ (486,422)	$ 1,618,721	12.7

Intangible assets consisted of the following as of January 31, 2023 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (in years)
Customer relationships	$ 1,400,000	$ (122,688)	$ 1,277,312	13.8
Trade name	500,000	(43,817)	456,183	13.8
Unbilled contracts	183,000	(120,278)	62,722	0.8
Developed technology [(1)]	22,143	(5,822)	16,321	3.8
Total	$ 2,105,143	$ (292,605)	$ 1,812,538	13.2

(1) Excludes the impaired assets that are discussed below.

Amortization expense for intangible assets was $193.8 million and $227.6 million for the years ended January 31, 2024 and 2023, respectively.

In fiscal 2023, we decided to discontinue development of one of our product lines. As a result, acquired developed technology intangible assets related to our acquisitions of Cazena, Inc. and Datacoral, Inc. and associated with this product line were determined to be impaired. In accordance with the provisions of ASC 360, we recognized an impairment charge for the full carrying value of $25.9 million within general and administrative expense on our consolidated statements of operations.

We expect future intangible asset related amortization expense to be as follows (by fiscal year, in thousands):

2025	$ 131,095
2026	131,095
2027	129,702
2028	126,667
2029	126,667
2030 and thereafter	973,495
Total amortization expense	$ 1,618,721

5. Derivative Contracts

We generate revenues and incur expenses in numerous currencies and are exposed to foreign currency risk. To mitigate the impact of changes in foreign currency rates, we execute foreign currency forward contracts to offset the gains and losses on foreign currency denominated monetary assets and liabilities. The duration of our foreign currency forward contracts is less than 12 months. We do not enter derivative contracts for trading or speculative purposes.

For the year ended January 31, 2024, our foreign currency forward contract gains were not material. We recorded a gain of $1.9 million for the year ended January 31, 2023. Gains and losses from these contracts are recognized as part of other expense, net within our consolidated statements of operations and are reported as part of other adjustments to reconcile net loss to net cash provided by operating activities in the consolidated statements of cash flows. As of January 31, 2024 and 2023, we had outstanding foreign currency forward contracts not designated as hedges with a total notional value of $43.4 million and $35.5 million, respectively.

As part of our debt described in Note 7, we are required to make variable interest payments based on a contractually specified interest rate index (e.g., SOFR). The variable rate interest payments create interest rate risk as interest payments will fluctuate based on changes in the contractually specified interest rate index over the life of the loans. To minimize our risk exposure from volatile interest rate indices, we carry three interest rate swaps that exchange a variable rate of interest (SOFR) for an average fixed rate of approximately 1.2% over the term of the agreements. The swaps have a total notional amount of $1,070 million and mature in October 2025.

The FASB issued ASU 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which, for a limited period, added ASC 848 to the Codification providing entities with certain practical expedients and exceptions from applying modification accounting if certain criteria are met. Reference rate reform is the term used to refer to the efforts that have been undertaken by regulators and other market participants to introduce new reference rates that are based on a larger and more liquid population of observable transactions. As discussed in Note 1, we adopted the reference rate reform and practical expedient guidance in ASC 848. As a result, our interest rate swaps were transitioned from LIBOR to SOFR using the one-month SOFR rate with a floor of 0.4% to an upper limit of 1.2%

We have designated these swaps as cash flow hedges of the interest rate risk attributed to forecasted variable interest (SOFR) payments. As of January 31, 2024, the weighted average fixed rate of interest on these swaps was approximately 1.2%. The effective portion of the after-tax fair value gains or losses on these swaps is included as a component of accumulated other comprehensive loss.

For years ended January 31, 2024 and 2023, we recognized a net unrealized gain (on a pretax basis) of $22.5 million and $62.7 million, respectively, for derivative financial instruments designated as effective hedges. During the years ended January 31, 2024 and 2023, there were no interest rate swap losses within accumulated other comprehensive loss reclassified into earnings and we estimate that the amount to be reclassified from accumulated other comprehensive loss into earnings within the next 12 months will not be material.

6. Balance Sheet Components

Other Current Assets

Other current assets consist of the following (in thousands):

	As of January 31,	
	2024	**2023**
Interest rate swap contracts	$ 36,832	$ 38,974
Deferred contract costs	35,708	41,844
Prepaid expenses	20,594	18,380
Other [(1)]	7,664	5,642

Total other current assets	$ 100,798	$ 104,840

(1) Other relates primarily to the short-term portion of contract assets and foreign sales tax related assets.

Property and Equipment, Net

The cost and accumulated depreciation of property and equipment are as follows (in thousands):

	As of January 31,	
	2024	2023
Computer equipment and software	$ 36,552	$ 29,077
Leasehold improvements	14,794	15,600
Office furniture and equipment	8,589	9,128
Property and equipment, gross	59,935	53,805
Less: accumulated depreciation	(44,819)	(40,739)
Property and equipment, net	$ 15,116	$ 13,066

Depreciation expense was $5.3 million and $5.2 million for the years ended January 31, 2024 and 2023, respectively.

Other Non-Current Assets

Other non-current assets consist of the following (in thousands):

	As of January 31,	
	2024	2023
Interest rate swap contracts	$ 17,356	$ 38,620
Deferred contract costs	14,340	15,429
Other (1)	12,697	13,113
Total other non-current assets	$ 44,393	$ 67,162

(1) Other relates primarily to the long-term portions of sublease rent receivables, prepaid corporate insurance, deferred tax assets, deposits on leases, and other prepaid expenses.

Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consist of the following (in thousands):

	As of January 31,	
	2024	2023
Accounts payable	$ 9,257	$ 11,904
Accrued taxes	8,870	8,077
Accrued professional fees	4,727	6,489
Other accrued liabilities (1)	9,446	12,829
Total accounts payable and accrued liabilities	$ 32,300	$ 39,299

(1) Other accrued liabilities relate primarily to amounts owed for self-insurance, third-party vendors that provide marketing, cloud-computing services, and travel costs.

Accrued Compensation

Accrued compensation consists of the following (in thousands):

	As of January 31, 2024	As of January 31, 2023
Commissions	$ 13,788	$ 20,852
Bonuses	12,567	33,082
Benefits	9,061	9,535
Payroll related taxes	8,563	12,196
Restricted stock units settled in cash [1]	3,061	14,124
Other [2]	6,729	5,310
Total accrued compensation	$ 53,769	$ 95,099

(1) As a result of the Take Private Transaction in 2021, certain equity awards, to the extent not vested as of the date of the Take Private Transaction, were replaced with the contingent right to receive an amount equal to the per share price paid as part of the Take Private Transaction, vesting under the same terms and conditions as originally granted under our stock plans and payable in cash upon vesting. The fair value of these replacement awards, conditioned upon future service, amounted to $442.2 million with related compensation cost to be recognized in our post-Take Private Transaction financial statements. For the years ended January 31, 2024 and 2023, we recorded $64.9 million and $133.2 million, respectively, as compensation expense related to these awards. As of January 31, 2024, $29.4 million remains outstanding with a weighted average remaining vesting period of approximately one year.

(2) Other consists primarily of amounts owed for severance-related benefits.

7. Debt

Outstanding debt consisted of the following (in thousands):

	As of January 31, 2024	As of January 31, 2023
Debt maturing October 2028	$ 1,856,564	$ 1,623,600
Debt maturing October 2029	500,000	500,000
Total principal amount	2,356,564	2,123,600
Less: unamortized debt discount and issuance costs	(66,782)	(70,077)
Net carrying amount	$ 2,289,782	$ 2,053,523
Short-term debt	$ 4,942	$ 4,259
Long-term debt	$ 2,284,840	$ 2,049,264

As of January 31, 2024, the expected future principal payments under the first lien and second lien term loans are due as follows (fiscal year, in thousands):

2025	$ 18,945
2026	18,945
2027	18,945
2028	18,945
2029	1,780,784
2030	500,000
Total	$ 2,356,564

In 2021, we entered into two senior secured credit agreements (the “First Lien Credit Agreement” and the “Second Lien Credit Agreement” and, collectively, the “Credit Agreements"). The First Lien Credit Agreement provided for a seven-year senior secured term loan for an aggregate principal amount of $1,640 million. The First Lien amortizes at a per annum rate equal to 1.0% payable quarterly, with the balance payable at maturity on October 8, 2028. In March 2023, we amended the First Lien Credit Agreement as part of Reference Rate Reform discussed in Note 5. The amendment changes the reference rate from a LIBOR benchmark rate to SOFR. The amended First Lien bears interest at a rate equal to SOFR plus 3.85% subject to a floor of 4.35%. As of January 31, 2024, the First Lien was bearing interest at a per annum rate of 9.2%.

The First Lien Credit Agreement also provides for a five-year $250 million revolving credit facility. The revolving facility, as amended, has a maturity date of July 7, 2028, with interest rate per annum equal to SOFR plus 3.35% and undrawn fee of 0.25%. To diversify sources for the StreamScale patent litigation related appeal bond discussed in Note 9, $45 million of the revolving credit facility was restricted as a letter of credit and $205 million of the facility remains available as of January 31, 2024. The fees incurred were not material.

The Second Lien Credit Agreement provides for an eight-year senior secured term loan for an aggregate principal amount of $500 million. The principal balance is payable at maturity on October 8, 2029. In March 2023, we amended the Second Lien Credit Agreement as part of Reference Rate Reform discussed in Note 5. The amendment changes the reference rate from a LIBOR benchmark rate to SOFR. The amended Second Lien bears interest at a rate equal to SOFR plus 6.10% subject to a floor of 6.60%. As of January 31, 2024, the Second Lien was bearing interest at a per annum rate of 11.4%.

In December 2023, we amended the First Lien Credit Agreement to secure an additional $250 million. The additional funds were used mainly as collateral for the appeal bond posted in the StreamScale patent litigation discussed in Note 9.

We recognized $205.3 million and $139.3 million of interest expense for the years ended January 31, 2024 and 2023, respectively, related to these term loans.

The Credit Agreements contain usual and customary representations and warranties, optional and mandatory prepayment provisions, and affirmative and negative covenants, including limitations on liens, investments, restricted payments, additional indebtedness, transactions with affiliates, asset sales and mergers and financial covenants. Our obligations under the Credit Agreements may be accelerated upon customary events of default, including non-payment of principal, interest, fees and other amounts, inaccuracy of representations and warranties, violation of covenants, cross default and cross acceleration to material third party indebtedness, voluntary and involuntary bankruptcy or insolvency proceedings, inability to pay debts as they become due, material judgments, ERISA events, actual or asserted invalidity of security documents or guarantees and change in control.

We incurred debt discount and issuance costs of approximately $93.6 million in connection with obtaining the term loans, as amended. These debt discount and issuance costs were amortized on a straight-line basis, which approximated the effective interest rate method, to interest expense over the contractual term of the arrangement. Amortization of debt discount and issuance costs during the twelve months ended January 31, 2024 and 2023, was $12.5 million and $12.2 million, respectively.

8. Leases

We have entered into various non-cancelable operating lease agreements for our facilities. Our leases have various expiration dates through September 2030. Many leases include one or more options to renew. We assume renewals in our determination of the lease term if the renewals are deemed to be reasonably assured at lease commencement.

Operating lease right-of-use assets and operating lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The lease term is determined to be the non-cancelable period including any lessee renewal options which are reasonably certain of exercise. The interest rate implicit in the lease contracts is typically not readily determinable. As such, we utilized the appropriate incremental borrowing rate based on information available at the commencement date, which is the rate incurred to borrow on a collateralized basis over a similar term in a similar economic environment.

Components of lease expense are summarized as follows (in thousands):

	Years Ended January 31,	
	2024	2023
Operating lease cost	$ 30,940	$ 35,680
Short-term lease cost	2,006	2,478
Sublease income	(11,279)	(11,887)
Net lease cost [(1)]	$ 21,667	$ 26,271

(1) Excludes the ROU asset impairment charges of $2.0 million and $31.7 million for years ended January 31, 2024 and 2023, respectively.

Lease term and discount rate information are summarized as follows:

	As of January 31,	
	2024	2023
Weighted Average Remaining Lease Term (years)	3.7	4.3
Weighted Average Discount Rate	5.4%	5.2%

Maturities of lease liabilities are as follows (fiscal year, in thousands):

	Minimum Lease Payments, Gross
2025	$ 37,596
2026	36,048
2027	31,000
2028	26,073
2029	2,200
2030 and thereafter	1,507
Total lease payments	$ 134,424
Less imputed interest	13,102
Present value of lease liabilities	$ 121,322

We have signed sublease agreements to receive $50.1 million of sublease rental proceeds over the next five fiscal years.

In fiscal years 2024 and 2023, due to continued unfavorable office sublease markets, we evaluated our existing real estate lease right-of-use assets and related other long-lived assets for impairment under ASC 360. As a result of this evaluation, we recognized an impairment loss of $2.0 million and $31.7 million, which is included in general and administrative expenses in the accompanying statement of operations for the years ended January 31, 2024 and 2023, respectively. The impairment loss includes $1.6 million and $29.9 million, respectively, related to lease right-of-use assets and $0.4 million and $1.8 million, respectively, related to other long-lived assets.

The fair values for the asset groups relating to the impaired long-lived assets were estimated primarily using discounted cash flow models (income approach) with Level 3 inputs. The significant assumptions used in estimating fair value include the expected downtime prior to the commencement of future subleases, projected sublease income over the remaining lease periods and discount rates that reflect the level of risk associated with receiving future cash flows.

9. Commitments and Contingencies

Letters of Credit

As of January 31, 2024 and 2023, we had a total of $18.8 million in letters of credit outstanding in favor of certain landlords for office space. These letters of credit renew annually and expire at various dates through 2027. As of January 31, 2024, we also had a $45.0 million letter of credit for collateral related to the appeal bond related to the StreamScale litigation matter discussed below.

Legal Proceedings

In the ordinary course of business, we are or may be involved in a variety of litigation matters, suits, investigations, and proceedings, including actions with respect to intellectual property claims, government investigations, labor and employment claims, breach of contract claims, tax, and other matters. Regardless of the outcome, these litigation matters can have an adverse impact on us because of defense costs, diversion of management resources, harm to reputation, and other factors. Future litigation may be necessary to defend ourselves, or our customers or partners on indemnity matters, by determining the scope, enforceability and validity of third-party proprietary rights or by establishing our proprietary rights. Further, the ultimate outcome of any litigation is uncertain and, regardless of outcome, litigation can have an adverse impact on us because of defense costs, potential negative publicity, diversion of management resources, and other factors.

Other than as discussed below, we are not aware of other pending legal matters or claims, individually or in the aggregate, that are expected to have a material adverse impact on our business, consolidated financial position, results of operations or cash flows. Our analysis of whether a claim may proceed to litigation cannot be predicted with certainty, nor can the results of litigation be predicted with certainty. Accordingly, there can be no assurance that existing or future legal proceedings arising in the ordinary course of business or otherwise will not have a material adverse effect on our business, consolidated financial position, results of operations or cash flows in a particular period or subject us to an injunction that could seriously harm our business.

Securities Litigation

On June 7, 2019, a purported class action complaint was filed in the United States District Court for the Northern District of California, entitled *Christie v. Cloudera, Inc., et al.*, Case No. 5:19-cv-3221-LHK. The complaint named as defendants Cloudera, its former Chief Executive Officer, its Chief Financial Officer, and a former officer and director, asserting alleged class claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and SEC Rule 10b-5. Two substantially similar class action complaints, entitled *Zarantonello v. Cloudera, Inc., et al.*, Case No. 5:19-cv-4007-LHK, and *Dvornic v. Cloudera, Inc., et al.*, Case No. 5:19-cv-4310-LHK, were subsequently filed against the same defendants in the same court on July 12, 2019 and July 26, 2019, respectively. The suits have been consolidated under the name, *In re Cloudera, Inc. Securities Litigation*, Case No. 5:19-cv-3221-LHK. The court subsequently appointed lead plaintiffs and lead counsel, and a consolidated complaint was filed on February 14, 2020. On March 18, 2020, the court vacated its prior order appointing lead plaintiffs and lead counsel and reopened the lead plaintiff process. On July 27, 2020, the court appointed new lead plaintiffs and lead counsel. On September 22, 2020, lead plaintiffs filed a consolidated amended complaint. The consolidated amended complaint asserted claims against Cloudera and four individual defendants under Sections 10(b) and 20(a) of the Exchange Act and Rule 10b-5, based on allegedly false and misleading statements between April 28, 2017 and June 5, 2019. The consolidated amended complaint also asserted claims against Cloudera, Intel Corporation, and fourteen current and former officers and directors of Cloudera under the Securities Act of 1933, as amended (the "Securities Act"), on behalf of all persons who acquired Cloudera stock pursuant or traceable to the S-4 registration statement filed in connection with Cloudera's January 2019 merger with Hortonworks (the "Hortonworks Merger") and alleged that the registration statement contained untrue statements of material fact and omitted material facts. On April 2, 2021, the court denied a motion filed by two additional plaintiffs seeking permission to file an additional class action complaint alleging claims under the Securities Act. On May 25, 2021, the court granted defendants' motions to dismiss the consolidated amended complaint with leave to amend. On June 24, 2021, plaintiffs filed their consolidated second amended complaint, asserting the same claims against the same defendants as in their previous complaint. On August 5, 2021, defendants filed their motion to dismiss the consolidated second amended complaint. On October 25, 2022, the court issued an order dismissing the consolidated second amended complaint without leave to amend. On October 26, 2022, the court entered judgment, dismissing the case with prejudice. On November 21, 2022, the plaintiffs filed a notice of appeal from the judgment to the United States Court of Appeals for the Ninth Circuit (the "Ninth Circuit"). Oral arguments before the Ninth Circuit occurred on October 5, 2023 and we are awaiting the Ninth Circuit's ruling. We believe that the allegations in the lawsuits are without merit.

On June 7, 2019, a purported class action complaint was filed in the Superior Court of California, County of Santa Clara, entitled *Lazard v. Cloudera, Inc., et al*., Case No. 19CV348674. The complaint named as defendants Cloudera, thirteen current or former directors or officers of Cloudera, and Intel Corporation. Two substantially similar suits, entitled *Franchi v. Cloudera, Inc., et a*l., Case No. 19CV348790, and *Cannizzo v. Cloudera, Inc., et al.*, Case No. 19CV348974, were subsequently filed in the same court on June 11, 2019 and June 14, 2019, respectively. The suits have been consolidated under the name *In re Cloudera, Inc. Securities Litigation*, Lead Case No. 19CV348674 and the consolidated amended complaint purports to assert claims under Sections 11, 12(a)(2), and 15 of the Securities Act on behalf of all persons who acquired Cloudera stock pursuant or traceable to the S-4 registration statement filed in connection with the Hortonworks Merger. The consolidated amended complaint alleges that the registration statement contained untrue statements of material fact and omitted material facts. Plaintiffs seek, among other things, an award of damages and attorneys' fees and costs. On July 1, 2020, the court overruled Cloudera's demurrer to the consolidated amended complaint. On August 18, 2020, a purported shareholder class action captioned *Stahl v. Cloudera, Inc., et al.*, Case No. 20CV369480 was filed in the Superior Court of California, County of Santa Clara, and was subsequently consolidated into the lead case. On November 5, 2020, the court entered a stipulated order certifying a class consisting of all persons who acquired Cloudera common stock in exchange for Hortonworks securities pursuant to the registration statement and prospectus issued in connection with the Hortonworks Merger. Fact discovery closed on May 31, 2022. On November 2, 2022, Cloudera filed a motion to decertify the class. On December 20, 2022, the court entered an order denying such motion. On January 13, 2023, Cloudera filed a motion for summary judgment asking the court to dismiss the case, and the plaintiffs filed a motion for summary adjudication asking the court to rule that defendants' causation defenses fail as a matter of law. The parties also filed motions on such date to exclude the testimony of certain expert witnesses. A hearing on the pending motions was held on March 14, 2024. On May 14, 2024, the court granted Cloudera's motion for summary judgment dismissing the case and denied the plaintiffs' motion for summary adjudication. The plaintiffs may appeal the court's decision.

Patent Litigation

On March 2, 2021, a complaint was filed in the U.S. District Court for the Western District of Texas (Waco Division) (the "Waco District Court") entitled *StreamScale, Inc. v. Cloudera, Inc. et al.*, Case No. 6:2021cv00198. StreamScale, Inc., a non-practicing entity ("StreamScale"), asserted multiple patents in the case and alleged that

Cloudera's products directly infringed such StreamScale patents (the "First StreamScale Lawsuit"). A trial was held in early October 2023, and a jury ruled in favor of StreamScale and awarded StreamScale $240 million. On December 5, 2023, Cloudera posted a $240 million appeal bond (the "Appeal Bond") to stay execution of the monetary judgment pending the outcome of (i) the following post-trial motions pending before the Waco District Court (the "Post-Trial Motions"): (a) Motion for Pre-Judgment and Post-Judgment Interest filed by StreamScale, (b) Motion for Judgment as a Matter of Law filed by Cloudera, and (c) Motion for New Trial filed by Cloudera, and (ii) the appeals process, if necessary. On December 6, 2023, the Waco District Court granted Cloudera's Motion to Stay execution of the monetary judgment. If the Waco District Court upholds the jury verdict, Cloudera will appeal to the Federal Circuit Court of Appeals. We are awaiting the Waco District Court's ruling on the Post-Trial Motions but believe the allegations in the lawsuit are without merit.

To obtain the Appeal Bond, Cloudera was required to deposit cash, as security, to the bonding companies in the full amount of the Appeal Bond, which was included in restricted cash on the consolidated balance sheet. Cumulative interest on the $240 million judgment started to accrue in August 2018, the month in which Cloudera began to allegedly infringe on StreamScale's patents. As of January 31, 2024, the outstanding amount of accrued interest was $25.4 million.

On August 9, 2023, a second complaint was filed by StreamScale against Cloudera in the Waco District Court entitled *StreamScale, Inc. v. Cloudera, Inc. et al.*, Case No. 6:23-cv-00576. The complaint is related to the First StreamScale Lawsuit. StreamScale has alleged indirect infringement by Cloudera of the same StreamScale patents asserted in the First StreamScale Lawsuit. On January 2, 2024, the Waco District Court granted the parties joint Motion to Stay the case pending the outcome of the First StreamScale Lawsuit. We are awaiting the Waco District Court's ruling but believe the allegations in the lawsuits are without merit.

Indemnification

From time to time, we enter into certain types of contracts that contingently require us to indemnify various parties against claims from third parties. These contracts primarily relate to (i) certain real estate leases under which we may be required to indemnify property owners for environmental and other liabilities and other claims arising from our use of the applicable premises, (ii) our Second Amended and Restated Bylaws under which we must indemnify directors and executive officers and may indemnify other officers and employees for liabilities arising out of their relationship with us, (iii) contracts under which we must indemnify directors and certain officers for liabilities arising out of their relationship with us, (iv) contracts under which we may be required to indemnify customers or partners against certain claims, including claims from third parties asserting, among other things, infringement of their intellectual property rights, and (v) procurement, consulting, or license agreements under which we may be required to indemnify vendors, consultants, or licensors for certain claims, including claims that may be brought against them arising from our acts or omissions with respect to the supplied products, technology, or services. From time to time, we may receive indemnification claims under these contracts in the normal course of business. In addition, under these contracts we may have to modify the accused infringing intellectual property and/or refund amounts received.

In the event that one or more of these matters were to result in a claim against us, an adverse outcome, including a judgment or settlement, may cause a material adverse effect on our future business, operating results or financial condition. It is not possible to determine the maximum potential amount under these contracts due to the limited history of prior indemnification claims and the unique facts and circumstances involved in each particular agreement.

We maintain director and officer insurance, which may cover certain liabilities arising from our obligation to indemnify our directors and certain officers.

To date, we have not incurred any material costs, and have not accrued any material liabilities in the consolidated financial statements as a result of these provisions.

10. Stock-Based Compensation

We maintain two stock-based compensation plans: Stock Appreciation Rights ("SARs"), and Profits Interests Units ("PIUs").

Stock Appreciation Rights ("SARs")

We issue SARs to employees under a Stock Appreciation Rights Plan (the "Plan"). Upon adoption of the Plan, 19,426,364 shares of common stock were reserved for issuance. As of January 31, 2024, there were 3,928,935 shares of common stock reserved and available for future issuance under the Plan. SARs granted have a maximum term of ten years from the grant date and vest upon the satisfaction of a service-based vesting condition only. The service-based condition is generally satisfied pro-rata over four years with 6.25% vesting on each quarterly anniversary of the vesting commencement date. For new employee grants, the awards generally meet the service-based condition over a four-year period, with 25% met after one year and then ratably on a quarterly basis for the remaining three years. For continuing employee grants, the SARs generally meet the service-based condition pro-rata quarterly over a period of four years.

As per the Plan agreements, SARs become exercisable as follows:

- During the 30-day period following the third anniversary of the grant date, a participant may exercise up to 50% of the then-vested portion of the SARs;
- During the 30-day period following the fourth anniversary of the grant date, a participant may exercise up to 75% of the then-vested portion of the SARs;
- During the 30-day period following the fifth anniversary of the grant date, a participant may exercise up to 100% of the then-vested portion of the SARs;
- Notwithstanding the foregoing, upon consummation of a change in control (and prior to the expiration of the applicable SAR term), a participant may exercise all or any specified portion of the SARs held by such participant that have fully vested.

The following table summarizes SARs activity for the period ended January 31, 2024:

	SARs Outstanding			
	SARs Outstanding (in thousands)	**Weighted-Average Exercise Price**	**Weighted-Average Remaining Contractual Term (Years)**	**Aggregate Intrinsic Value (in thousands)**
Balance - January 31, 2023	12,731	$ 10.00	9.1	$ 12,731
Granted	5,969	14.58	9.8	8,503
Exercised [1]	(1,584)	10.02	-	-
Canceled	(1,619)	10.20	-	-
Balance - January 31, 2024	15,497	$ 11.74	8.8	$ 66,027
Vested and Expected to Vest - January 31, 2024	15,497	$ 11.74	8.8	$ 66,027

[1] In December, we implemented a SARs Liquidity Program granting employees the option to exercise up to 75% of vested awards. This program resulted in 1.6 million SARs exercised in the year ended January 31, 2024, with an aggregate intrinsic value of $7.9 million.

As discussed in Note 1, due to cash settlement features of the Plan, the awards have been liability classified. Stock-based compensation expense is recognized based on the intrinsic value of the awards at each reporting date through the date of settlement. The intrinsic value is the difference between the grant date fair market value of the underlying common stock and the fair market value of the stock as of the end of a reporting period. The unamortized stock-based compensation expense for SARs was $35.0 million as of January 31, 2024, and will be recognized over the average remaining vesting period of approximately three years.

Profits Interest Units ("PIUs")

PIUs are issued by the Partnership to senior level employees and accounted for as part of our consolidated financial statements. 19,110,000 shares of profits interest units were reserved for issuance. Granted units are subject to both service-based and performance-based vesting.

The following table summarizes PIU activity and related information for the period ended January 31, 2024:

	PIUs Outstanding	
	PIUs Outstanding (in thousands)	**Weighted-Average Grant Date Fair Value Per Share**
Balance - January 31, 2023	14,539	$ 3.73
Granted	7,183	3.86
Canceled	(7,273)	3.83
Repurchased	(1,162)	3.93
Balance - January 31, 2024	13,287	$ 3.87
Vested and Expected to Vest - January 31, 2024	13,287	$ 3.87

Stock-based compensation expense for equity classified PIUs is recognized based on the grant date fair value of the awards. Total stock-based compensation expense for the years ended January 31, 2024 and 2023, was $7.2 million and $11.7 million, respectively.

The unamortized stock-based compensation expense for equity classified PIUs was $33.6 million as of January 31, 2024, with $23.3 million related to service-based vesting only, to be recognized over a period of approximately 3.5 years and the remainder to be recognized when achievement of performance criteria discussed in Note 1 becomes probable.

The fair value of each PIU granted was estimated at the grant date using the Monte Carlo method with the following weighted-average assumptions used in the valuation:

	Years Ended January 31,	
	2024	**2023**
Fair market value of common units	$ 11.00	$ 10.00
Volatility	80.0%	75.0%
Risk-free interest rate	4.1%	1.4%
Expected term (in years)	2.4	3.4
Expected dividend yields	0.0%	0.0%

11. Income Taxes

The domestic and foreign components of loss before provision for income taxes consisted of the following (in thousands):

	Years Ended January 31,	
	2024	2023
Domestic	$ (389,365)	$ (336,427)
Foreign	17,822	19,643
Net loss before provision for income taxes	$ (371,543)	$ (316,784)

The components of provision for income taxes are as follows (in thousands):

	Years Ended January 31,	
	2024	2023
Current:		
Federal	$ -	$ (63)
State	(1,930)	-
Foreign	(13,843)	(11,045)
Total	(15,773)	(11,108)
Deferred:		
Federal	-	1,736
Foreign	111	332
Total	111	2,068
Total provision for income taxes	$ (15,662)	$ (9,040)

A reconciliation of income taxes at the statutory federal income tax rate to the provision for income taxes included in the consolidated statements of operations is as follows (in thousands):

	Years Ended January 31,	
	2024	2023
U.S. federal statutory income tax	$ 78,024	$ 66,525
State taxes	(1,746)	-
Research tax credits	2,957	5,587
Section 382 limit credits	-	(25,368)
Stock-based compensation	(2,474)	(2,457)
Change in valuation allowance	(74,685)	(31,934)
Non-deductible expenses	(6,930)	(12,600)
Foreign tax rate differential	(10,106)	(8,778)
Other	(702)	(15)
Provision for income taxes	$ (15,662)	$ (9,040)

The deferred tax assets and liabilities were as follows (in thousands):

	As of January 31,	
	2024	2023
Deferred tax assets:		
Accruals and reserves	$ 74,343	$ 10,399
Contract liabilities	15,316	14,115
Net operating loss carryforwards	403,554	472,307
Research and development and other credits	84,851	78,853
Stock-based compensation	6,218	2,896
ROU assets/lease liabilities	29,250	40,245
Capitalized research and development	136,663	107,872
Section 163(j) interest expense	42,929	27,433
Gross deferred tax assets	793,124	754,120
Less: valuation allowance	(373,402)	(274,001)
Total deferred tax assets, net of valuation allowance	419,722	480,119
Deferred tax liabilities:		
Depreciation and amortization	(377,980)	(423,513)
Unrealized gain on interest rate swaps	(12,782)	(18,107)
ROU assets/lease liabilities	(14,453)	(22,399)
Deferred costs	(11,839)	(13,542)
Gross deferred tax liabilities	(417,054)	(477,561)
Net deferred tax assets	$ 2,668	$ 2,558

Beginning in fiscal 2023, the Tax Act eliminates the option to currently deduct research and development expenditures in the period incurred and requires taxpayers to capitalize and amortize such expenditures over five or fifteen years, based on where research is conducted, pursuant to Section 174 of the Internal Revenue Code.

Undistributed earnings of our foreign subsidiaries as of January 31, 2024 are considered to be indefinitely reinvested and, accordingly, no provision for federal and state income taxes has been provided thereon. Due to the Transition Tax and Global Intangible Low-Tax Income (“GILTI”) regimes as enacted by the Tax Act, those foreign earnings will not be subject to federal income taxes when actually distributed in the form of a dividend or otherwise. However, we could still be subject to state income taxes and withholding taxes payable to various foreign countries. The amounts of taxes which we could be subject to are not material to the accompanying financial statements.

The GILTI provision in the Tax Act imposes a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The guidance indicates that either accounting for deferred taxes related to GILTI inclusions or treating any taxes on GILTI inclusions as a period cost are both acceptable methods subject to an accounting policy election. We have elected to treat any taxes on GILTI inclusions as period cost.

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. We have established a valuation allowance to offset our net U.S. deferred tax assets as of January 31, 2024 and 2023, due to the uncertainty of realizing future tax benefits from our net operating loss carryforwards and other deferred tax assets. The net change in the total valuation allowance for the years ended January 31, 2024 and 2023, was an increase of $99.4 million and an increase of $29.6 million, respectively. In fiscal 2024, the increase in valuation allowance was primarily attributable to a net increase in our U.S. deferred tax assets resulting from capitalized research and development expenditures, disallowed interest expenses, and an increase in reserves and accruals not currently deductible.

As of January 31, 2024, we have federal net operating loss carryforwards of approximately $787.5 million, expiring beginning in fiscal 2036 and $776.2 million which can be carried forward indefinitely. We also have California and other state net operating loss carryforwards of approximately $572.1 million and $613.8 million, respectively, expiring beginning fiscal 2031, for California purposes and fiscal 2025 for other state purposes.

As of January 31, 2024, we have federal and state research credit carryforwards of approximately $50.2 million and $71.8 million, respectively, expiring beginning in fiscal 2029 for federal purposes. The state credits can be carried forward indefinitely.

As of January 31, 2024, we have federal disallowed interest expense carryforwards under Section 163(j) of the Internal Revenue Code of approximately $191.9 million, which can be carried forward indefinitely.

The utilization of our net operating loss and credit carryforward attributes could be subject to limitations under Internal Revenue Code Section 382 and Section 383 or dual consolidated loss rules. Accordingly, our ability to utilize these carryforwards may be limited and such a limitation could result in the expiration of our net operating loss and credit carryforwards before they are utilized.

For benefits to be recorded, a tax position must be more likely than not to be sustained upon examination. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon settlement.

The following table reflects the changes in the gross unrecognized tax benefits (in thousands):

	Years Ended January 31,	
	2024	2023
Balance as of beginning of period	$ 27,600	$ 31,500
Increase related to tax positions taken in the prior period	400	-
Decrease related to tax positions taken in the prior period	(300)	(7,800)
Increase related to tax positions taken in the current period	2,900	3,900
Balance as of end of period	$ 30,600	$ 27,600

As of January 31, 2024, the total amount of gross unrecognized tax benefits was $30.6 million, of which $3.7 million, if recognized, would favorably impact our effective tax rate. We do not believe that the total amounts of unrecognized tax benefits will significantly increase or decrease within the next twelve months.

We recognize interest and penalties related to income tax matters in the provision for income taxes. As of January 31, 2024, we had $0.4 million of accrued interest and penalties related to uncertain tax positions. We are subject to taxes in the United States and other foreign jurisdictions. In the normal course of business, we are subject to examination by various federal, state and local taxing authorities. We are not currently under audit by the Internal Revenue Service but we have minor audits in process related to a few international entities. All tax years remain open to examination by major taxing jurisdictions in which we file returns.

12. Related Party Transactions

Certain members of our board of directors currently serve on the board of directors or as an executive of certain companies that are our customers or vendors. The aggregate revenue we recognized from these customers and vendors was not material for the years ended January 31, 2024 and 2023. The aggregate expense recognized from these customers and vendors was $5.8 million and $2.1 million for the years ended January 31, 2024 and 2023, respectively. Accounts receivable and accounts payable from these customers and vendors were not material as of January 31, 2024 and 2023.

13. Reduction in Force

In December 2022, management announced plans to reduce expenses by implementing an approximately 11.3% reduction in our workforce, or 358 people. The reduction in workforce was intended to lower our cost of sales and operating costs in light of strong economic headwinds. The reduction in force was substantially completed as of the period ended January 31, 2023. In the year ended January 31, 2023, we recognized restructuring charges of approximately $15.8 million in connection with the reduction in force plan mainly for severance, benefits continuation, and outplacement services.

14. Subsequent Events

We are not aware of any subsequent events that require disclosure. Subsequent events have been evaluated through June 4, 2024, the date the financial statements were available to be issued.