

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

FORM 10-Q

(Mark One)

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

For the three months ended March 31, 2025

OR

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

For the transition period from to

Commission file number 001-35618

LegalZoom.com, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

95-4752856

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

954 Villa Street,
Mountain View, California 94041

(Address of Principal Executive Offices, including Zip code)

(323) 962-8600

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.001 per share	LZ	The Nasdaq Global Select Market

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of May 1, 2025, the registrant had outstanding 181,184,393 shares of common stock, \$0.001 par value per share, outstanding.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q may be forward-looking statements. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "expects," "plans," "anticipates," "could," "intends," "targets," "projects," "contemplates," "believes," "estimates," "forecasts," "predicts," "potential" or "continue" or the negative of these terms or other similar expressions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements regarding our future results of operations and financial position, industry and business trends, stock compensation, business strategy, plans, market growth and our objectives for future operations.

The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. Forward-looking statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including but not limited to those factors discussed below under "Summary of Risk Factors" and in Part II, Item 1A, "Risk Factors" and elsewhere

in this Quarterly Report on Form 10-Q, as well as any factors contained in our subsequent filings with the Securities and Exchange Commission, or SEC. The forward-looking statements in this Quarterly Report on Form 10-Q are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

You should read this Quarterly Report on Form 10-Q and the documents that we reference herein and have filed as exhibits to this Quarterly Report on Form 10-Q with the understanding that our actual future results, levels of activity, performance and achievements may be materially different from what we expect. We qualify all of our forward-looking statements by these cautionary statements. Except as required by applicable law, we do not plan to publicly update or revise any forward-looking statements contained in this Quarterly Report on Form 10-Q, whether as a result of any new information, future events or otherwise.

Summary of Risk Factors

Our business involves significant risks and you are urged to carefully consider the risks discussed under Part II, Item 1A, "Risk Factors" in this Quarterly Report on Form 10-Q prior to making an investment in our common stock. These risks include, but are not limited to, the following:

- Our business primarily depends on business formations.
- Our business depends substantially on our customers expanding their use of our platform, including converting our transactional customers to subscribers and our subscribers renewing their subscriptions with us.
- Failure to effectively manage our growth could adversely impact our business.
- Our future quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict.
- We have a history of net losses and we may not be able to maintain profitability.
- If we fail to provide high-quality products and services that meet our customers' expectations, we may not be able to attract and retain customers.
- If we do not continue to innovate and provide a platform that is useful to our customers, we may not remain competitive, and our results of operations could suffer.
- The legal solutions market is highly competitive and our failure to effectively compete successfully could materially and adversely affect our business, results of operations, financial condition and future prospects.

- Our business depends on our brand and reputation, which could be adversely affected by numerous factors.
- We are incorporating generative artificial intelligence into some of our offerings, which may present compliance risks and reputational risks.
- If our marketing efforts are unsuccessful, our business, results of operations, financial condition and future prospects may be adversely affected.
- We depend on top talent, including our senior management team, to grow and operate our business, and if we are unable to hire, retain or motivate our employees, we may not be able to grow or operate effectively, which may adversely affect our business and future prospects.
- Our business and success depend in part on our strategic relationships with third parties, including our partner ecosystem, and our business may be harmed if we fail to maintain or expand these relationships.
- Our reliance on third party providers could adversely affect our business.
- The acquisition of Formation Nation, Inc. and any future acquisitions or investments may divert management's attention, result in additional dilution or adversely affect our operating results.
- If we are unable to maintain effective internal control over financial reporting in the future, investors may lose confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline.
- Our business and services subject us to complex and evolving U.S. and foreign laws and regulations and any failure or perceived failure by us to comply with applicable laws and regulations may subject us to regulatory inquiries, claims, suits, and prosecutions, as well as changes in our service offerings, potential liabilities, or additional costs.

Note Regarding Third Party Information

This Quarterly Report on Form 10-Q includes market data and certain other statistical information and estimates that are based on reports and other publications from independent third party sources, as well as management's own good faith estimates and analyses. We believe these third party reports to be reputable, but have not independently verified the underlying data sources, methodologies, or assumptions. The reports and other publications referenced are generally available to the public and were not commissioned by LegalZoom. Information that is based on estimates, forecasts, projections, market research, or similar methodologies is inherently subject to uncertainties, and actual events or circumstances may differ materially from events and circumstances reflected in this information.

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Part I**Item 1. Condensed Consolidated Financial Statements (Unaudited)****LegalZoom.com, Inc.****Unaudited Condensed Consolidated Balance Sheets***(In thousands, except par values)*

	March 31, 2025	December 31, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 209,973	\$ 142,064
Accounts receivable, net of allowances of \$2,624 and \$2,121, respectively	17,935	8,511
Prepaid expenses and other current assets	20,437	17,926
Current assets held for sale	—	22,722
Total current assets	248,345	191,223
Property and equipment, net	60,167	59,788
Goodwill	141,131	63,318
Intangible assets, net	24,306	8,653
Operating lease right-of-use assets	14,220	7,189
Deferred income taxes	35,341	34,696
Available-for-sale debt security	1,588	1,377
Other assets	7,568	7,639
Total assets	<u>\$ 532,666</u>	<u>\$ 373,883</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 35,489	\$ 31,150
Accrued expenses and other current liabilities	72,447	57,928
Deferred revenue	211,094	174,643
Operating lease liabilities	3,465	1,861
Total current liabilities	322,495	265,582
Operating lease liabilities, non-current	11,147	6,018
Deferred revenue	352	381
Other liabilities	11,460	8,645
Total liabilities	<u>\$ 345,454</u>	<u>\$ 280,626</u>
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, \$0.001 par value; 100,000 shares authorized at March 31, 2025 and December 31, 2024, none issued or outstanding at March 31, 2025 and December 31, 2024	—	—
Common stock, \$0.001 par value; 1,000,000 shares authorized; 181,177 shares and 173,619 shares issued and outstanding at March 31, 2025 and December 31, 2024, respectively	182	175
Additional paid-in capital	1,250,279	1,161,538
Accumulated deficit	(1,064,190)	(1,069,317)
Accumulated other comprehensive income	941	861
Total stockholders' equity	<u>187,212</u>	<u>93,257</u>
Total liabilities and stockholders' equity	<u>\$ 532,666</u>	<u>\$ 373,883</u>

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

LegalZoom.com, Inc.
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2025	2024
Revenue	\$ 183,110	\$ 174,214
Cost of revenue	66,560	68,384
Gross profit	116,550	105,830
Operating expenses:		
Sales and marketing	61,378	53,753
Technology and development	21,322	23,957
General and administrative	39,221	23,065
Gain on sale of assets held for sale	(14,337)	—
Total operating expenses	107,584	100,775
Income from operations	8,966	5,055
Interest expense	(182)	(61)
Interest income	1,483	2,887
Other income, net	347	93
Income before income taxes	10,614	7,974
Provision for income taxes	5,487	3,230
Net income	\$ 5,127	\$ 4,744
Net income per share — basic:	\$ 0.03	\$ 0.03
Net income per share — diluted:	\$ 0.03	\$ 0.02
Weighted-average shares used to compute net income per share — basic:	176,829	188,618
Weighted-average shares used to compute net income per share — diluted:	180,616	193,397

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

LegalZoom.com, Inc.
Unaudited Condensed Consolidated Statements of Comprehensive Income
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Net income	\$ 5,127	\$ 4,744
Other comprehensive income, net of tax:		
Change in foreign currency translation adjustments	(73)	296
Change in available-for-sale debt security due to unrealized gains	153	—
Total other comprehensive income	80	296
Total comprehensive income	<u>\$ 5,207</u>	<u>\$ 5,040</u>

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

LegalZoom.com, Inc.

Unaudited Condensed Consolidated Statements of Stockholders' Equity
(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2024	173,619	\$ 175	\$ 1,161,538	\$ (1,069,317)	\$ 861	\$ 93,257
Issuance of common stock upon exercise of stock options	4,473	4	43,543	—	—	43,547
Issuance of common stock upon vesting of restricted stock unit awards	1,525	2	(2)	—	—	—
Shares surrendered for settlement of minimum statutory tax withholdings	(645)	(1)	(5,941)	—	—	(5,942)
Stock-based compensation	—	—	31,096	—	—	31,096
Other comprehensive income	—	—	—	—	80	80
Net income	—	—	—	5,127	—	5,127
Issuance of common stock for acquisition	2,205	2	20,045	—	—	20,047
Balance at March 31, 2025	181,177	\$ 182	\$ 1,250,279	\$ (1,064,190)	\$ 941	\$ 187,212

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Equity
	Shares	Amount				
Balance at December 31, 2023	188,538	\$ 189	\$ 1,101,474	\$ (933,061)	\$ 232	\$ 168,834
Issuance of common stock upon exercise of stock options	161	—	82	—	—	82
Issuance of common stock upon vesting of restricted stock unit awards	2,236	2	(2)	—	—	—
Shares surrendered for settlement of minimum statutory tax withholdings	(888)	—	(9,564)	—	—	(9,564)
Stock-based compensation	—	—	16,273	—	—	16,273
Repurchase and retirement of common stock	(1,172)	(1)	—	(12,758)	—	(12,759)
Other comprehensive income	—	—	—	—	296	296
Net income	—	—	—	4,744	—	4,744
Balance at March 31, 2024	188,875	\$ 190	\$ 1,108,263	\$ (941,075)	\$ 528	\$ 167,906

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

LegalZoom.com, Inc.
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Three Months Ended March 31,	
	2025	2024
Cash flows from operating activities		
Net income	\$ 5,127	\$ 4,744
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,406	7,670
Amortization of right-of-use assets	618	687
Amortization of debt issuance costs	56	57
Stock-based compensation	29,756	14,856
Deferred income taxes	1,996	1,263
Change in fair value of other equity security	(302)	—
Unrealized foreign exchange loss	76	346
Gain on sale of assets held for sale	(14,337)	—
Loss on disposal of property and equipment	99	—
Changes in operating assets and liabilities:		
Accounts receivable	(9,148)	(3,989)
Prepaid expenses and other current assets	(2,238)	(2,758)
Other assets	204	44
Accounts payable	5,329	1,428
Accrued expenses and other liabilities	(3,247)	(9,086)
Operating lease liabilities	(536)	(606)
Income tax payable	6	(55)
Deferred revenue	26,838	19,593
Net cash provided by operating activities	<u>50,703</u>	<u>34,194</u>
Cash flows from investing activities		
Acquisition, net of cash acquired	(48,123)	—
Proceeds from disposal of assets held for sale	37,051	—
Purchase of property and equipment	(9,378)	(9,477)
Net cash used in investing activities	<u>(20,450)</u>	<u>(9,477)</u>
Cash flows from financing activities		
Repayment of capital lease obligations	(2)	(6)
Repurchase of common stock	—	(12,783)
Shares surrendered for settlement of minimum statutory tax withholding	(5,942)	(9,564)
Proceeds from issuance of stock under employee stock plans	43,548	82
Net cash provided by (used in) financing activities	<u>37,604</u>	<u>(22,271)</u>
Effect of exchange rate changes on cash and cash equivalents	52	(36)
Net increase in cash and cash equivalents	67,909	2,410
Cash and cash equivalents, at beginning of the period	142,064	225,719
Cash and cash equivalents, at end of the period	<u>\$ 209,973</u>	<u>\$ 228,129</u>
Non-cash operating, investing, and financing activities:		
Acquisition-related deferred consideration	\$ 13,058	\$ —
Issuance of common stock for business acquired	20,048	—

	Three Months Ended March 31,	
Purchase of property and equipment included in accounts payable and accrued expenses and other current liabilities	855	3,004
Capitalized stock-based compensation	1,340	1,417
Right-of-use assets obtained in exchange of operating lease liabilities (excluding right-of-use assets acquired as part of business acquisition)	3,764	—

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

LegalZoom.com, Inc.

Notes to Unaudited Condensed Consolidated Financial Statements

Note 1. Description of the Business

LegalZoom.com, Inc., was initially formed as a California corporation in 1999 and reincorporated as a Delaware corporation in 2007. LegalZoom.com, Inc., and its wholly owned subsidiaries, are referred to herein as the “Company”, “we,” “us,” or “our”.

LegalZoom is a leading online platform for legal services, transforming how individuals and small businesses navigate the legal system. By combining intuitive technology with access to experienced attorneys—whether through our vast independent attorney network or our owned LegalZoom Legal Services (LZLS) law firm—we offer the tools and guidance people need to confidently manage everything from business formation and compliance to estate planning and ongoing legal support. With over two decades of experience and millions of customers served, LegalZoom helps individuals and small businesses navigate legal needs with confidence.

Note 2. Summary of Significant Accounting Policies

A summary of the significant accounting policies we follow in the preparation of the accompanying unaudited condensed consolidated financial statements is set forth below.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America, or GAAP, for interim financial information. Certain information and disclosures normally included in consolidated financial statements prepared in accordance with GAAP have been condensed or omitted. Accordingly, these unaudited condensed consolidated financial statements should be read in conjunction with our audited consolidated financial statements and the related notes thereto included in the Annual Report on Form 10-K for the year ended December 31, 2024. The December 31, 2024 unaudited condensed consolidated balance sheet was derived from our audited consolidated financial statements as of that date. Our unaudited condensed consolidated financial statements include, in the opinion of management, all adjustments, consisting of normal and recurring items, necessary for the fair statement of the unaudited condensed consolidated financial statements. All intercompany balances and transactions have been eliminated in consolidation. There have been no significant changes in accounting policies during the three months ended March 31, 2025 from those disclosed in the audited consolidated financial statements for the year ended December 31, 2024 and the related notes, except as noted below under *Recently Adopted Accounting Pronouncements*.

The operating results for the three months ended March 31, 2025 are not necessarily indicative of the results expected for the full year ending December 31, 2025.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosures of contingent liabilities in the consolidated financial statements and accompanying notes. Estimates are used for, however not limited to, revenue recognition, sales allowances and expected credit loss allowances, available-for-sale debt securities, other equity securities, recoverability of long-lived assets and goodwill, income taxes, commitments and contingencies, valuation of assets and liabilities acquired in business combinations, valuation of assets in asset acquisitions, and fair value of stock-based compensation. Actual results could differ materially from those estimates. On an ongoing basis, we evaluate the estimates compared to historical experience and other factors including the current economic and regulatory environment, which form the basis for our judgments about the carrying value of assets and liabilities.

Significant Accounting Policies

Significant accounting policies are detailed in Note 2. Summary of Significant Accounting Policies of our Annual Report on Form 10-K for the year ended December 31, 2024.

Segment and Geographic Information

Our Chief Executive Officer, as the Chief Operating Decision Maker, organizes our company, manages resource allocations, and measures performance on the basis of one operating segment. Refer to Note 13 to our unaudited condensed consolidated financial statements.

Revenue outside of the U.S., based on the location of the customer, represented less than 1% of our unaudited consolidated revenue for the three months ended March 31, 2025 and 2024. Our property and equipment and right-of-use, or ROU, assets located outside of the U.S. were immaterial as of March 31, 2025 and December 31, 2024.

Concentrations of Credit Risk

We maintain accounts in U.S. banks with funds insured by the Federal Deposit Insurance Corporation, or FDIC. Our bank accounts may, at times, exceed the FDIC insured limits. Financial instruments that potentially subject us to credit risk consist principally of cash and cash equivalents. Management believes that we are not exposed to any significant credit risk related to our cash or cash equivalents and have not experienced any losses in such accounts.

Due to a large and diverse customer base, no individual customer represented more than 10% of our total revenue for the three months ended March 31, 2025 and 2024. At March 31, 2025, there were two partners with an outstanding balance of 10% or more of our total accounts receivable balance. At December 31, 2024, there were no customers with an outstanding balance of 10% or more of our total accounts receivable balance.

Accounts Receivable and Allowance for Credit Losses

Our accounts receivable balances, which are not collateralized and do not bear interest, primarily consist of amounts receivable from our credit and debit card merchant processors, customer receivables, and fees due from third parties for services purchased by our customers from such third parties. We reduce our accounts receivable for sales allowances and a reserve for potentially uncollectible receivables. We determine the amount of the allowances based on various factors, including historical collection experience, the age of the accounts receivable balances, credit quality of our customers, current economic conditions, reasonable and supportable forecasts of future economic conditions, and other factors that may affect our ability to collect from customers. Account balances are charged off against the allowance when we determine that it is not probable we will collect the receivable. At March 31, 2025 and December 31, 2024 the allowance for credit losses was not material.

Investments in Other Equity Securities

We hold an equity investment in LawPath, Pty Ltd, or LawPath, an Australian proprietary limited company that provides an online legal platform to individuals and small and medium sized businesses. The carrying amount of our investment in LawPath was \$4.7 million and \$4.4 million at March 31, 2025 and December 31, 2024, respectively. The change in the carrying amount was due to an observable price change in an orderly transaction.

Revenue Recognition

We derive our revenue from the following sources:

Transaction revenue—Transaction revenue is primarily generated from our customized legal document services upon fulfillment of these services. Transaction revenue includes filing fees and is net of cancellations, promotional discounts, sales allowances and credit reserves. We also earn fees from third-party providers in connection with lead generation activities, where referred customers purchased services that are transactional in nature.

Subscription revenue—Subscription revenue is generated primarily from subscriptions to our registered agent, compliance packages, attorney advice, legal forms, tax and accounting, virtual mail and e-signature services, and software-as-a-service, or SaaS, subscriptions. We generally recognize revenue from our subscriptions ratably over the subscription term. Subscription terms generally range from thirty days to one year. Subscription revenue also includes amounts earned from third-party providers in connection with lead generation activities, where referred customers purchased services that are subscription in nature. Subscription revenue includes the transaction price allocated to bundled free trials for our subscription services and is net of promotional discounts, cancellations, sales allowances and credit reserves and payments to third party service providers.

For transaction and subscription revenue, we generally collect payments and fees at the time orders are placed and prior to services being rendered. We record amounts collected for services that have not been performed as deferred revenue on our consolidated balance sheet. The transaction price that we record is generally based on the contractual amounts and is reduced for estimated sales allowances for price concessions, charge-backs, sales credits and refunds, which are accounted for as variable consideration when estimating the amount of revenue to recognize.

Our transaction and subscription revenue is as follows (in thousands):

	Three Months Ended March 31,	
	2025	2024
Transaction	\$ 66,853	\$ 66,317
Subscription	116,257	107,897
Total revenue	<u>\$ 183,110</u>	<u>\$ 174,214</u>

Recently Adopted Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We adopted ASU 2023-07 in 2024. Refer to Note 13 to our unaudited condensed consolidated financial statements.

In March 2024, the FASB issued ASU 2024-01, which clarifies how an entity determines whether a profits interest or similar award is a share-based payment arrangement that is within the scope of ASC 718, *Compensation - Stock Compensation*. This accounting standard is effective for fiscal years beginning after December 15, 2024, including interim periods within those years, and early adoption is permitted. ASU 2024-01 can be applied retrospectively to all prior periods presented in the financial statements or prospectively to profits interest and similar awards granted or modified on or after the date at which the entity first applies this accounting standard. We early adopted ASU 2024-01 effective January 1, 2024 and will apply the amendments prospectively to profits interest and similar awards granted or modified on or after January 1, 2024. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements* to amend a variety of topics in the accounting codification by removing references to various FASB concepts statements. This accounting standard is effective for fiscal years beginning after December 15, 2024, and early adoption is permitted. ASU 2024-02 can be applied retrospectively to the beginning of the earliest comparative period presented in which the amendments were first applied or prospectively to all new transactions recognized on or after the date that the entity first applies the amendments. We early adopted ASU 2024-02 effective January 1, 2024 and will apply the amendments prospectively to all new transactions recognized on or after January 1, 2024. The adoption of this accounting standard did not have a material impact on our consolidated financial statements.

Accounting Pronouncements Not Yet Adopted

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires entities to disclose more detailed information in the reconciliation of their statutory tax rate to their effective tax rate as well as disclosures of income taxes paid disaggregated by jurisdiction. This accounting standard is effective for the fiscal year ending December 31, 2025, and will be applied prospectively with an option for retroactive application to each period in the financial statements. We are currently evaluating the impact of the adoption on our consolidated financial statements.

In November 2024, FASB issued ASU 2024-03, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires public business entities to disaggregate certain expense captions into specific categories in disclosures within the notes to the financial statements. As further clarified by ASU 2025-01, *Income Statement—Reporting Comprehensive Income—Expense Disaggregation Disclosures (Subtopic 220-40)*, issued by FASB in January 2025, this accounting standard is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. The amendments in ASU 2024-03 should be applied either prospectively or retrospectively to any or all prior periods presented in the financial statements, and early adoption is permitted. We are currently evaluating the impact of the adoption on our consolidated financial statements.

In November 2024, FASB issued ASU 2024-04, *Debt—Debt with Conversion and Other Options (Subtopic 470-20): Induced Conversions of Convertible Debt Instruments*, which clarifies the requirements for determining whether certain settlements of convertible debt instruments should be accounted for as an induced conversion. ASU 2024-04 is effective for annual reporting periods beginning after December 15, 2025, and interim reporting periods within those annual reporting periods. Early adoption is permitted as of the beginning of a reporting period if the entity has also adopted ASU 2020-06 for that period. Entities may apply the new guidance prospectively to settlements of convertible debt instruments that take place during annual reporting

periods (and interim reporting periods within those annual reporting periods) beginning after the effective date of ASU 2024-04. Retrospective application may be elected as of the beginning of the first comparative reporting period in which the entity has also applied ASU 2020-06. We are currently evaluating the impact of the adoption on our consolidated financial statements.

Note 3. Other Financial Statement Information

Accounts Receivable

Changes in the allowances consisted of the following (in thousands):

	Three Months Ended March 31,	
	2025	2024
Beginning balance	\$ 2,121	\$ 4,906
Add: amounts recognized as a reduction of revenue	1,236	1,545
Add (less): allowance for credit losses recognized in general and administrative expense	40	(154)
Less: write-offs, net of recoveries	(773)	(2,864)
Ending balance	<u>\$ 2,624</u>	<u>\$ 3,433</u>

The allowance recognized as a reduction of revenue primarily relates to our installment plan receivables for which we expect we will not be entitled to a portion of the transaction price based on our historical experience with similar transactions. The allowance recognized against general and administrative expense represents an allowance relating to receivables from partners that are no longer considered collectible.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
Prepaid expenses	\$ 11,135	\$ 9,129
Deferred cost of revenue	3,789	1,670
Capitalized cloud computing development costs	1,557	1,599
Income tax receivable	1,542	3,701
Other current assets	2,414	1,827
Total prepaid expenses and other current assets	<u>\$ 20,437</u>	<u>\$ 17,926</u>

Goodwill

The following table presents the changes in the carrying amount of goodwill (in thousands):

	Amount
Balance as of December 31, 2024	\$ 63,318
Acquisition ⁽¹⁾	77,813
Balance as of March 31, 2025	<u>\$ 141,131</u>

(1) Amounts relate to the acquisition of Formation Nation, Inc., or Formation Nation. Refer to Note 5. Acquisition to our condensed consolidated financial statements.

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following (in thousands):

	March 31, 2025	December 31, 2024
Accrued payroll and related expenses	\$ 19,652	\$ 27,518
Accrued vendor payables	22,719	15,895
Accrued advertising	692	1,636
Sales allowances	3,079	3,086
Accrued sales, use and business taxes	9,107	6,984
Deferred consideration relating to business acquired	12,957	—
Other	4,241	2,809
Total accrued expenses and other current liabilities	<u>\$ 72,447</u>	<u>\$ 57,928</u>

Deferred revenue

Deferred revenue as of March 31, 2025 and December 31, 2024 was \$211.4 million and \$175.0 million, respectively. Revenue recognized in the three months ended March 31, 2025 and 2024 that was included in deferred revenue as of December 31, 2024 and 2023 was \$85.4 million and \$84.1 million, respectively.

We have omitted disclosure on the transaction price allocated to remaining performance obligations and the estimated timing of revenue recognition, as our contracts with customers that have a duration of more than one year are immaterial.

Depreciation and Amortization

Depreciation and amortization expense of our property and equipment, including capitalized internal-use software, and intangible assets consisted of the following (in thousands):

	Three Months Ended March 31,	
	2025	2024
Cost of revenue	\$ 5,115	\$ 4,467
Sales and marketing	1,715	799
Technology and development	2,220	1,477
General and administrative	1,356	927
Total depreciation and amortization expense	<u>\$ 10,406</u>	<u>\$ 7,670</u>

Note 4. Sale of Assets Held for Sale

In September 2022, following an evaluation of our office space and business requirements, we determined that our operational headquarters property at 9900 Spectrum Drive in Austin, Texas was no longer aligned with operational needs due to an increased shift to remote work. As a result, we initiated plans to sell the property consisting of land, a building and building improvements, and classified these assets as held for sale.

On September 24, 2024, we entered into a binding purchase and sale agreement for this property with Round Rock Independent School District. The sale was completed on March 31, 2025, and we received net cash proceeds of approximately \$37.1 million after deducting selling costs such as brokerage commissions, title fees, and asset disposal costs.

Prior to completion of the sale, the property had a carrying value of \$22.7 million. As a result of the sale, we recognized a gain of \$14.3 million. This gain is recorded in income from operations on the condensed consolidated statement of operations.

As of March 31, 2025, the property is fully derecognized from the balance sheet, and no amounts remain to be classified as held for sale.

Note 5. Acquisition

Formation Nation, Inc.

On February 10, 2025, we acquired all of the outstanding equity interests of Formation Nation, Inc. in exchange for a total consideration of \$83.2 million consisting of cash and equity consideration comprising

2,205,445 restricted shares of our common stock. The shares are subject to a lock-up and voting agreement, and a portion of the cash consideration is subject to a one-year holdback and customary adjustments. Upon closing of the transaction, Formation Nation and its subsidiaries – including Inc Authority, LLC and Nevada Corporate Headquarters, Inc. – became wholly owned subsidiaries of LegalZoom.

Formation Nation is a Nevada-based small business services company with a range of legal and business solutions, from highly personalized offerings, to lower-cost value options. The acquisition of Formation Nation, along with its subsidiaries, was completed in order to accelerate our strategy of attracting higher value customers by leveraging Formation Nation’s best-in-class customer service teams, expand our portfolio of offerings, and enable us to reach a broader customer base.

The acquisition meets the criteria to be accounted for as a business combination which requires, among other things, that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date and that the difference between the fair value of the consideration paid for the acquired entity and the fair value of net assets acquired be recorded as goodwill, which is not amortized but is tested at least annually for impairment.

The acquisition-date preliminary fair value of consideration transferred is as follows (in thousands):

Cash paid at close	\$	50,076
Equity consideration		20,048
Deferred cash consideration		13,058
Total consideration transferred	\$	<u>83,182</u>

The fair value of equity issued to the selling shareholder was determined based on the closing price of the Company’s common stock immediately prior to acquisition.

Approximately \$12.9 million of the consideration was deferred to satisfy any necessary adjustments, including without limitation, indemnification claims related to general representations and warranties, any net working capital adjustments and deferred change in control bonuses. This deferred consideration is expected to be settled in cash after a 12-month holdback period, net of any amounts necessary to satisfy all unsatisfied or disputed claims for indemnification and net working capital adjustments. An additional \$0.2 million in consideration is payable in two installments on the one- and two-year anniversary of the acquisition date. The current portion of deferred consideration was recognized within accrued expenses and other current liabilities and the non-current portion was recognized within other liabilities on our condensed consolidated balance sheet based on their respective due dates.

The identifiable assets acquired and liabilities assumed were recorded at their preliminary fair values as of the acquisition date and consolidated with those of the Company based on management’s estimates and assumptions. Assigning fair market values to the assets acquired and liabilities assumed at the date of an acquisition requires the use of significant judgments regarding estimates and assumptions that may change during the measurement period, which will not exceed one year from the acquisition date. The estimated fair values of the customer relationships were calculated using income and cost approaches, including the multi-period excess earnings method. The estimated fair values of developed technology and in-process research & development were calculated using cost approaches, and the estimated fair value of trade names was calculated using the relief from royalty method.

Goodwill represents the excess of the purchase price over the identifiable net assets acquired arising from the business combination. The goodwill related to the acquisition was attributable largely to the assembled workforce and synergies expected from combining our operations, and is not deductible for tax purposes.

The following table summarizes the preliminary allocation of the purchase consideration to the assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents	\$	1,953
Accounts receivable		276
Prepaid expenses and other current assets		257
Operating lease right-of-use assets		3,884
Other assets		80
Intangible assets		17,300
Goodwill		77,813
Total assets acquired	\$	<u>101,563</u>
Accounts payable	\$	535
Accrued expenses and other current liabilities		4,744
Operating lease liabilities, current and non-current		3,504
Deferred revenue		9,582
Other liabilities		16
Net assets acquired	\$	<u><u>83,182</u></u>

The following table summarizes the preliminary valuation of acquired intangible assets and estimated useful lives as of the acquisition date (in thousands, except years):

	Fair Value	Estimated remaining useful life
Customer relationships	\$ 11,200	5
Developed technology	3,400	4
Trade names	2,500	5
In-process research & development	200	N/A
Total identifiable intangible assets	<u>\$ 17,300</u>	

Acquisition costs related to this transaction of approximately \$1.5 million were expensed as incurred and are included in general and administrative expenses on the unaudited condensed consolidated statements of operations.

Results of Formation Nation, inclusive of any synergy effects, cross-selling, or cross-marketing benefits, have been included within the unaudited condensed consolidated financial statements since February 10, 2025, the date of the acquisition. Revenue and net loss attributable to Formation Nation included within the unaudited condensed consolidated statements of operations since the acquisition date were approximately \$8.6 million and \$0.8 million, respectively, for the three months ended March 31, 2025.

Pro forma revenues and results of operations for this acquisition have not been presented as the impact on our consolidated financial statements would be immaterial.

Note 6. Long-term Debt

On July 2, 2021, we entered into an amended and restated credit and guaranty agreement, or 2021 Revolving Facility, providing for revolving borrowings of up to \$150.0 million with an availability period of five years. Under the 2021 Revolving Facility, we can use up to \$20.0 million in letters of credit and up to

\$10.0 million in borrowings on same-day notice, referred to as swingline loans. Additional debt issuance costs of \$0.8 million were allocated to the 2021 Revolving Facility.

On May 5, 2023, we entered into an amendment to the 2021 Revolving Facility to replace the LIBOR interest rate benchmark with the Secured Overnight Financing Rate, or SOFR, benchmark, with a 0.10% credit spread adjustment to the SOFR benchmark, or Adjusted Term SOFR, for all available interest periods, provided that if the Adjusted Term SOFR is less than zero, the Adjusted Term SOFR shall be deemed to be zero. Other than the foregoing, the remaining terms of the 2021 Revolving Facility remained unchanged. The interest rate applicable to the 2021 Revolving Facility is subject to a 1.0% floor and is a rate equal to the greatest of (i) the administrative agent's prime rate (ii) the federal funds effective rate plus 1/2 of 1.0% or (iii) Adjusted Term SOFR plus 1.0%.

The interest rate margins under the 2021 Revolving Facility are subject to a reduction of 0.25% and a further reduction of 0.25% upon achieving total net first lien leverage ratios of 3.50 to 1.00 and 2.50 to 1.00, respectively. We are required to pay a commitment fee in respect of unutilized commitments under the 2021 Revolving Facility. The commitment fee is, initially, 0.35% per annum. The commitment fee is subject to a reduction of 0.10% if the total net first lien leverage ratio does not exceed 3.50 to 1.00. We are also required to pay customary letter of credit fees and agency fees. We have the option to voluntarily repay outstanding loans under the 2021 Revolving Facility at any time without premium or penalty, other than customary "breakage" costs with respect to SOFR loans. There is no scheduled amortization under the 2021 Revolving Facility. Any principal amount outstanding is due and payable in full at maturity, five years from the closing date of the 2021 Revolving Facility. Obligations under the 2021 Revolving Facility are guaranteed by our existing and future direct and indirect material wholly-owned domestic subsidiaries, subject to certain exceptions. The 2021 Revolving Facility is secured by a first-priority security interest in substantially all of our assets, subject to certain exceptions.

The 2021 Revolving Facility contains a number of covenants that, among other things, subject to certain exceptions, restrict our ability and the ability of our restricted subsidiaries to incur additional indebtedness and guarantee indebtedness; create or incur liens; pay dividends and distributions or repurchase capital stock; merge, liquidate and make asset sales; change lines of business; change our fiscal year; incur restrictions on our subsidiaries' ability to make distributions and create liens; modify our organizational documents; make investments, loans and advances; and enter into certain transactions with affiliates.

The 2021 Revolving Facility requires compliance with a total net first lien leverage ratio not to exceed 4.50 to 1.00, or the Financial Covenant. The Financial Covenant will be tested at quarter-end only if the total principal amount of all revolving loans, swingline loans and drawn letters of credit that have not been reimbursed exceeds 35% of the total commitments under the 2021 Revolving Facility on the last day of such fiscal quarter.

At March 31, 2025 and December 31, 2024, we had no amounts outstanding under our 2021 Revolving Facility or any outstanding letters of credit and we were in compliance with all financial covenants.

Note 7. Commitments and Contingencies

Legal Proceedings

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any material legal proceedings, nor are we aware of any pending or threatened litigation that could have a material adverse effect on our results of operations, cash flows, and financial condition, should such litigation be resolved unfavorably.

Indemnifications

Indemnification provisions in our third party service provider agreements provide that we will indemnify, hold harmless, and reimburse the indemnified parties on a case-by-case basis for losses suffered or incurred by the indemnified parties in connection with any claim by any third party as a result of our website, advertising, marketing, payment processing, collection or customer service activities. The maximum potential amount of future payments we could be required to make under these indemnification provisions is indeterminable.

No amounts have been accrued or have been paid during any period presented as we believe the fair value of these indemnification obligations is immaterial.

Note 8. Stockholders' Equity

Stock Repurchase Program

In October 2023, our board of directors approved a stock repurchase program authorizing repurchases of up to \$100.0 million of our common stock, with no fixed expiration. In May 2024, our board of directors approved a \$75.0 million increase in the stock repurchase program, bringing the aggregate amount authorized to \$175.0 million. In November 2024, our board of directors approved an additional \$40.0 million increase in the stock repurchase program, bringing the aggregate amount authorized to \$215.0 million. Under this program, we are authorized to repurchase our common stock through any manner, including open market transactions, accelerated stock repurchase agreements, or privately negotiated transactions with third parties, and in such amounts as management deems appropriate. Open market repurchases may be structured to occur in accordance with applicable federal securities laws, including within the pricing and volume requirements of Rule 10b-18 under the Securities Exchange Act of 1934, as amended. We may also, from time to time, enter into Rule 10b5-1 plans to facilitate repurchases of our shares of common stock under this authorization. This program does not obligate us to repurchase any particular amount of common stock and may be modified, suspended or terminated at any time at the discretion of our board of directors. Shares repurchased under our stock repurchase program are purchased for immediate retirement.

There were no repurchases of the Company's common stock during the three months ended March 31, 2025. Approximately \$50.0 million remained available for future repurchases of the Company's common stock under the stock repurchase program as of March 31, 2025. Refer to Note 14. Subsequent Events to our condensed consolidated financial statements for additional information.

The Inflation Reduction Act of 2022, enacted in August 2022, imposed a 1% non-deductible excise tax on net repurchases of shares by domestic corporations whose stock is traded on an established securities market. Consequently, this excise tax is applicable to shares of stock repurchased pursuant to our stock repurchase program beginning in 2023 and represents a cost of the repurchases of our common stock. We have not recognized an excise tax liability as of March 31, 2025, as there were no stock repurchases for the three months ended March 31, 2025.

Note 9. Stock-based Compensation

Stock-based Compensation Expense

We recorded stock-based compensation expense in the following categories in the accompanying unaudited condensed consolidated statements of operations and balance sheets (in thousands):

	Three Months Ended March 31,	
	2025	2024
Cost of revenue	\$ 1,260	\$ 1,593
Sales and marketing	3,767	1,579
Technology and development	4,024	5,703
General and administrative	\$ 20,705	\$ 5,981
Total stock-based compensation expense	29,756	14,856
Amount capitalized to internal-use software	1,340	1,417
Total stock-based compensation	\$ 31,096	\$ 16,273

Restricted Stock Units

During the three months ended March 31, 2025, we granted 5.3 million restricted stock units, or RSUs, with a total grant date fair value of \$52.3 million to various employees. RSUs are measured based on the fair market value of the underlying stock on the date of grant and recognized as expense over the requisite service period.

Note 10. Income Taxes

We recorded a provision for income taxes of \$5.5 million and \$3.2 million for the three months ended March 31, 2025 and 2024, respectively. The effective tax rate for the three months ended March 31, 2025 and

2024 was 52% and 41%, respectively. The difference from the federal statutory rate of 21% is primarily due to the recognition of significant non-deductible stock-based compensation and other discrete adjustments.

Gross unrecognized tax benefits were \$14.8 million and \$13.4 million as of March 31, 2025 and December 31, 2024, respectively. The gross unrecognized tax benefits, if recognized by us, will result in a reduction of approximately \$14.1 million, excluding interest and penalties, to the provision for income taxes, thereby favorably impacting our effective tax rate. Our policy is to recognize interest and penalties related to income tax matters in income tax expense. For the periods presented, interest and penalties related to income tax positions were not material to our unaudited condensed consolidated financial statements.

We are subject to taxation and file income tax returns in the U.S. federal, state, and foreign jurisdictions. The federal income tax returns for the years 2021 and forward and state income tax returns for the tax years 2008 and forward remain open to examination. We are under examination in two states which are not expected to have an impact on our results of operations, cash flows and financial condition.

Note 11. Net Income Per Share

The following table shows the computation of basic and diluted net income per share (in thousands, except per share amounts):

	Three Months Ended March 31,	
	2025	2024
Numerator:		
Net income	\$ 5,127	\$ 4,744
Denominator:		
Weighted-average common stock used in computing net income per share — basic	176,829	188,618
Effect of potentially dilutive securities		
Options to purchase common stock	60	2,055
RSUs	3,713	2,718
Employee stock purchase plan	14	6
Weighted-average common stock used in computing net income per share — diluted	180,616	193,397
Net income per share — basic	\$ 0.03	\$ 0.03
Net income per share — diluted	\$ 0.03	\$ 0.02

The following table presents the number of stock options, RSUs, and PSUs excluded from the calculation of diluted net income per share because they are anti-dilutive (in thousands):

	Three Months Ended March 31,	
	2025	2024
Options to purchase common stock	10,298	6,910
RSUs ⁽¹⁾	22,495	5,223
Employee stock purchase plan	12	30
Total	32,805	12,163

(1) For the three months ended March 31, 2025, anti-dilutive RSUs include RSU awards with a market vesting condition granted in July 2024 and reflected at 200% of target, and RSU awards with market vesting condition granted in November 2024 and reflected at 325% of target.

Note 12. Fair Value Measurements

Fair value is defined as the price that would be received from selling an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The standard establishes a fair value hierarchy based on the level of independent, objective evidence surrounding the inputs used to measure fair value. A financial instrument's categorization within the fair value hierarchy is based

upon the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is as follows:

Level 1 — Quoted prices in active markets for identical assets and liabilities.

Level 2 — Quoted prices for identical assets and liabilities in markets that are not active, quoted prices for similar assets and liabilities in active markets or financial instruments for which significant inputs are observable, either directly or indirectly.

Level 3 — Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

At March 31, 2025 and December 31, 2024, our financial assets recorded at fair value on a recurring basis consist of cash equivalents and available-for-sale debt security. The cash equivalents consist of money market funds valued using quoted prices in active markets, which represents Level 1 inputs in the fair value hierarchy. As of March 31, 2025, the fair value of our available-for-sale debt security was valued based on the expected proceeds from a pending sale transaction scheduled to close during the second quarter 2025. Given the observable nature of the transaction terms, the investment is classified as a Level 2 input in the fair value hierarchy.

The carrying amounts of accounts receivable, accounts payable and accrued expenses and other current liabilities approximate fair values because of the short-term nature of these items.

The following tables summarize our assets and liabilities that are measured at fair value on a recurring basis, by level, within the fair value hierarchy (in thousands):

	As of March 31, 2025		
	Level 1	Level 2	Level 3
Available-for-sale debt security	\$ —	\$ 1,588	\$ —
Money market funds	148,916	—	—
Total assets	\$ 148,916	\$ 1,588	\$ —

	As of December 31, 2024		
	Level 1	Level 2	Level 3
Available-for-sale debt security	\$ —	\$ —	\$ 1,377
Money market funds	114,690	—	—
Total assets	\$ 114,690	\$ —	\$ 1,377

Note 13. Segment Information

Our Chief Executive Officer, as the Chief Operating Decision Maker, or CODM, organizes our company, manages resource allocations, and measures performance on the basis of one operating segment on a consolidated basis. The accounting policies of our operating segment are the same as those described in Note 2, *Summary of Significant Accounting Policies*. The CODM assesses performance for the segment and decides how to allocate resources based on net income (loss) that also is reported on the accompanying condensed consolidated statements of operations as consolidated net income (loss). The measure of segment assets is reported on the accompanying condensed consolidated balance sheets as total assets.

The CODM uses net income (loss) to evaluate income generated from segment assets in making key operating and segment resource allocation decisions, such as investments in new product development. Net income (loss) is also used to monitor budget versus actual results.

The Company has one reportable segment which provides an online platform for business formation in the United States, or U.S., and, as described in Note 2, *Summary of Significant Accounting Policies*, generates revenue from customized legal document services and subscriptions offered to our customers. Revenue outside of the U.S., based on the location of the customer, represented less than 1% of our unaudited consolidated revenue for the three months ended March 31, 2025 and 2024. Our property and equipment and ROU assets located outside of the U.S. were immaterial as of March 31, 2025 and 2024.

The following table summarizes financial information by reportable segment regularly provided to the CODM (in thousands):

	Three Months Ended March 31,	
	2025	2024
Transaction revenue	\$ 66,853	\$ 66,317
Subscription revenue	116,257	107,897
Total revenue	183,110	174,214
Less:		
Filings fees	25,219	24,813
Other cost of revenue, excluding depreciation, amortization and stock-based compensation	34,966	37,511
Customer acquisition marketing	44,215	40,563
Other sales and marketing, excluding depreciation, amortization and stock-based compensation	11,681	10,812
Technology and development, excluding depreciation, amortization and stock-based compensation	15,078	16,777
General and administrative, excluding depreciation, amortization, stock-based compensation, and restructuring	16,482	15,836
Stock-based compensation	29,756	14,856
Depreciation and amortization	10,406	7,670
Interest income	(1,483)	(2,887)
Interest expense	182	61
Restructuring ⁽¹⁾	678	321
Other segment items ⁽²⁾	(347)	(93)
Provision for income taxes	5,487	3,230
Gain on sale of assets held for sale	(14,337)	—
Segment net income	5,127	4,744
Reconciliation of profit or loss		
Adjustments and reconciling items	\$ —	\$ —
Consolidated net income	<u>\$ 5,127</u>	<u>\$ 4,744</u>

(1) For 2025 and 2024, restructuring costs related to the reduction of our U.S. headcount.

(2) Other segment items included in segment net income primarily consist of foreign currency gains or losses related to our intercompany loans which were denominated in British Pound Sterling, or GBP, and included in other income, net on the consolidated statements of operations.

Note 14. Subsequent Events

Subsequent to March 31, 2025, in May 2025, our Board of Directors approved a \$100.0 million increase in our stock repurchase program, bringing the aggregate amount authorized to \$315.0 million. As of the date of this filing, approximately \$150.0 million remained available for future repurchases of our common stock under the stock repurchase program. For additional information regarding our stock repurchase program, refer to Note 8 to our unaudited condensed consolidated financial statements.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our unaudited condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q, as well as Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operation" and Part II, Item 8, "Financial Statements and Supplementary Data" included in our 2024 Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on February 26, 2025 and our other filings with the SEC. The following discussion contains forward-looking statements based upon current plans, expectations and beliefs and that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those set forth in the "Risk Factors" section of this Quarterly Report on Form 10-Q. See "Forward-Looking Statements" preceding Part I of this Quarterly Report on Form 10-Q.

Overview

LegalZoom is a leading online platform for legal services, transforming how individuals and small businesses navigate the legal system. By combining intuitive technology with access to experienced attorneys—whether through our vast independent attorney network or LegalZoom Legal Services (LZLS) law firm—we offer the tools and guidance people need to confidently manage everything from business formation and compliance to estate planning and ongoing legal support. We operate across all 50 states and in over 3,000 counties in the U.S. With over two decades of experience and millions of customers served, LegalZoom helps individuals and small businesses navigate legal needs with confidence.

Recent Developments and Updates

- On February 10, 2025, we acquired all of the outstanding equity interests of Formation Nation, Inc., or Formation Nation, for total cash consideration of \$64.7 million (before any working capital adjustments) and equity consideration in the form of 2,205,445 restricted shares of our common stock. The cash consideration was reduced by \$1.6 million in the three months ended March 31, 2025 due to working capital adjustments and also includes deferred consideration of \$13.1 million. The shares are subject to a lock-up and voting agreement. Upon closing of the transaction, Formation Nation, Inc. and its subsidiaries – including Inc Authority, LLC and Nevada Corporate Headquarters, Inc. – became wholly owned subsidiaries of LegalZoom. Refer to Note 5. Acquisition to our unaudited condensed consolidated financial statements for additional information.
- In March 2025, we announced the appointment of Pratik Savai as our new Chief Technology Officer.
- On March 31, 2025, we closed on the sale of our real property located at 9900 Spectrum Drive, Austin, Texas 78717 for an aggregate purchase price of \$37.8 million. Net proceeds to us, after deducting selling costs, were \$37.1 million.

Key Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including the following:

- **Macroeconomic factors.** Adverse changes in, or uncertainty with respect to, general macroeconomic, political, regulatory and market conditions can negatively impact consumer spending patterns, the success of existing small businesses and the formation of new small businesses. While we continue to actively monitor the impacts of the evolving macroeconomic environment on all aspects of our business, future negative or decelerating impacts from factors such as inflation, tariffs, higher interest rates, regulatory obstacles or changes in laws and regulations remain uncertain.
- **Our share of business formations.** In the three months ended March 31, 2025 and 2024, business formations represented the largest share of our total transaction orders. Business formations act as an entrance point for many customers to the LegalZoom ecosystem, where they then often purchase a mix of transaction and subscription offerings alongside and after the initial formation transaction. As a result, our operating results depend on the continuation of new business formations in the U.S. and even more so, on our ability to increase our share of these formations.
- **Ability to enhance customer lifetime value.** Our future performance depends on our ability to integrate new products and services into our LegalZoom ecosystem and to increase recurring revenue through subscription offerings. As we continue to test new and existing products and services in order to optimize our product line-up, including testing various commercialization strategies for those offerings, we have experienced and we expect to continue to experience increased volatility across our key business metrics. In addition, in an effort to enhance customer lifetime value, we

intend to continue to invest in improving our customer experience, which includes investments in our educational content and improving our website and mobile experience.

- **Ability to integrate experts.** We believe that our expert offerings significantly expand our addressable market. We aim to increase the consumption of our higher-cost expert offerings through targeted cross-selling and promotion of our products, as well as by improving the platforms through which our customers and experts interact. The extent to which we are able to integrate experts into our LegalZoom ecosystem and increase the consumption of our expert offerings by new and existing customers will impact our future results of operations.

Key Business Metrics

In addition to the measures presented in our unaudited condensed consolidated financial statements, we regularly monitor the financial and operating metrics below to evaluate the growth of our business, measure the effectiveness of our marketing efforts, identify trends, formulate financial forecasts and make strategic decisions. For the three months ended March 31, 2025, Formation Nation is included in the key business metrics below starting on February 10, 2025, the date we acquired Formation Nation. Prior periods have not been recast.

Number of business formations

We define the number of business formations in a given period as the number of limited liability company, or LLC, incorporation, not-for-profit and doing business as, or DBA, orders placed on our platform in such period. We consider the number of business formations to be an important metric considering that it is typically the first product or service small business customers purchase on our platform, creating the foundation for additional products and subsequent subscription revenue as customers adopt additional products and services throughout the lifecycle of their business.

We believe that including customers filing DBAs on our platform provides a more accurate representation of the number of newly formed businesses we serve. These transactions are most often completed by sole proprietors who represent potential future transaction and subscription cross-sell opportunities as their businesses mature.

Furthermore, we believe our definition of the number of business formations is most closely aligned with U.S. Census reporting of new applications for Employer Identification Numbers, or EINs, which we believe to be the most relevant source of publicly available U.S. market data.

The below table sets forth the number of business formations for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Number of business formations	131	139

We experienced a 6% decrease in business formation transactions during the three months ended March 31, 2025 compared to the three months ended March 31, 2024, in part due to a continuing challenging macroeconomic environment, partially offset by our Formation Nation acquisition. Formation Nation contributed approximately 6% of total business formations during the three months ended March 31, 2025. Overall U.S. business formations declined by 5% during the three months ended March 31, 2025, compared to the three months ended March 31, 2024, based on a review of U.S. Census data revealing new applications for EINs.

Number of transactions

We define the number of transactions in a given period as gross transaction order volume, prior to refunds, on our platform during such period. Transactions may include one or more services purchased at the same time. For example, a customer of our business formation services may choose to form an LLC and purchase an operating agreement and business licenses at the same time. This constitutes a single transaction. Refunds, or partial refunds, may be issued under certain circumstances pursuant to the terms of our customer satisfaction guarantee. We consider the number of transactions to be an important metric

considering that our customers generally begin their LegalZoom journey with a transaction, creating the foundation for generating subsequent subscription revenue.

The below table sets forth the number of transactions for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Number of transactions	341	336

We experienced a 1% increase in the number of transactions during the three months ended March 31, 2025 compared to the three months ended March 31, 2024, primarily due to an increase in annual report filings from our compliance subscriber base and the inclusion of transactions from our Formation Nation acquisition. This increase was partially offset by lower beneficial ownership information report filings following a Financial Crimes Enforcement Network (FinCEN) ruling on March 21, 2025 that eliminated this filing requirement for U.S. companies.

Average order value

We define average order value for a given period as total transaction revenue divided by total number of transactions in such period. We consider average order value to be an important metric given that it indicates how much customers are spending on average on our platform per transaction.

The below table sets forth the average order value for the three months ended March 31, 2025 and 2024:

	Three Months Ended March 31,	
	2025	2024
Average order value	\$ 196	\$ 198

Average order value decreased 1% during the three months ended March 31, 2025 compared to the three months ended March 31, 2024. This change was driven by the recommercialization of certain business formation offerings, partially offset by a year-over-year increase in the price of our beneficial ownership information report.

Number of subscription units

We define the number of subscription units in a given period as the number of paid subscriptions at the end of such period, including those that are not yet 60 days past their subscription order dates. Refunds, or partial refunds, may be issued under certain circumstances pursuant to the terms of our customer satisfaction guarantee.

We consider the number of subscription units to be an important metric since subscriptions enable us to increase the lifetime value of a customer through deeper, longer-term relationships. In addition, as we continue to innovate our product line-up, including by testing varying price points for our products and evaluating our commercialization strategy, we believe the number of subscription units, when viewed together with the number of business formations during a particular period, provides insight into the effectiveness of our efforts to drive growth in our subscription business.

Subscriptions typically range from 30 days to one year in duration and the vast majority of our new subscriptions originate from business formation orders and have an annual term. Our customers can have multiple subscriptions at the end of a period. For example, a popular combination for a new small business owner is attorney advice and registered agent subscriptions.

The below table sets forth the number of subscription units as of March 31, 2025 and 2024:

	As of March 31,	
	2025	2024
	<i>(in thousands)</i>	
Number of subscription units	1,924	1,605

We achieved a 20% increase in subscription units from March 31, 2024 to March 31, 2025, primarily driven by an increase in forms and e-signature and accounting solution subscriptions from the bundling of these products into certain business formation offerings, and the inclusion of subscription units from our Formation Nation acquisition. This growth in subscription units as of March 31, 2025 was partially offset by the discontinuation of new customer acquisition for our tax offering.

On a sequential basis, the number of subscription units as of March 31, 2025 increased 9% from 1,766 thousand subscription units as of December 31, 2024.

Average revenue per subscription unit

We define average revenue per subscription unit, or ARPU, as of a given date as subscription revenue for the twelve-month period ended on such date, or LTM, divided by the average of the number of subscription units at the beginning and end of the LTM period. We consider ARPU to be an important metric because it helps to illustrate our ability to provide and monetize higher value subscriptions. In addition, when viewed together with subscription units, ARPU provides insight into the impact that higher-value subscriptions have on our ability to grow our subscription units.

The below table sets forth ARPU as of March 31, 2025 and 2024:

	As of March 31,	
	2025	2024
Average revenue per subscription unit	\$ 252	\$ 272

ARPU declined 7% as of March 31, 2025 compared to March 31, 2024 primarily due to a shift in mix towards our lower priced subscription offerings, including forms and e-signature and accounting solution subscriptions, from the bundling of these products into certain business formation offerings, as well as a decrease in our higher-priced tax subscription offering due to the discontinuation of new customer acquisition.

On a sequential basis, ARPU as of March 31, 2025 decreased 4% compared to December 31, 2024.

Annual small business retention rate

We define annual small business retention rate as the percentage of small business subscription units active as of the last day of the quarter one year ago that were still active subscriptions 12 months later. Small business subscription units represent our subscriptions targeted at our small business customers and include subscriptions for our registered agent and compliance services, our tax solution, our virtual mail, forms and eSignature solutions and our small business legal advisory plan, and exclude subscriptions from our enterprise customers, our prior operations in the U.K. and our consumer legal advisory plan. Annual small business retention rate includes both monthly and annual subscription units and reflects all subscription unit attrition, including as a result of actual business failures of certain of our customers. Our annual small business retention rate as of March 31, 2025 was approximately 60%, which was impacted by the anniversary of non-renewing annual forms and e-signature subscriptions that were bundled into certain business formation offerings.

The annual small business retention rate as of March 31, 2025 does not include the impact of Formation Nation, as we had no active Formation Nation subscriptions on the last day of the quarter one year ago.

We expect annual retention rate to fluctuate as we continue to test new products, subscription term lengths and price points and seek to optimize our product offerings across our lineup. While there may be a general correlation between annual small business retention rate and our ability to increase customer lifetime value and the growth of our customer base, we do not view it as a predictor of future revenue given the varying needs of a small business during its lifecycle and the varying use cases of the products underlying our subscription units.

Key Components of our Results of Operations

Revenue

We generate revenue from the following sources:

Transaction revenue—Transaction revenue is primarily generated from our customized legal document services upon fulfillment of these services. Transaction revenue includes filing fees and is net of cancellations, promotional discounts, sales allowances and credit reserves. We also earn fees from third-party providers in connection with lead generation activities, where referred customers purchased services that are transactional in nature.

Subscription revenue—Subscription revenue is generated primarily from subscriptions to our registered agent, compliance packages, attorney advice, legal forms, tax and accounting, virtual mail and e-signature services, and software-as-a-service, or SaaS, subscriptions. We generally recognize revenue from our subscriptions ratably over the subscription term. Subscription terms generally range from thirty days to one year. Subscription revenue also includes amounts earned from third-party providers in connection with lead generation activities, where referred customers purchased services that are subscription in nature. Subscription revenue includes the transaction price allocated to bundled free trials for our subscription services and is net of promotional discounts, cancellations, sales allowances and credit reserves and payments to third party service providers such as legal plan law firms.

For transaction and subscription revenue, we generally collect payments and fees at the time orders are placed and prior to services being rendered. We record amounts collected for services that have not been performed as deferred revenue on our consolidated balance sheet. The transaction price that we record is generally based on the contractual amounts and is reduced for estimated sales allowances for price concessions, charge-backs, sales credits and refunds, which are accounted for as variable consideration when estimating the amount of revenue to recognize.

See the section titled “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates—Revenue Recognition*” in our 2024 Annual Report on Form 10-K for a description of the accounting policies related to revenue recognition, including arrangements that contain multiple deliverables.

Cost of revenue

Cost of revenue includes all costs of providing and fulfilling our services. Cost of revenue primarily includes government filing fees, costs of fulfillment, customer care, including the cost of credentialed professionals for tax, and payroll services, and related benefits, including stock-based compensation, and costs of independent contractors for document preparation, telecommunications and data center costs, amortization of acquired developed technology, depreciation and amortization of network computers, equipment and internal-use software, printing, shipping and handling charges, credit and debit card fees, allocated overhead, legal document kit expenses, and sales and use taxes. We defer direct and incremental costs primarily related to government filing fees incurred prior to the associated service meeting the criteria for revenue recognition. These contract assets are recognized as cost of revenue in the same period the related revenue is recognized.

Gross profit and gross margin

Gross profit, or revenue less cost of revenue, and gross margin, or gross profit as a percentage of revenue, have been and will continue to be affected by various factors, primarily the mix between transaction and subscription revenue. Our long-term gross margin expansion is also expected to be driven by automation improvements and digitization efforts. Further, our acquisitions of other companies have negatively impacted our gross margin in the past, and any such future acquisitions could have a similar effect. Our gross margin could fluctuate from period to period due to fulfillment rates and seasonality.

Operating expenses

Our operating expenses consist primarily of sales and marketing, technology and development, general and administrative expenses, and to a lesser extent, impairments of goodwill, long-lived assets, other assets and gain on sale of assets held for sale.

Sales and marketing

Sales and marketing expenses consist of customer acquisition media costs, compensation and related benefits, including stock-based compensation for marketing and sales personnel, media production, public

relations and other promotional activities, general business development activities, an allocation of depreciation and amortization and allocated overhead. Customer acquisition media costs consist primarily of search engine marketing, television and social media costs. Marketing and advertising costs to promote our services are expensed in the period incurred. Media production costs are expensed the first time the advertisement is aired.

We intend to continue to invest in sales and marketing to drive additional revenue, further penetrate our expanding addressable market, and build on our digital brand leadership and awareness. We anticipate that sales and marketing expenses will continue to be our largest operating expense category for the foreseeable future.

Technology and development

Technology and development expenses consist primarily of personnel costs and related benefits, including stock-based compensation for technology and development personnel, expenses for outside consultants, an allocation of depreciation and amortization and allocated overhead. These expenses include costs incurred in the development and implementation of our products, websites, mobile applications, online legal platform, research and development and related infrastructure. Technology and development expenses are expensed as incurred, except to the extent that such costs are associated with internal-use software costs that qualify for capitalization.

Excluding stock-based compensation, we expect our technology and development expenses to remain relatively consistent as a percentage of our revenue for the foreseeable future, although our technology and development expenses may fluctuate as a percentage of our revenue from period-to-period due to seasonality and the timing and extent of these expenses.

General and administrative

Our general and administrative expenses relate primarily to compensation and related benefits, including stock-based compensation, for executive and corporate personnel, professional and consulting fees, an allocation of depreciation and amortization, allocated overhead and legal costs.

We expect our general and administrative expenses to decrease as a percentage of our revenue over the longer term. Our general and administrative expenses may fluctuate as a percentage of our revenue from period-to-period due to seasonality and the timing and extent of these expenses.

Gain on sale of assets held for sale

Gain on sale of assets held for sale relates to the sale of our operational headquarters on March 31, 2025.

Interest expense

Interest expense consists primarily of amortization of debt issuance costs related to our Amended and Restated Credit and Guaranty Agreement, or 2021 Revolving Facility.

We expect interest expense to remain insignificant in the near term as we have no outstanding indebtedness. However, we would incur interest expense in the longer term should we draw down on our 2021 Revolving Facility or incur other indebtedness.

Interest income

Interest income consists primarily of interest income generated from our investment in money market funds.

Income taxes

Our provision for income taxes consists of current and deferred federal, state and foreign income taxes.

We account for income taxes in accordance with Accounting Standard Codification 740, *Income Taxes*, which requires an estimate of the annual effective tax rate for the full year to be applied to the interim period, taking into account year-to-date amounts and projected results for the full year. Our effective tax rate could fluctuate significantly from quarter to quarter based on recurring and nonrecurring factors including, but not limited to: variations in the estimated and actual level of pre-tax income or loss by jurisdiction; changes in enacted tax laws and regulations, and interpretations thereof, including with respect to tax credits and state and local income taxes; developments in tax audits and other matters; recognition of excess tax benefits and

tax deficiencies from stock-based compensation and certain nondeductible expenses. Changes in judgment from the evaluation of new information resulting in the recognition, derecognition, or remeasurement of a tax position taken in a prior annual period are recognized separately in the quarter of the change.

Results of Operations

The following table sets forth our consolidated statement of operations data for each of the periods indicated. The period-to-period comparison of financial results should not be considered as a prediction or indicative of our future results:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Revenue	\$ 183,110	\$ 174,214
Cost of revenue ⁽¹⁾⁽²⁾	66,560	68,384
Gross profit	116,550	105,830
Operating expenses:		
Sales and marketing ⁽¹⁾⁽²⁾	61,378	53,753
Technology and development ⁽¹⁾⁽²⁾	21,322	23,957
General and administrative ⁽¹⁾⁽²⁾	39,221	23,065
Gain on sale of assets held for sale	(14,337)	—
Total operating expenses	107,584	100,775
Income from operations	8,966	5,055
Interest expense	(182)	(61)
Interest income	1,483	2,887
Other income, net	347	93
Income before income taxes	10,614	7,974
Provision for income taxes	5,487	3,230
Net income	\$ 5,127	\$ 4,744

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

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Cost of revenue	\$ 1,260	\$ 1,593
Sales and marketing	3,767	1,579
Technology and development	4,024	5,703
General and administrative	20,705	5,981
Total stock-based compensation expense	\$ 29,756	\$ 14,856

Stock-based compensation expense increased for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 due to time-based restricted stock units, or RSUs, RSUs with performance and market conditions, and RSUs with market conditions granted to eligible employees and members of our senior leadership team in 2024. See Note 14 to our consolidated financial statements included in our 2024 Annual Report on Form 10-K for additional information.

- (2) Includes depreciation and amortization expense for our property and equipment, including capitalized internal-use software and intangible assets as follows:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Cost of revenue	\$ 5,115	\$ 4,467
Sales and marketing	1,715	799
Technology and development	2,220	1,477
General and administrative	1,356	927
Total depreciation and amortization expense	<u>\$ 10,406</u>	<u>\$ 7,670</u>

Comparison of the Three Months Ended March 31, 2025 and 2024

Revenue

	Three Months Ended March 31,			
	2025	2024	\$ change	% change
	<i>(in thousands, except percentages)</i>			
Revenue by type				
Transaction	\$ 66,853	\$ 66,317	\$ 536	1 %
Subscription	116,257	107,897	8,360	8 %
Total revenue	<u>\$ 183,110</u>	<u>\$ 174,214</u>	<u>\$ 8,896</u>	<u>5 %</u>

The increase in total revenue for the three months ended March 31, 2025 was primarily driven by an increase in subscription revenue. Subscription revenue was 63% and 62% of total revenue for the three months ended March 31, 2025 and 2024, respectively, and transaction revenue was 37% and 38% of total revenue for the three months ended March 31, 2025 and 2024, respectively.

Transaction revenue increased 1% year-over-year for the three months ended March 31, 2025 primarily due to \$5.9 million in revenues from our acquisition of Formation Nation in February 2025 and, to a lesser extent, an increase in revenue from our beneficial ownership information report filings due to a year-over-year increase in pricing. The increase in transaction revenue was partially offset by a 6% year-over-year decline in the number of business formations as well as the recommercialization of certain business formation offerings.

Subscription revenue increased 8% year-over-year for the three months ended March 31, 2025 primarily due to a 6% year-over-year increase in revenue from our compliance-related subscriptions, an increase in our virtual mail subscriptions and revenue earned from the 1-800Accountant partnership entered into in December 2024. These increases were partially offset by our discontinuation of new customer acquisition for our tax offering.

Cost of revenue

	Three Months Ended March 31,			
	2025	2024	\$ change	% change
	<i>(in thousands, except percentages)</i>			
Cost of revenue	\$ 66,560	\$ 68,384	\$ (1,824)	(3 %)

Cost of revenue for the three months ended March 31, 2025 decreased by \$1.8 million primarily due to a \$5.3 million decrease in payroll and related benefits, largely due to the reduction in headcount. These decreases were partially offset by a \$2.1 million increase in third party fees for customer fulfillment services, a

\$0.6 million increase in depreciation and amortization expense, a \$0.5 million increase in other costs of service primarily related to Formation Nation, and a \$0.4 million increase in filing fees.

Gross profit

	Three Months Ended March 31,			
	2025	2024	\$ change	% change
	<i>(in thousands, except percentages)</i>			
Gross profit	\$ 116,550	\$ 105,830	\$ 10,720	10 %

Gross profit for the three months ended March 31, 2025 increased by \$10.7 million compared to three months ended March 31, 2024 due to a \$8.9 million increase in revenue and a \$1.8 million reduction in cost of revenue.

Sales and marketing

	Three Months Ended March 31,			
	2025	2024	\$ change	% change
	<i>(in thousands, except percentages)</i>			
Sales and marketing	\$ 61,378	\$ 53,753	\$ 7,625	14 %

Sales and marketing expenses for the three months ended March 31, 2025 increased by \$7.6 million primarily due to a \$4.2 million increase in payroll and related benefits largely due to an increase in sales and marketing headcount, a \$3.7 million increase in customer acquisition marketing spend, and a \$0.9 million increase in depreciation and amortization. Customer acquisition marketing spend was \$44.2 million and \$40.6 million for the three months ended March 31, 2025 and 2024, respectively. These increases were partially offset by a \$1.8 million decrease in non-customer acquisition marketing spend related to creative marketing costs.

Technology and development

	Three Months Ended March 31,			
	2025	2024	\$ change	% change
	<i>(in thousands, except percentages)</i>			
Technology and development	\$ 21,322	\$ 23,957	\$ (2,635)	(11 %)

Technology and development expenses for the three months ended March 31, 2025 decreased primarily due to a decrease in payroll and related benefits largely due to decreased technology and development headcount.

General and administrative

	Three Months Ended March 31,			
	2025	2024	\$ change	% change
	<i>(in thousands, except percentages)</i>			
General and administrative	\$ 39,221	\$ 23,065	\$ 16,156	70 %

General and administrative expenses for the three months ended March 31, 2025 increased by \$16.2 million mainly due to a \$14.7 million increase in stock-based compensation expense compared to the three months ended March 31, 2024 and \$1.5 million in legal and advisory consulting costs related to our acquisition of Formation Nation. Stock-based compensation expense increased for the three months ended March 31, 2025 compared to the three months ended March 31, 2024 due to time-based RSUs, RSUs with performance

and market conditions, and RSUs with market conditions granted to eligible employees and members of our senior leadership team in 2024.

Gain on sale of assets held for sale

	Three Months Ended March 31,		\$ change	% change
	2025	2024		
	<i>(in thousands, except percentages)</i>			
Gain on sale of assets held for sale	\$ (14,337)	\$ —	\$ (14,337)	N/A

Gain on sale of assets held for sale for the three months ended March 31, 2025 was \$14.3 million due to the sale of our operational headquarters on March 31, 2025.

Interest expense

	Three Months Ended March 31,		\$ change	% change
	2025	2024		
	<i>(in thousands, except percentages)</i>			
Interest expense	\$ (182)	\$ (61)	\$ (121)	198 %

Interest expense consists primarily of amortization of debt issuance costs related to our 2021 Revolving Facility.

Interest income

	Three Months Ended March 31,		\$ change	% change
	2025	2024		
	<i>(in thousands, except percentages)</i>			
Interest income	\$ 1,483	\$ 2,887	\$ (1,404)	(49 %)

The change in interest income was primarily due to interest income generated from our money market investments during the three months ended March 31, 2025.

Other income, net

	Three Months Ended March 31,		\$ change	% change
	2025	2024		
	<i>(in thousands, except percentages)</i>			
Other income, net	\$ 347	\$ 93	\$ 254	273 %

The change in other income, net, between 2025 and 2024 was primarily due to changes in foreign currency movements related to our intercompany loans which were denominated in British Pound Sterling, or GBP.

Provision for income taxes

	Three Months Ended March 31,		\$ change	% change
	2025	2024		
	<i>(in thousands, except percentages)</i>			
Provision for income taxes	\$ 5,487	\$ 3,230	\$ 2,257	70 %
Effective tax rate	52 %	41 %		

There was a \$2.3 million increase in the provision for income taxes for the three months ended March 31, 2025 compared to the three months ended March 31, 2024. The change was primarily due to an increase in non-deductible stock-based compensation for the three months ended March 31, 2025.

Liquidity and Capital Resources

Overview

We fund our operations and capital expenditures from cash flows from operating activities. Our primary requirements for liquidity and capital are to finance working capital, capital expenditures and general corporate purposes. At March 31, 2025, our principal sources of liquidity were cash and cash equivalents of \$210.0 million, which consisted of cash on deposit with banks and money market funds, of which approximately \$3.6 million related to our foreign subsidiaries. Our cash and cash equivalents increased by \$67.9 million from December 31, 2024 to March 31, 2025, primarily as a result of proceeds from stock option exercises primarily by former executive officers, proceeds from the sale of a property held for sale, and cash provided by operating activities, partially offset by cash paid for the acquisition of Formation Nation.

We currently anticipate that our available cash, cash equivalents and cash provided by operating activities will be sufficient to meet our operational cash needs for at least the next twelve months and in the foreseeable future. We have the ability to supplement our liquidity needs with borrowings under our 2021 Revolving Facility.

We have historically considered the undistributed earnings of our foreign subsidiaries to be indefinitely reinvested, and accordingly no taxes have been provided on such earnings. We continue to evaluate our plans for reinvestment or repatriation of unremitted foreign earnings and have not changed our previous indefinite reinvestment determination following the enactment of the 2017 Tax Cuts and Jobs Act, or Tax Act. We have not repatriated funds to the U.S. to satisfy domestic liquidity needs, nor do we anticipate the need to do so. If we determine that all or a portion of our foreign earnings are no longer indefinitely reinvested, we may be subject to foreign withholding taxes and U.S. state income taxes.

In October 2023, our board of directors approved a new stock repurchase program, pursuant to which our management is authorized to repurchase up to \$100.0 million of shares of our common stock from time to time. In May 2024 and November 2024, our board of directors approved increases of \$75.0 million and \$40.0 million, respectively, in the stock repurchase program, bringing the aggregate amount authorized to \$215.0 million as of March 31, 2025. Approximately \$50.0 million remained available for future repurchases under the stock repurchase program as of March 31, 2025. Subsequent to March 31, 2025, in May 2025, our board of directors approved a \$100.0 million increase in our stock repurchase program, bringing the aggregate amount authorized to \$315.0 million. For additional information regarding our stock repurchase program, refer to Note 8 to our unaudited condensed consolidated financial statements.

Borrowings

2021 Revolving Facility

On July 2, 2021, we entered into our \$150.0 million 2021 Revolving Facility with JPMorgan Chase Bank, N.A., as the administrative agent. The 2021 Revolving Facility, as amended, provides for the issuance of up to \$20.0 million of letters of credit as well as borrowings on same-day notice, referred to as swingline loans, in an amount of up to \$10.0 million. As of March 31, 2025, we had no borrowings outstanding and \$150.0 million was available for use under our 2021 Revolving Facility.

Subject to the satisfaction of certain criteria, we will be able to increase the 2021 Revolving Facility by an amount equal to the sum of (i) the greater of \$90.0 million and 75% of consolidated last twelve months cash earnings before interest expense, tax, depreciation and amortization, or LTM CEBITDA, plus (ii) unused amounts under the general debt basket (i.e., an amount equal to the greater of \$50.0 million and an equivalent percentage of consolidated LTM CEBITDA), plus (iii) an unlimited amount so long as we are in pro forma compliance with the Financial Covenant (as defined below), in each case, with the consent of the lenders participating in the increase.

We are required to pay a commitment fee in respect of unutilized commitments under the 2021 Revolving Facility. The commitment fee is, initially, 0.35% per annum. The commitment fee is subject to a reduction of 0.10% if the total net first lien leverage ratio does not exceed 3.50 to 1.00. We are also required to pay customary letter of credit fees and agency fees. As of March 31, 2025, the interest rate applicable to the 2021 Revolving Facility was subject to a 1.0% floor and was at a rate equal to the greatest of: (i) the administrative agent's prime rate; (ii) the federal funds effective rate plus 1/2 of 1.0%; and (iii) the secured overnight financing rate, or SOFR, plus a 0.10% credit spread adjustment to the SOFR benchmark, or Adjusted Term SOFR, plus 1.0%; provided that if the Adjusted Term SOFR is less than zero, the Adjusted Term SOFR shall be deemed to be zero. The interest rate margins under the 2021 Revolving Facility are subject to a reduction of 0.25% and a

further reduction of 0.25% if the total net first lien leverage ratio does not exceed 3.50 to 1.00 and 2.50 to 1.00, respectively.

We have the option to voluntarily repay outstanding loans at any time without premium or penalty, other than customary “breakage” costs with respect to SOFR loans. There is no scheduled amortization under the 2021 Revolving Facility. The principal amount outstanding is due and payable in full at maturity on July 1, 2026.

Obligations under the 2021 Revolving Facility are guaranteed by our existing and future direct and indirect material wholly-owned domestic subsidiaries, subject to certain exceptions. The 2021 Revolving Facility is secured by a first-priority security interest in substantially all of the assets of the borrower and the guarantors, subject to certain exceptions.

The 2021 Revolving Facility contains a number of covenants that, among other things and subject to certain exceptions, restrict our ability and the ability of our restricted subsidiaries to incur additional indebtedness and guarantee indebtedness; create or incur liens; pay dividends and distributions or repurchase capital stock; merge, liquidate and make asset sales; change lines of business; change our fiscal year; incur restrictions on our subsidiaries’ ability to make distributions and create liens; modify our organizational documents; make investments, loans and advances; and enter into certain transactions with affiliates.

The 2021 Revolving Facility requires compliance with a total net first lien leverage ratio not to exceed 4.50 to 1.00, or the Financial Covenant. The Financial Covenant will be tested at quarter-end only if the total principal amount of all revolving loans, swingline loans and drawn letters of credit that have not been reimbursed exceeds 35% of the total commitments under the 2021 Revolving Facility on the last day of such fiscal quarter.

Cash flows

The following table sets forth a summary of our cash flows for the periods indicated:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Net cash provided by operating activities	\$ 50,703	\$ 34,194
Net cash used in investing activities	(20,450)	(9,477)
Net cash provided by (used in) financing activities	37,604	(22,271)
Effect of exchange rate changes on cash and cash equivalents	52	(36)
Net increase in cash and cash equivalents	<u>\$ 67,909</u>	<u>\$ 2,410</u>

Net cash provided by operating activities

Our largest source of operating cash is cash collections from our customers for our transaction products and subscription services. Our primary uses of cash in operating activities are for our fulfillment, production and customer care costs, employee salaries and benefits, sales and marketing expenses and third-party consulting expenses. Net cash provided by operating activities is impacted by our net income adjusted for certain non-cash items, including depreciation and amortization expense, stock-based compensation and impairments of long-lived assets, as well as the effect of changes in operating assets and liabilities.

In the three months ended March 31, 2025, cash provided by operating activities was \$50.7 million resulting from net income of \$5.1 million, adjusted for stock-based compensation and other non-cash expenses of \$28.4 million and net cash flows provided by changes in operating assets and liabilities of \$17.2 million. The \$28.4 million of stock-based compensation and other non-cash expenses resulted primarily from \$29.8 million in stock-based compensation expense, \$10.4 million in depreciation and amortization expense, and \$0.6 million in amortization of right-of-use assets expense, partially offset by a \$14.3 million gain on disposal of property and equipment. The \$17.2 million of net cash flows provided from changes in our operating assets and liabilities resulted primarily from a \$26.8 million increase in deferred revenue largely due to the growth of our subscription units which are predominantly billed in advance of our revenue recognition, partially offset by a \$9.1 million increase in accounts receivables, and a \$2.2 million increase in prepaid and other current assets.

Net cash used in investing activities

Our primary investing activities have consisted of capital expenditures to purchase property and equipment necessary to support our customer contact center, network and operations, the capitalization of internal-use software necessary to develop and maintain our platform and deliver new products and features, which provide value to our customers, business acquisitions and investments in other companies. As our business grows, we expect our capital expenditures to continue to increase.

In the three months ended March 31, 2025, net cash used in investing activities was \$20.5 million resulting primarily from \$48.1 million used for the acquisition of Formation Nation, net of cash acquired and \$9.4 million in purchases of property and equipment, including capitalization of internal-use software, partially offset by \$37.1 million in proceeds from the sale of our operational headquarters.

Net cash used in financing activities

Our primary uses of cash in financing activities are for repurchases of common stock and settlements of stock options and restricted stock units, or RSUs. Net cash provided by financing activities is primarily impacted by exercises of stock options by our employees and issuance of common stock.

In the three months ended March 31, 2025, net cash provided by financing activities was \$37.6 million, primarily resulting from \$43.5 million in proceeds from the exercise of stock options primarily by former executive officers and a \$5.9 million settlement of minimum statutory tax withholding upon vesting of RSUs.

Material Cash Requirements

We believe our current cash and cash equivalents, as well as cash expected to be generated by future operating activities, will be sufficient to meet our material cash requirements for the next twelve months. Our material cash requirements include the below contractual and other obligations:

Commitments

We have non-cancelable agreements with various vendors, which require us to pay \$35.1 million over a five-year period, of which \$22.8 million remains to be paid as of March 31, 2025.

Lease Obligations

At March 31, 2025, we had various non-cancelable operating leases for office space, which expire between July 2025 and February 2033. As of March 31, 2025, we had total minimum operating lease maturities of \$16.6 million, \$2.8 million of which mature within nine months. See Note 8 of our consolidated financial statements included in our 2024 Annual Report on Form 10-K for additional information regarding our future operating lease payments.

Non-GAAP Financial Measures

To supplement our unaudited condensed consolidated financial statements, which are prepared and presented in accordance with U.S. generally accepted accounting principles, or GAAP, we use certain non-GAAP financial measures, as described below, to understand and evaluate our core operating performance. We believe that these non-GAAP financial measures provide investors with useful information about our financial performance and liquidity, enhance the overall understanding of our past performance and future prospects and allow for greater transparency with respect to important measures used by our management for financial and operational decision-making. We also believe that these measures provide an additional tool for investors to use in comparing our core financial performance over multiple periods with other companies in our industry. These non-GAAP measures should not be considered in isolation of, or as a substitute or an alternative to, measures prepared and presented in accordance with GAAP.

Adjusted EBITDA and Adjusted EBITDA Margin

We define Adjusted EBITDA as net income (loss) adjusted to exclude interest expense, interest income, provision for (benefit from) income taxes, depreciation and amortization, other expense (income), net, stock-based compensation and certain non-recurring income and expenses from time to time. We define Adjusted EBITDA margin as Adjusted EBITDA as a percentage of revenue. We define net income (loss) margin as net income (loss) as a percentage of revenue based on our consolidated financial statements.

Adjusted EBITDA is one of the primary performance measures used by our management and our board of directors to understand and evaluate our financial performance and operating trends, including period-to-period comparisons, preparing and approving our annual budget and operational planning. In assessing our

performance, we exclude certain expenses that we believe are not comparable period over period or that we believe are not indicative of our underlying operating performance. There are a number of limitations related to the use of Adjusted EBITDA rather than net income (loss), which include that Adjusted EBITDA:

- may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure;
- does not reflect our capital expenditures, future requirements for capital expenditures or contractual commitments;
- excludes depreciation and amortization and, although these are non-cash expenses, the assets being depreciated may be replaced in the future;
- does not reflect changes in, or cash requirements for, our working capital needs;
- excludes stock-based compensation expense, which has been, and will continue to be, a significant recurring expense for our business and an important part of our compensation strategy; and
- does not reflect certain expenses that we do not consider representative of our underlying operating performance, but that reduce cash available to us.

The following table presents a reconciliation of net income to Adjusted EBITDA for each of the periods indicated:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands, except percentages)</i>	
Reconciliation of net income to Adjusted EBITDA		
Net income	\$ 5,127	\$ 4,744
Interest expense	182	61
Interest income	(1,483)	(2,887)
Provision for income taxes	5,487	3,230
Depreciation and amortization	10,406	7,670
Other income, net	(347)	(93)
Stock-based compensation	29,756	14,856
Transaction-related expenses ⁽¹⁾	1,543	—
Gain on sale of assets held for sale	(14,337)	—
Restructuring costs ⁽²⁾	678	321
Adjusted EBITDA	<u>\$ 37,012</u>	<u>\$ 27,902</u>
Net income margin	<u>3 %</u>	<u>3 %</u>
Adjusted EBITDA margin	<u>20%</u>	<u>16%</u>

(1) For 2025, transaction-related expenses related to our acquisition of Formation Nation.

(2) For 2025 and 2024, restructuring costs related to the reduction of our U.S. headcount.

Adjusted EBITDA increased from \$27.9 million for the three months ended March 31, 2024 to \$37.0 million for the three months ended March 31, 2025. The increase of \$9.1 million resulted primarily from an increase in revenue of \$8.9 million, a \$2.1 million reduction in cost of revenue, excluding non-cash items, and an increase in operating expenses, excluding non-cash and non-recurring items, of \$1.9 million. Changes in cost of revenue, excluding non-cash items, and operating expenses, excluding non-cash and non-recurring items, reflect a \$14.9 million increase in stock-based compensation and a \$14.3 million gain on the sale of our operational headquarters.

Free cash flow

Free cash flow is a liquidity measure used by management in evaluating the cash generated by our operations after purchases of property and equipment including capitalized internal-use software. We believe free cash flow provides useful information to management and investors about the amount of cash generated by our business that can be used for strategic opportunities, including investing in our business and

strengthening our balance sheet, once our business needs and obligations are met. The usefulness of free cash flow as an analytical tool has limitations because it excludes certain items that are settled in cash, does not represent residual cash flow available for discretionary expenses, does not reflect our future contractual commitments, and may be calculated differently by other companies in our industry.

The following table presents a reconciliation of net cash provided by operating activities, the most directly comparable GAAP measure, to free cash flow:

	Three Months Ended March 31,	
	2025	2024
	<i>(in thousands)</i>	
Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow		
Net cash provided by operating activities	\$ 50,703	\$ 34,194
Purchase of property and equipment	(9,378)	(9,477)
Free cash flow	<u>\$ 41,325</u>	<u>\$ 24,717</u>

We experienced an increase in our free cash flow from \$24.7 million for the three months ended March 31, 2024 to \$41.3 million for the three months ended March 31, 2025, primarily due to a \$16.5 million increase in net cash provided by operating activities. The increase in net cash provided by operating activities resulted from a \$12.6 million favorable change in our operating assets and liabilities and a \$3.9 million increase in net income after adjusting for stock-based compensation and other non-cash items. Free cash flow was also impacted by a \$0.1 million decrease in capital expenditures for the purchase of property and equipment, including capitalization of internal-use software.

Critical Accounting Estimates

During the three months ended March 31, 2025, there were no significant changes to our critical accounting estimates compared with those disclosed described under the heading “*Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Estimates*” in our 2024 Annual Report on Form 10-K.

Recent Accounting Pronouncements

Refer to Note 2 to our unaudited condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q for further information on certain accounting standards adopted in the period ended March 31, 2025 and recent accounting announcements that have not yet been required to be implemented and may be applicable to our future operations.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We have operations both within the U.S. and, to a lesser extent, in the U.K., and we are exposed to market risks in the ordinary course of our business. These risks include primarily interest rate fluctuations and foreign currency exchange risks, and to a lesser extent, inflation risk.

Interest rate fluctuation risk

At March 31, 2025 and December 31, 2024, we had cash and cash equivalents of \$210.0 million and \$142.1 million, respectively, which consisted of cash on deposit with banks and short-term highly-liquid money market funds. Interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in interest income have not been significant.

We had no outstanding debt subject to interest rate risk as of March 31, 2025 and December 31, 2024 and, as a result, we do not expect to be exposed to fluctuations in interest rates for the foreseeable future. However, we would be subject to fluctuation in interest rates if we draw down under our 2021 Revolving Facility, including issuance of any letters of credit.

Foreign currency exchange risk

We have foreign currency risks related to our revenue, expenses, and intercompany balances denominated in currencies other than our functional currency, the U.S. Dollar, principally GBP. The volatility of

exchange rates depends on many factors that we cannot forecast with reliable accuracy. We have experienced and will continue to experience fluctuations in our net income as a result of transaction gains and losses related to translating certain cash balances, trade accounts receivable and payable balances and intercompany loans that are denominated in currencies other than the U.S. Dollar. The foreign currency transaction gain was immaterial during the three months ended March 31, 2025. A 10% adverse change in foreign exchange rates on foreign-denominated accounts, including intercompany balances, for the three months ended March 31, 2025 would have been immaterial. In the event our non-U.S. Dollar-denominated sales and expenses increase, our results of operations may be more greatly affected by fluctuations in the exchange rates of the currencies in which we do business. At this time, we do not, but we may in the future, enter into derivatives or other financial instruments in an attempt to hedge our foreign currency exchange risk. It is difficult to predict the impact hedging activities could have on our results of operations.

Inflation risk

To date, we do not believe that inflation has had a material effect on our business, financial condition, results of operations or future prospects. However, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, results of operations and future prospects. Further, if current inflationary pressures are sustained for a prolonged period of time, the success of existing small businesses and the formation of new small businesses could continue to be adversely impacted, which could harm our business, results of operations, financial condition or future prospects.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2025, our disclosure controls and procedures were effective at the reasonable assurance level.

Changes in internal control over financial reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act during the three months ended March 31, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on effectiveness of controls and procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Part II

Item 1. Legal Proceedings

From time to time, we may become subject to legal proceedings, claims and litigation arising in the ordinary course of business. We are not currently a party to any material legal proceedings, nor are we aware of any pending or threatened litigation that could have a material adverse effect on our results of operations, cash flows, and financial condition, should such litigation be resolved unfavorably.

Item 1A. Risk Factors

Our business involves significant risks, and the material factors that make an investment in us risky or speculative are described below. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including our unaudited condensed consolidated financial statements and related notes thereto. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. The realization of any of these risks and uncertainties could have a material adverse effect on our reputation, business, financial condition, results of operations, growth and future prospects, as well as our ability to accomplish our strategic objectives. In that event, the market price of our common stock could decline and you could lose part or all of your investment.

Risks Relating to Our Business and Industry

Our business primarily depends on business formations

The majority of our transaction revenue is generated by providing business formation services to guide our customers through the transition from being aspiring business owners to launching their entities. In 2024 and the three months ended March 31, 2025, business formations represented the largest share of our total transaction orders. The number of business formations on our platform is subject to unpredictable declines or fluctuations as a result of a number of factors, many of which are out of our control, including an overall decline in the number of U.S. business formations, an economic slowing or downturn, a public health pandemic or epidemic, increased competition, regulatory obstacles, changes in law (including changes in tax laws and regulations), changes in the business environment from inflation, interest rates, government assistance, increased compliance or operating costs (including wage and benefit pressures) and dissatisfaction with our services. In addition, the U.S. continues to experience significant political events that cast uncertainty on global financial and economic markets. Certain actions taken by the current Presidential administration, including the many recent executive orders, have had and may continue to have a negative impact on the U.S. economy and the number of U.S. business formations. Declines in the overall number of U.S. business formations or the number of business formations on our platform have adversely affected, and may in the future adversely affect, our business, results of operations, financial condition or future prospects. To the extent the growth rate of new business formations declines, these impacts can be expected to intensify.

Our business depends substantially on our customers expanding their use of our platform, including converting our transactional customers to subscribers and our subscribers renewing their subscriptions with us

For the past few years, a significant amount of our revenue has been derived from our subscriptions for small businesses and individuals. In 2024 and the three months ended March 31, 2025, approximately 64% and 63%, respectively, of our revenue came from subscriptions. Subscriptions have primarily originated from transactional customers who opted to become subscribers. For us to maintain or improve our operating results, including our revenue growth rate, it is important that we convert transactional customers into subscribers, retain our existing subscribers and that our existing subscribers expand their use of our platform. However, subscriptions may be terminated at any time, and the rate at which we retain our subscribers may decline or fluctuate as a result of a number of factors, including subscribers' satisfaction or dissatisfaction with our platform, the effectiveness of our customer support services, the quality and perceived quality of the services we provide, our pricing and the pricing of competing products or services, the lifecycle of our customers' businesses and their evolving needs, and the effects of global economic conditions, regulatory changes and reductions in subscribers' discretionary income and spending levels. As a result, we cannot accurately predict subscription renewal rates or the number of our existing or new customers that will subscribe to our subscription services, including whether customers will continue to subscribe at the same rate as they have historically. During 2024, we experienced a deceleration in our subscription revenue growth rate. If our subscription revenue growth rate does not improve or if we are unable to convert our transactional customers to subscribers, retain our existing subscribers or our existing subscribers do not expand the use of our platform, our business, results of operations, financial condition and future prospects would be adversely

affected. If the growth of our subscription business, including our subscription revenue growth rate, falls below the expectations of the public market, securities analysts or investors, the price of our common stock could also be harmed.

Failure to effectively manage our growth could adversely impact our business

In the past, we have experienced significant growth in both operations and headcount, which placed increased demands on our management team and our administrative, operational and financial infrastructure. Our management team has developed a strategy to continue growing our business. In addition, we acquired Formation Nation in February 2025, which we are now in the process of integrating into our operations. Our ability to manage this expected growth effectively and to integrate new employees, operations and technologies of Formation Nation into our existing business will require us to continue to expand our operational and financial infrastructure, to improve our management controls and reporting systems and procedures and to continue to retain, attract, train, motivate and manage employees. Failure to effectively manage our growth could result in declines in service quality or customer satisfaction, increased costs, difficulties or delays in introducing new products or services or other operational difficulties. Any of these difficulties could adversely impact our brand and reputation, business, results of operations, financial condition or future prospects.

Our ability to achieve our growth strategy also impacts our ability to forecast our future operating results. If the assumptions regarding the growth of our business are incorrect or change in reaction to changes in our markets, our results of operations and financial condition could differ materially from our expectations, our business could suffer and the trading price of our stock may decline.

Our future quarterly results of operations may fluctuate significantly due to a wide range of factors, which makes our future results difficult to predict

Our revenue and results of operations have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including, but not limited to the risks and uncertainties discussed herein and the following:

- our ability to successfully implement our updated strategic execution priorities;
- the ongoing integration of the operations of Formation Nation, which we acquired in February 2025;
- the number of business formations and the rate of failure of small businesses;
- the level of demand for our services;
- our ability to attract new customers and retain existing customers, including the rate of renewal of subscriptions by, and extent of sales of additional subscriptions to, existing customers;
- the size, timing and terms of our subscription agreements with existing and new customers;
- changes to our product offerings, including any new or discontinued products, pricing changes, the bundling of certain product offerings and our testing of new product line-ups;
- the mix of subscriptions and transactional products sold during a period;
- the introduction of new products and product enhancements by existing competitors or new entrants into our markets, and changes in pricing for solutions offered by us or our competitors;
- seasonal variations, including those related to orders placed, sales and marketing and other activities or other seasonal fluctuations in our results of operations that are out of our control;
- changes in stock-based compensation;
- the application of new or changing financial accounting standards or practices;
- our ability to increase, retain and incentivize the strategic partners that market and sell our platform;
- our ability to control costs, including our operating expenses;
- changes in governmental or other regulations affecting our business;
- changes to government agency staffing and other practices and the functionality of their websites, which may cause delay or disruptions in our business, including the processing of business formations or Employer Identification Numbers, or EINs;
- adverse global macroeconomic and market conditions or uncertainty with respect thereto, including economic conditions specifically affecting industries in which our customers operate; and
- general geopolitical events and conditions, both domestically and internationally.

Fluctuations in our quarterly operating results and the price of our common stock may be particularly pronounced in the current global macroeconomic environment, including due to uncertainty caused by recessionary fears, elevated inflation and interest rates and their respective impacts on consumer spending patterns, the success of existing small businesses and the formation of new small businesses. In addition, fluctuations in our quarterly operating results may cause those results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the price of our common stock to decline. Fluctuations in our results could also cause a number of other problems. For example, analysts or investors may change their models for valuing our common stock, we could experience short-term liquidity issues, our ability to retain or attract key personnel may diminish, and other unanticipated issues may arise.

Our quarterly operating results may vary in the future and period-to-period comparisons of our operating results may not be meaningful. In addition, the seasonality of our business may change or become more pronounced over time, which could also cause our operating results to fluctuate. You should not rely on the results of any given quarter as an indication of future performance.

We have a history of net losses and we may not be able to maintain profitability

Since inception, we have incurred an accumulated deficit and may incur net losses in the foreseeable future. As of March 31, 2025, we had an accumulated deficit of \$1,064.2 million.

We will need to generate and sustain increased revenue levels in future periods in order to maintain or increase our level of profitability. If our revenue and gross profit do not grow at a greater rate than our operating expenses, we will not be able to maintain or increase profitability and our business may be harmed. We may incur significant losses in the future for a number of reasons, including due to the risks and uncertainties described herein. Even if we are profitable, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to achieve sustained profitability would depress the value of our company and could impair our ability to raise capital, expand our business, diversify our product offerings, market our current and planned products, or continue our operations.

If we fail to provide high-quality products and services that meet our customers' expectations, we may not be able to attract and retain customers

In order to increase revenue and maintain profitability, we must attract new customers and retain existing customers. The quality and value of our services, customer care and customer experience, as well as the quality and accuracy of the services provided by the independent attorneys who participate in our and our partner's networks, are critical to the success of our business and our ability to attract and retain customers. The failure or perceived failure of our customer support and fulfillment services and/or these independent attorneys to satisfy customer expectations could impede our ability to attract and retain customers.

In addition, we intend to continue to add new products and services and enhance our existing products and services, both of which will require us to devote significant resources before we know whether such products or services will be successful. For instance, in August 2023 we launched LZ Books, a simple online accounting solution, and in November 2023 we launched a new business license offering. The success of any new products or services or enhancements to existing products or services depends on several factors, including timely completion, competitive pricing, adequate quality testing, introduction, integration with existing products and services, and market awareness and acceptance. We have in the past invested resources and introduced new products and services that have failed to produce the customer interest or results that we expected. We may fail to attract new customers or lose existing customers if current or future development efforts or services fail to meet customer expectations on a timely basis if at all. If we are unable to continue offering innovative solutions or if new or enhanced solutions fail to engage our customers, we may be unable to attract additional customers or retain our current customers, which may adversely affect our business, results of operations, financial condition or future prospects.

If we do not continue to innovate and provide a platform that is useful to our customers, we may not remain competitive, and our results of operations could suffer

Our success depends on continued innovation to provide features that make our platform useful for existing and prospective customers. We have invested and intend to continue to invest resources in technology and development in order to continue improving the simplicity and effectiveness of our platform. We have also developed and introduced new and unproven services, including using technologies with which we have little or no prior development or operating experience, such as generative artificial intelligence, or AI. There is no assurance that our past or future investments in any changes or developments to our platform will provide us with the benefits we expect.

In addition, because our platform is available over the internet and on mobile networks, we need to regularly modify and enhance our platform to keep pace with changes in internet-related hardware, software, communications and database technologies and standards. We expect the number of people who access our platform through mobile devices, including smartphones and handheld tablets or computers, to increase. If we are not able to provide customers with the experience, solutions and functionality they want on mobile devices, we may not be able to attract or retain customers or convert our website traffic into customers and our business may be harmed. If we are unable to respond in a timely and cost-effective manner to these rapid technological developments and changes in standards, our platform may become less marketable, less competitive or obsolete, and our business, results of operations, financial condition and future prospects would be harmed. If new technologies emerge that are able to deliver competitive services at lower prices, more efficiently, more conveniently or more securely than LegalZoom, such technologies could adversely impact our ability to compete. Our platform must also integrate with a variety of network, hardware, mobile, and software platforms and technologies, and we need to frequently modify and enhance our services to adapt to changes and innovation in these technologies. Any failure of our platform to operate effectively with current or future infrastructure platforms and technologies could reduce the demand for our platform. If we are unable to respond to these changes in a cost-effective manner, our platform may become less marketable, less competitive or obsolete, and our business, results of operations, financial condition and future prospects may be adversely affected.

The legal solutions market is highly competitive and our failure to effectively compete successfully could materially and adversely affect our business, results of operations, financial condition and future prospects

We operate in a very competitive industry. We face intense competition from law firms, solo attorneys, online legal document services, legal plans, secretaries of state and other service providers. The online legal solutions market is evolving rapidly and is becoming increasingly competitive. New market entrants that provide technologies that improve the delivery of legal solutions, such as generative AI and machine learning, could also increase the level of competition in the market. Other companies that focus on the online legal services market or business formations, including law firms that may elect to pursue the online legal services market, can and do directly compete with us. Law firms and solo attorneys, who provide in-person consultations and are able to provide direct legal advice that we generally cannot offer due to laws and regulations regarding UPL, compete with us offline and have developed and may continue to develop competing online legal services. We also compete in the registered agent services business with several companies that target small businesses, and these competitors have extensive experience in this market. In addition, some U.S. state and federal agencies have increased their offerings to our target customers or otherwise made their offerings more attractive to our target customers, including through free and easy-to-use business formation services or other document filing portals. To the extent U.S. states and federal agencies continue to increase or enhance their offerings to our target customers, it could have a significant adverse effect on our business, financial condition or results of operations. To the extent we are unable to compete, our business, results of operations, financial condition or future prospects may be harmed.

Any of our existing competitors, or other potential competitors that have not yet entered the market, have developed and may continue to develop innovative and cost-effective services, including automated corporate formation document processing, that target our existing and potential customers. Some of our competitors and potential competitors are larger and have greater name recognition, longer operating histories, more established customer relationships, larger budgets, and significantly greater resources than we do. As a result, our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. We expect to face increasing competition from offline and online legal services providers in our market, including through their use of generative AI, and our failure to effectively compete with these providers could result in revenue reductions, reduced margins, or loss of market share, any of which could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Our business depends on our brand and reputation, which could be adversely affected by numerous factors

We believe our brand has contributed to the success of our business and we have made substantial investments to build and strengthen our brand and reputation. Maintaining and enhancing the LegalZoom brand and our reputation is critical to growing and retaining our customer base. Regulatory proceedings, consumer claims, false and misleading advertising claims, litigation, customer complaints or negative publicity through word-of-mouth, social media outlets, blogs, and other third party sources related to our business practices, as well as customer care, data privacy or security issues, irrespective of their validity, could diminish confidence in our services and adversely affect our brand and reputation and our ability to attract and retain customers. In addition, our brand and reputation could be impacted by any damage or reputational harm to our newly acquired Inc. Authority and Nevada Corporate Headquarters brands.

Our services, as well as those of our competitors, are regularly reviewed and commented upon by online and social media sources. Negative reviews, or reviews in which our competitors' services are rated more highly than ours, irrespective of their accuracy, could negatively affect our brand and reputation. We have in the past received negative reviews wherein our customers expressed dissatisfaction with our services, including dissatisfaction with our customer support, our billing policies and the way our subscriptions operate, and we expect to receive similar reviews in the future. If we do not handle customer complaints effectively, our brand and reputation may suffer. We may lose our customers' confidence, they may choose not to renew their subscriptions or purchase additional services from us, and we may fail to attract new customers. In addition, maintaining and enhancing our brand and reputation may require us to incur significant expenses and make substantial investments, which may not be successful. If we fail to successfully promote and maintain our brand and reputation, or if we incur excessive expenses in doing so, our business, results of operations, financial condition and future prospects may be adversely affected.

Furthermore, our brand and reputation are in part reliant on third parties, including the independent attorneys who participate in our network and the partners to which we refer our customers for business insurance, tax solutions or banking services, among others. The failure or perceived failure of these third parties to satisfy customer expectations could negatively impact our brand and reputation.

We are incorporating generative AI into some of our offerings, which may present both compliance risks and reputational risks

We have incorporated and intend to continue incorporating a number of generative AI features into our offerings. This technology, which is a new and emerging technology that is in its early stages of commercialization, presents a number of risks inherent in its use. Generative AI technologies, including the third party large language models incorporated into our generative AI offerings, can create accuracy issues, unintended biases and discriminatory outcomes. If the recommendations, content, or analyses that AI applications assist in producing are or are alleged to be deficient or inaccurate or if they are determined to constitute UPL, we could be subjected to competitive harm, potential legal liability, and brand or reputational harm. Some AI scenarios may also present ethical issues. If we enable or offer AI solutions that are controversial because of their perceived or real impact on human rights, privacy, employment, or other social issues, we may experience brand or reputational harm. Additionally, present and future government regulation related to AI use and/or related ethics issues may expose us to legal liability and/or increase the burden and cost of research and development in this area, and failure to properly remediate AI usage or ethics issues may cause public confidence in AI to be undermined, which could slow adoption of AI in our solutions. Governments have passed and are likely to continue to pass additional laws regulating generative AI. Our use of this technology could result in additional compliance costs, regulatory investigations and actions, and lawsuits.

Our employees and personnel use generative AI technologies to perform certain functions of their work, and the disclosure and use of personal data in generative AI technologies is subject to various privacy laws and other privacy obligations. If we are unable to use generative AI, it could make our business less efficient and result in competitive disadvantages. Additionally, sensitive information of the Company or our customers could be leaked, disclosed, or revealed as a result of or in connection with our employees', personnel's, or vendors' use of generative AI technologies.

If our marketing efforts are unsuccessful, our business, results of operations, financial condition and future prospects may be adversely affected

Our ability to attract new customers and retain existing customers depends in large part on the success of our marketing channels. The primary marketing channels that generate traffic for our websites include search engine marketing, social media and other digital channels, television and our sales team.

Our ability to maintain or increase customer traffic to our websites from internet search engines is not entirely within our control. We rely on both algorithmic and paid listing internet search results to drive customer traffic to our websites. Algorithmic listings are determined and displayed solely by a set of formulas designed by internet search engine companies. Internet search engines periodically revise their algorithms, methodologies and displays or incorporate AI into their platforms in ways that we cannot predict. Such changes, including an increased prominence of generative AI on the search engine results page, have adversely affected, and may continue to adversely affect, the placement of our search result page ranking and the resulting traffic to our websites, as well as our customer acquisition costs. In addition, we can purchase paid listings, which are displayed if particular words or terms are included in a customer's internet search. We bid for paid listings against our competitors and third parties that may outbid us for preferred placement, which could adversely impact advertising efficiency and customer acquisition efforts. To the extent competition for paid listings increases or if paid listings prohibit the use of particular words or terms, we have in the past, and may again in the future, be required to increase our marketing expenses or reduce the number or prominence

of these paid listings. If we reduce our internet search engine advertising, the number of customers who visit our websites could decline significantly. Additionally, changes in regulations or the business practices of third parties have in the past and could in the future limit our ability and the ability of search engines and social media platforms, including Google and Meta Platforms, to collect data from users and engage in targeted advertising, making them less effective in disseminating our advertisements to our target customers. The regulation of the use of cookies and other current online tracking and advertising practices or a loss in our ability to make effective use of services that employ such practices could adversely affect our business.

The introduction of new technology or changes in the way in which customers consume information on the internet, such as shifting preferences for AI chat platforms, has diminished and may continue to diminish the effectiveness of our current marketing practices. We have in the past and may in the future be required to adopt new approaches to marketing to respond to these shifts. Any inability to respond to these changes effectively and in a cost-effective manner, or any future reduction or loss of any of our current advertising channels, could adversely affect our ability to attract new customers, which could adversely affect our business, results of operations, financial condition and future prospects.

We depend on top talent, including our senior management team, to grow and operate our business, and if we are unable to hire, retain or motivate our employees, we may not be able to grow or operate effectively, which may adversely affect our business and future prospects

Our future success will depend upon our continued ability to identify, hire, develop, motivate and retain top talent. Competition for such talent is intense, particularly within the technology industry. To attract top talent, we have had to offer, and believe we will need to continue to offer, highly competitive compensation and benefit packages before we can validate the productivity of those employees, a practice which may not be sustainable and, even if sustainable, can be costly. Further, integration of employees and operations as a result of our acquisition of Formation Nation may present challenges, which could negatively affect our ability to retain and recruit personnel who are essential to our future success. We have from time to time experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications which may, among other things, impede our ability to execute our growth strategies or continue to operate our business in a satisfactory manner. In addition, our flexible first work policy, which results in a predominantly remote workforce, has made it difficult to orient, train, develop, motivate, and engage with our employees and embed them into the LegalZoom culture. If we are not able to effectively attract or retain quality employees and manage both our domestic and international workforce, including if employee relations deteriorate, disruptions to the business will occur, our costs will increase, our ability to achieve our strategic objectives will be adversely impacted, our brand or reputation could suffer, and our business may be adversely affected. In addition, we have in the past, and may in the future, conduct reduction in workforce actions, which can lead to the elimination of roles causing unexpected adverse impacts on our business. These adverse impacts can include attrition beyond the intended reduction in workforce, delays in the development of new products or services due to gaps in knowledge transfer and new employee ramp up time, an increased risk of litigation, the distraction of employees, and reduced employee morale, any of which could also adversely affect our reputation as an employer and make it more difficult for us to hire new employees in the future.

Further, in July 2024, we announced the appointment of Jeff Stibel as our new Chief Executive Officer. If we are unable to manage this leadership transition successfully, our ability to operate our business effectively may be impaired.

In addition, if we cannot attract additional, qualified independent attorneys to participate in our legal plan network to service the needs of our legal plan subscribers and attorneys to support our attorney assisted legal offerings, or if these attorneys encounter regulatory issues that prevent them from being able to service the needs of our customers, we may not be able to grow and maintain our legal plan subscription business or other assisted legal solutions and, as a result, our business, revenue, results of operations and future prospects may be adversely affected.

Our business and success depend in part on our strategic relationships with third parties, including our partner ecosystem, and our business may be harmed if we fail to maintain or expand these relationships

We depend on, and anticipate we will continue to depend on, various third party relationships to sustain and grow our business. For example, we currently partner with a variety of third parties to provide us with lead referrals and to provide our customers with tax solutions, website development, credit card and banking services, productivity tools and business insurance, among others. Our sales and customer user experience depend on our ability to connect and integrate easily to such third party solutions. We have in the past and may in the future determine to exit certain partnership relationships. We may also fail to retain and expand partnership relationships for many reasons, including third parties' failure to maintain, support, or secure their technology platforms in general, restrictions imposed by regulatory compliance, and our integrations in

particular. Terminations of partnership relationships, whether voluntary or involuntary, have in the past and could again in the future result in disputes or litigation or harm our relationship with our customers, our reputation and brand, our business and results of operations, and our future prospects.

As we continue to add different types of partners to our partner ecosystem, it is uncertain whether any new or current third party partners will be successful in building integrations, co-marketing our solutions to provide a significant volume and quality of lead referrals and orders, or continuing to work with us as their own businesses evolve. Identifying and negotiating new and expanded partner relationships requires significant resources and we cannot guarantee that the parties with which we have relationships can or will continue to devote the resources necessary to operate and expand our platform. In addition, integrating third party technology can be complex, costly and time-consuming. Third parties may be unwilling to build integrations, and we may be required to devote additional resources to develop integrations for business applications on our own. The contracts applicable to third party development tools may be unfavorable and add costs or risks to our business or may require us to push additional contract terms to our customers that affect our relationship with our customers. Third parties we partner with, including providers of business applications with which we have integrations, may decide to compete with us or enter into arrangements with our competitors, resulting in such providers withdrawing support for our integrations. If we are unsuccessful in establishing or maintaining our relationships with third parties, our ability to compete or our revenue, results of operations and future prospects may be adversely affected. Even if we are successful in establishing and maintaining these relationships with third parties, we cannot ensure that these relationships will result in increased usage of our platform or increased revenue. In addition, any failure of our solutions to operate effectively with these business applications could reduce the demand for our solutions and harm to our business and we may also be held responsible for obligations that arise from the actions or omissions of third parties. If we are unable to respond to these failures in a cost-effective manner, our solutions may become less marketable, less competitive or obsolete, and our results of operations may be negatively impacted.

Our reliance on third party providers could adversely affect our business

We rely on third parties to fulfill portions of the services we offer and to support our operations. For example, we rely on government agencies, including secretary of state offices, the U.S. Internal Revenue Service and the U.S. Patent and Trademark Office, to process business formation documents and related filings and intellectual property applications. These agencies have in the past and may in the future be unable or refuse to process submissions in a timely manner, including as a result of any government shutdowns, slowdowns or staffing shortages. To the extent we are unable to process submissions or filings in a timely manner, our brand and reputation may be adversely affected, or our customers may seek other avenues for their business formation or intellectual property needs.

We also utilize third parties in connection with the fulfillment and distribution of our services, including the independent attorneys in our legal plan network and to support our registered agent and virtual mail subscription services. We also outsource certain operational functions, including certain sales and customer service functions. As a result, we rely on third parties to ensure that our and our customers' needs are sufficiently met. While we select third party providers carefully, we have limited control over their actions. If these third party providers encounter difficulties, or if we have difficulty communicating with them, our business operations could be adversely affected. This reliance on third party providers also subjects us to risks arising from the loss of control over processes, and potentially, termination of these services by the third parties. A failure of our third party providers to perform services in a satisfactory manner may have a significant adverse effect on our business. In addition, our platform interoperates with certain third party sites. As a result, our results may be affected by the performance of those parties and the interoperability of our platform with other sites. If certain third parties limit certain integration functionality, change their treatment of our services at any time, or experience quality issues, such as bugs and defects, our revenue, results of operations and future prospects may be adversely affected.

We also utilize various types of data, technology, intellectual property and services licensed or otherwise obtained from unaffiliated third parties in order to provide certain elements of our solutions. For example, we rely on cloud computing infrastructure, particularly from Amazon Web Services, or AWS, to host our platform and support our operations. We exercise limited, if any, control over these third parties, including AWS, which increases our vulnerability to problems with the services they provide for us and to security incidents or breaches affecting the data and information they hold or process on our behalf. Any errors, defects, bugs or other vulnerabilities in any third party data or other technology could result in errors in our solutions that could harm our business, damage our reputation and result in losses in revenue, and we could be required to undertake substantial additional research and expend significant development resources to fix any problems that arise. In addition, licensed data, technology, intellectual property and services may not continue to be available on commercially reasonable terms, or at all. Any loss of the right to use any of these services on commercially reasonable terms, or at all, could result in delays in producing or delivering our solutions until equivalent data, technology, intellectual property or services are identified and integrated, which delays could harm our business. In this situation we would be required to either redesign our solutions to function with

such equivalent data, technology, intellectual property or services available from other parties or to develop these components or services ourselves, which would result in increased costs and potential delays in service. Furthermore, we might be forced to limit the features available in our current or future solutions. If we fail to maintain or renegotiate any of these data, technology or intellectual property licenses or services, we could face significant delays and diversion of resources in attempting to develop similar or replacement technology, or to license and integrate a functional equivalent of the relevant data, technology, intellectual property or service. The occurrence of any of these events may have an adverse effect on our business, financial condition, results of operations and future prospects.

The acquisition of Formation Nation and any future acquisitions or investments may divert our management's attention, result in additional dilution to our stockholders or adversely affect our operating results

We have in the past acquired or invested in businesses, products or technologies that we believed could complement or expand our current platform, enhance our technical capabilities or otherwise offer growth opportunities. In February 2025, we acquired Formation Nation, and we may in the future seek to acquire or invest in additional businesses, products or technologies. The risks and uncertainties we face in connection with the recent acquisition of Formation Nation or any future acquisitions or investments, whether or not they are consummated, include, but are not limited to:

- an acquisition may require us to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences, expose us to claims and disputes by stockholders and third parties, including intellectual property claims and disputes, or not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- encountering difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel or operations of any acquired company, particularly if key personnel of the acquired company decide not to work for us;
- inability to retain personnel, key customers, distributors, vendors and other business partners of the acquired business;
- our inability to realize the financial and strategic goals or anticipated synergies of the acquisition or investment on a timely basis, if at all;
- incurring higher than anticipated costs to effectively integrate an acquired business, to bring an acquired company into compliance with applicable laws and regulations or due to additional compensation issued or assumed in connection with an acquisition;
- disruption to our ongoing business, diversion of resources and distraction of our management;
- delays or reductions in customer purchases for both us and the company acquired due to customer uncertainty about continuity and effectiveness of service from either company;
- challenges integrating the employees of the acquired company into our company culture;
- exposure to litigation or other claims in connection with, or inheritance of claims or litigation risk as a result of, an acquisition;
- potential identified or unknown security vulnerabilities in acquired products or technologies that expose us to additional security risks or delay our ability to integrate the products or technologies into our offerings;
- difficulty in maintaining controls, procedures and policies during the transition and integration and inability to conclude that our internal controls over financial reporting are effective;
- our use of cash to pay for acquisitions or other investments would limit other potential uses for our cash;
- if we incur debt to fund any acquisitions, such debt may subject us to material restrictions on our ability to conduct our business due to new financial maintenance and other covenants; and
- the issuance of a significant amount of equity securities in connection with any future acquisitions could dilute existing stockholders and earnings per share may decrease.

We have in the past faced difficulties in connection with integrating some of our acquisitions and expect to face similar difficulties in the future. These difficulties can range from lost productivity to legal proceedings, and we cannot know in advance the extent of the issues that may be involved with a particular acquisition or investment. We may also decide to restructure, divest or sell businesses, products or technologies that we have acquired or invested in previously. The occurrence of any of the foregoing risks could have an adverse effect on our business, results of operations, financial condition and future prospects and could adversely affect the market price of our common stock.

Our focus on the long-term best interests of our company and our consideration of our stakeholders, more broadly, including our stockholders, customers, employees, and other stakeholders that we may identify from time to time, may conflict with short- or medium-term financial interests and business performance, which may negatively impact the value of our common stock

We believe that focusing on the long-term best interests of our company and our consideration of our stakeholders more broadly, including our stockholders, customers, employees, partners, the communities in which we operate, and other stakeholders we may identify from time to time, is essential to the long-term success of our company and to long-term stockholder value. Therefore, we have made decisions, and may in the future make decisions, that we believe are in the long-term best interests of our company and our stockholders, even if such decisions may negatively impact the short- or medium-term performance of our business, results of operations, and financial condition or the short- or medium-term performance of our common stock. For example, our strategic execution priorities, which we believe will increase the predictability of our business, improve operational efficiencies and margins, and help us accelerate and sustain growth at scale, may result in short-term adverse impacts to our business and financial results. Our commitment to pursuing long-term value for our company and our stockholders, potentially at the expense of short- or medium-term performance, may materially adversely affect the trading price of our common stock, including by making owning our common stock less appealing to investors who are focused on returns over a shorter time horizon. Our decisions and actions in pursuit of long-term success and long-term stockholder value, which may include changes to our platform to enhance the experience of our customers, partners and the communities in which we operate, enabling equitable access to legal and compliance services, investing in our relationships with our customers, partners, and employees, investing in and introducing new services, or changing our approach to working with local or national jurisdictions on laws and regulations governing our business, may not result in the long-term benefits that we expect, in which case our business, results of operations, financial condition and the trading price of our common stock could be materially adversely affected.

Further, the independent attorneys who participate in our legal plans and attorneys who fulfill our attorney assisted legal offerings have duties both to the courts and their clients. These duties, including the associated responsibilities, such as confidentiality and the rules relating to the attorney-client and attorney work product privileges, are paramount. There could be circumstances in which the attorneys who participate in our network and fulfill the attorney assisted legal offerings believe that in order to comply with these duties they may have to act against the interests of our stockholders and the short-term profitability of our business.

We may not effectively ensure that online services and physical locations are protected from significant outages, denial or degradation of service attacks, natural disasters, including adverse weather conditions, and other disruptions, any of which could adversely affect our brand and reputation, business, results of operations, financial condition and future prospects

A key element of our business operations and continued growth is the ability of our customers to access our websites and mobile applications and our ability to fulfill orders placed through such platforms. Our systems may not be adequately designed with the necessary reliability to avoid performance delays, disruptions or outages that could be harmful to our business. We have experienced, and may in the future experience, website and service disruptions, outages and other performance problems due to a variety of factors, including infrastructure maintenance, natural disasters, human or software errors, ransomware attacks, capacity constraints, denial or degradation of service, fraud, climate change and extreme weather-related events, terrorism, war, telecommunications and electrical failures, cyberattacks or other security-related incidents. In some instances, the steps we have taken to try to prevent these attacks and disruptions and mitigate their potential impact on our systems and operations may be expensive and may not be successful. In addition, dependence upon information systems (including automated systems) may further increase the risk that operational system flaws, personnel error or malfeasance (including of service providers upon which we rely), or manipulation of those systems will result in defects or efforts that are difficult to detect. We may not be able to identify the cause or causes of any website or mobile application performance problems within an acceptable period of time. It may become increasingly difficult to maintain and improve our website or mobile application performance, especially during peak usage times, if the number of online services we offer increases, our services become more complex, or our customer traffic grows. If our websites or mobile applications are unavailable when customers attempt to access them, our customers may seek other solutions to address their needs and may not return to our websites or mobile applications in the future. Any failure to maintain performance, reliability, security or availability of our legal document services and online technology platform to the satisfaction of our customers may harm our brand and reputation, as well as our ability to retain existing customers and attract new customers, which could adversely affect our business, results of operations, financial condition and future prospects. In addition, to the extent that we do not effectively address future capacity constraints, upgrade and protect our systems, and continually develop our online legal platform to accommodate actual and anticipated technology changes, our brand and reputation, business, results of operations, financial condition and future prospects could be adversely affected.

Our operations and online services also rely on the continued functioning and accessibility of certain physical locations, including product fulfillment locations and data centers operated by AWS or other service providers. These physical locations are vulnerable to damage or interruption from natural disasters, adverse weather conditions, power losses, telecommunication failures, terrorist attacks, human errors or malfeasance, lockdown orders resulting from a public health pandemic or epidemic, break-ins and similar events. The occurrence of any of the foregoing events or other unanticipated problems at our facilities could result in lengthy interruptions in our services. We may not be able to efficiently relocate our fulfillment and delivery operations due to disruptions in service if one of these events occurs, and our insurance coverage may be insufficient to compensate us for such losses. Because the Los Angeles area, where a large portion of our employees are located, is in an earthquake fault zone and because both the Los Angeles area and Frisco, Texas, where a lot of our registered agent and virtual mail operations are currently located, are subject to the increased risk of wildfires, tornadoes and power outages, we are particularly sensitive to the risk of damage to, or total destruction of, our offices and two key fulfillment and delivery centers. Our insurance limits against any certain losses or expenses that may result from a disruption to our business due to earthquakes or wildfires may not be sufficient to cover all such losses or expenses, and the occurrence of either of these events could adversely affect our business, results of operations, financial condition and future prospects.

We may from time to time become involved in litigation, arbitration or government investigation matters that are expensive and time consuming and, if resolved adversely, could harm our brand and reputation, business, results of operations, financial condition or future prospects

We are susceptible to various legal claims, lawsuits, arbitration, regulatory action or other proceedings, including those related to UPL, patent, trademark, trade secret and other intellectual property matters, taxes, labor and employment, competition and antitrust, privacy, data use, data protection, data security, network security, wiretapping, consumer protection and product liability, unfair business practices, breach of contract and other matters. We have been and may in the future become subject to various claims which, if resolved adversely, could have a material adverse effect on our financial position, results of operations, or cash flows. We anticipate that we will continue to be a target for such lawsuits in the future.

The plaintiffs in these actions generally seek monetary damages, penalties, and/or injunctive relief. We cannot predict the outcome of such proceedings or the amount of time and expense that will be required to resolve such proceedings. If such claims are made against us, there can be no assurances that favorable final outcomes will be obtained; if such claims were to be determined adversely to our interests, or if we were forced to settle such matters for a significant amount, such resolutions or settlements may result in changes to or discontinuance of some of our services, potential liabilities or additional costs. Defending these claims is also costly and can impose a significant burden on management and employees, and we may receive unfavorable preliminary or interim rulings in the course of litigation. Any litigation to which we are currently or may in the future be a party may result in an onerous or unfavorable judgment that may not be reversed upon appeal, or we may decide to settle lawsuits on unfavorable terms. Any such negative outcome could result in payments of substantial monetary damages or fines, injunctive relief, adverse effects on the market price of our common stock or changes to our products or business practices, and accordingly, our brand and reputation, business, results of operations, financial condition or future prospects could be materially and adversely affected.

We also may encounter future claims. For example, our U.S. subsidiary, LZ Legal Services, LLC, is licensed as an alternative business structure, which allows corporate entities to become licensed providers of reserved legal activities in Arizona. As a result, LZ Legal Services, LLC may be susceptible to potential claims from clients, such as breach of contract, product liability, negligence or other claims. Any such claims could result in reputational damage or an adverse effect on our results of operations. The professional liability insurance held by LZ Legal Services, LLC and limiting its liability in accordance with engagement letters with clients may not insure or protect against all potential claims or sufficiently indemnify us or the subsidiary for all liability that may be incurred. Any such liability, inclusive of the costs and expenses that may be incurred in defending any such claims, that exceeds the insurance coverage could have a material adverse effect on our business, results of operations, financial condition, or future prospects.

We are subject to risks related to accepting credit and debit card payments that may harm our business or expose us to additional costs and liabilities

We accept payments from our customers primarily through credit and debit card transactions. Our customers generally pay for transactions in advance by credit or debit card except for certain services provided under installment plans where we allow customers to pay for their order in two or three equal payments. Acceptance and processing of credit and debit cards requires that we pay interchange and other fees. In addition, we rely on third parties to provide payment processing services, including the processing of our credit and debit card transactions, and to provide payment collection services. To the extent there are increases in payment processing fees, material changes in the payment ecosystem, such as large re-issuances

of payment cards, delays in receiving payments from payment processors, loss of payment partners and/or disruptions or failures in our payment processing systems, including products we use to update payment information, our revenue, operating expenses and results of operation could be adversely impacted. For example, if our processing vendors have problems with our billing software or the billing software malfunctions, we could lose customers who subscribe to our legal plans, registered agent services and other subscription services, which could decrease our revenue. In addition, if our billing software fails to work properly and, as a result, we do not automatically charge our subscribers' credit cards on a timely basis or at all, our revenue could be adversely affected.

We are also subject to payment card industry rules, certification requirements and rules governing electronic funds transfer, any of which could change or be reinterpreted to make it more difficult for us to comply. Our failure to comply fully with these rules or requirements may subject us to fines, higher transaction fees, penalties, damages, and civil liability and may result in the loss of our ability to accept credit and debit card payments, which could have a material adverse effect on our business, results of operations, financial condition and future prospects.

Risks Relating to Our Financial Condition, Indebtedness and Capital Requirements

Our results of operations may not immediately reflect downturns or upturns in sales because we recognize revenue from our customers over the term of their paid subscriptions with us

We recognize revenue from paid subscriptions to our services over the respective term of the subscription period. For example, after a short introductory trial period, if any, subscribers can make a subscription commitment, with the upcoming subscription fee paid upon subscribing. As a result, much of our revenue is generated from the recognition of deferred revenue relating to subscriptions entered into during previous quarters. Consequently, shortfalls in demand for our services or declines in new or renewed subscriptions in any one quarter have in the past had, and may again in the future have, a small impact on the revenue that we recognize for that quarter but could negatively affect our revenue in future quarters. Accordingly, the effect of significant downturns in sales and potential changes in our pricing policies or rate of customer expansion or retention may not be fully reflected in our results of operations until future periods. In addition, a significant majority of our costs are expensed as incurred, while revenue is recognized over the life of the subscription agreement. As a result, growth in the number of customers could continue to result in our recognition of higher costs and lower revenue in the earlier periods of our subscription agreements. Finally, our subscription-based revenue model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers and significant increases in the size of subscriptions with existing customers must be recognized over the applicable subscription term.

We track certain financial and operating metrics with internal systems and tools and do not independently verify such metrics. Certain of our financial and operating metrics are subject to inherent challenges in measurement, and real or perceived inaccuracies in such metrics may harm our reputation and negatively affect our business

We track certain financial and operating metrics, including key business metrics such as number of transactions, number of subscription units and average revenue per subscription unit, with internal company data, systems and tools that are not independently verified by any third-party. Our internal systems and tools have a number of limitations, and our methodologies for tracking these metrics may change over time, which could result in unexpected changes to our metrics, including the metrics we publicly disclose. If the internal systems and tools we use to track these metrics under-count or over-count performance or contain algorithmic or other technical errors, the data we report may not be accurate and we may be required to revise or cease reporting such metrics or figures. While the numbers we report are based on what we believe to be reasonable estimates of our metrics for the applicable period of measurement, there are inherent challenges in measuring how our services are used across large populations globally. For example, there are customers who have multiple subscriptions, which we treat as multiple subscription units for purposes of calculating our subscription units.

In addition, limitations or errors with respect to how we measure data or with respect to the data that we measure may affect our understanding of certain details of our business, which could affect our long-term strategies. If our financial and operating metrics are not accurate representations of our business, or if investors do not perceive our operating metrics to be accurate, or if we discover material inaccuracies in our metrics, our reputation may be harmed, and our business, results of operations, financial condition and future prospects could be adversely affected.

We have in the past identified material weaknesses in our internal control over financial reporting, and if we are unable to maintain effective internal control over financial reporting in the future, investors may lose

confidence in the accuracy and completeness of our financial reports and the market price of our common stock may decline

We are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. On an annual basis, we are required to furnish a report by management on the effectiveness of our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act and our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting.

Compiling the system and processing documentation necessary to perform the evaluation needed to comply with Section 404 is costly and challenging. Our compliance with Section 404 requires that we incur substantial accounting expense and expend significant management efforts. We have hired and may need to continue to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge and compile the system and process documentation necessary to maintain effective internal control over financial reporting.

We have found material weaknesses in our internal control over financial reporting in the past and our prior material weakness related to our income tax provision resulted in the restatement of our unaudited condensed consolidated financial statements for the quarters and year-to-date periods ended March 31, 2022, June 30, 2022 and September 30, 2022. Although we remediated our material weaknesses and management concluded that our internal control over financial reporting was effective as of December 31, 2024, we cannot assure you that there will not be additional material weaknesses in our internal control over financial reporting in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. In addition, any future material weaknesses could result in the loss of investor confidence in the accuracy and completeness of our financial reports, the market price of our common stock could be negatively affected, and we could be subject to sanctions or investigations by the stock exchange on which our securities are listed, the SEC or other regulatory authorities, which would also require additional financial and management resources. Failure to maintain effective control systems required of public companies could also restrict our future access to the capital markets.

The agreement governing our revolving credit facility requires us to meet certain operating and financial covenants and places restrictions on our operating and financial flexibility. If we raise additional capital through debt financing, the terms of any new debt could further restrict our ability to operate our business

The revolving facility that we entered into on July 2, 2021, or the 2021 Revolving Facility, contains affirmative and negative covenants, indemnification provisions and events of default. The affirmative covenants include, among others, administrative, reporting and legal covenants, in each case subject to certain exceptions. The negative covenants include, among others, limitations on our and certain of our subsidiaries' abilities to carry out the following, in each case subject to certain exceptions:

- incur additional indebtedness and guarantee indebtedness;
- create or incur liens;
- pay dividends and distribute or repurchase capital stock;
- merge, liquidate and make asset sales;
- change lines of business;
- change our fiscal year;
- incur restrictions on our subsidiaries' ability to make distributions and create liens;
- modify our organizational documents;
- make investments, loans and advances; and
- enter into certain transactions with affiliates.

The 2021 Revolving Facility also contains a financial covenant that requires us to maintain a total net first lien leverage ratio not to exceed 4.50:1.00 on the last day of any fiscal quarter during which our 2021 Revolving Facility usage exceeds 35% of the 2021 Revolving Facility capacity. As a result of the restrictions described above, we may be limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants. We cannot assure you that we will be able to maintain compliance with these covenants in the future and, if we fail to do so, that we will be able to obtain waivers from the lenders or amend the covenants.

Our ability to comply with the covenants and restrictions contained in the 2021 Revolving Facility may be affected by economic, financial and industry conditions beyond our control. The restrictions in the 2021 Revolving Facility may prevent us from taking actions that we believe would be in the best interests of our business and may make it difficult for us to execute our business strategy successfully or effectively compete with companies that are not similarly restricted. Our failure to comply with the restrictive covenants and other terms of our indebtedness could result in an event of default, which, if not cured or waived, could result in the lenders declaring all obligations, together with accrued and unpaid interest, immediately due and payable and take control of the collateral, potentially requiring us to renegotiate the 2021 Revolving Facility on terms less favorable to us and could also trigger cross-default provisions in other contracts, potentially resulting in serious consequences to our business, results of operations, financial condition and future prospects, including bankruptcy or insolvency. Even if the 2021 Revolving Facility is terminated, any additional debt that we incur in the future could subject us to similar or additional covenants.

In addition, the 2021 Revolving Facility also permits borrowings denominated in Euros, British pound sterling and other alternative currencies that may be approved by the administrative agent and revolving lenders. Such non-U.S. dollar-denominated debt may not necessarily correspond to the cash flow we generate in such currencies.

We are subject to fluctuations in interest rates

Any borrowings under the 2021 Revolving Facility will be subject to variable rates of interest and expose us to interest rate risk. Sharp changes in interest rates could adversely affect us if amounts are outstanding under the 2021 Revolving Facility. Further, if future rates based upon SOFR are higher or more volatile than USD LIBOR rates as historically determined, we may experience potential increases in interest rates on any variable rate debt, which could adversely impact our interest expense, results of operations and cash flows. In the future, we may enter into contractual arrangements designed to hedge our exposure to changes in interest rates. If we enter into derivative financial instruments to mitigate interest rate risk in the future, we may not maintain interest rate swaps, caps or other applicable financial instruments with respect to all of our indebtedness, and any financial instrument we enter into may not fully mitigate our interest rate risk, may prove disadvantageous or may create additional risks. If these hedging arrangements are unsuccessful, we may experience an adverse effect on our business, results of operations, financial condition and future prospects.

Our ability to use our NOL carryforwards may be limited

Unused U.S. federal net operating losses, or NOLs, for taxable years beginning before January 1, 2018, may be carried forward for 20 years to offset future taxable income, if any, until such unused NOLs expire. Under the 2017 Tax Cuts and Jobs Act, or the Tax Act, as modified by the Coronavirus Aid, Relief, and Economic Security Act, or the CARES Act, U.S. federal NOLs incurred in taxable years beginning after December 31, 2017, can be carried forward indefinitely and are limited to 80% of taxable income. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50 percentage point change (by value) in its equity ownership over a three-year period, the corporation's ability to use its pre-change NOL carryforwards to offset its post-change income or taxes may be limited. We have completed a Section 382 study and have determined that none of our NOLs will expire solely due to Section 382 limitations. However, we may experience ownership changes in the future as a result of shifts in our stock ownership, some of which may be outside of our control. This could limit the amount of NOLs that we can utilize annually to offset future taxable income or tax liabilities. Subsequent ownership changes and changes to the U.S. tax rules in respect of the utilization of NOLs may further affect the limitation in future years. In addition, at the state level, there may be periods during which the use of NOLs is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed. For example, California imposed limits on the usability of California NOLs to offset taxable income and certain business credits to offset California tax liabilities in tax years beginning after 2023 and before 2027.

Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations

We are subject to income taxes in the U.S. and various foreign jurisdictions. The determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are many transactions where the ultimate tax determination is uncertain. We believe that our provision for income taxes is reasonable, but the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may affect our financial results in the period or periods in which such outcome is determined.

Our effective tax rate could increase due to several factors, including:

- changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- changes in tax laws, tax treaties, and regulations or the interpretation of them, including the Inflation Reduction Act of 2022, or the IRA, and the Tax Act;
- changes to our assessment about our ability to realize our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- the outcome of current and future tax audits, examinations, or administrative appeals; and
- the effects of acquisitions.

Any of these developments could adversely affect our results of operations.

Changes in tax laws or regulations that are applied adversely to us or our customers may have a material adverse effect on our business, cash flow, financial condition or results of operations

New tax laws, statutes, rules, regulations or ordinances could be enacted at any time. Tax reform remains a legislative priority for the U.S. government and certain legislation has already been enacted. While there is current uncertainty regarding what changes will eventually be enacted, such new laws may affect our operating results and financial conditions. Further, existing tax laws, statutes, rules, regulations or ordinances could be interpreted differently, changed, modified, or repealed at any time. Any such enactment, interpretation, change, modification, or repeal could adversely affect us, possibly with retroactive effect. For example, the IRA imposes, among other rules, a 15% minimum tax on the book income of certain large corporations and a 1% excise tax on certain corporate stock repurchases. The imposition of the excise tax could increase the cost to us of making repurchases of our stock and cause us to reduce the number of our shares repurchased pursuant to our stock repurchase program. In addition, for certain research and experimental expenses incurred in taxable years beginning after December 31, 2021, the Tax Act requires the capitalization and amortization of such expenses over five years if incurred in the U.S. and fifteen years if incurred outside the U.S., rather than deducting such expenses currently.

In addition, changes in the tax laws of foreign jurisdictions could arise as a result of the global implementation of the Inclusive Framework on Base Erosion and Profit Shifting and Pillar Two Model Rules, announced by The Organization for Economic Cooperation and Development (OECD). This change, or any other changes in foreign tax laws, if enacted, could increase our tax obligations in the countries where we do business or require us to change the manner in which we operate our business.

Changes in corporate tax rates, the realization of net deferred tax assets, the taxation of foreign earnings and the deductibility of expenses, could potentially have a material impact on the value of our deferred tax assets, could result in significant one-time charges, and could increase our future tax expense.

Risks Relating to Legal, Compliance and Regulatory Matters

Our business and services subject us to complex and evolving U.S. and foreign laws and regulations

Our business involves providing services that meet the legal and other needs of our customers and, as a result, we are subject to a variety of complex and evolving government laws, rules and regulations, including but not limited to, laws and regulations related to labor, advertising, sales and marketing, deceptive trade practices, our subscription offerings and related billing, renewal and cancellation practices, virtual mail, legal document processing services, registered agent services, our legal plans, electronic funds transfer, consumer protection, real estate, e-commerce, promotions, intellectual property (e.g., ownership, examination, registration and infringement), postal, anti-bribery and anti-corruption, insurance, foreign exchange controls and cash repatriation restrictions, anti-competition, environmental, health and safety, and other regulated activities. In recent years, there has been significant new and changing regulations in many of these areas and we expect the heightened focus by the government on many of these areas to continue. In addition, as we expand our products and services and evolve our business models, we may become subject to additional government regulation or increased regulatory scrutiny.

The scope of the federal, state and local laws and regulations to which we are subject is often vague and broad, and their applications and interpretations are often uncertain and conflicting. Compliance with these disparate laws and regulations requires us to structure our business and services differently in certain jurisdictions. Additionally, these laws and regulations are frequently evolving, and challenges to, changes in, or new interpretations of, such laws and regulations could restrict the types of products and services that we can offer or the prices we can charge or require us to significantly change the ways we currently structure our business and services. For instance, in March 2025, the Financial Crimes Enforcement Network (FinCEN) issued an interim final rule removing the requirement for U.S. companies to file a beneficial ownership information

report under the Corporate Transparency Act, which was first adopted in September 2022. The laws and regulations to which we are subject could also make it more difficult for us to convert our transactional customers to subscribers or attract new subscribers to grow our subscription services. We dedicate significant management time and expense to dealing with these issues and we expect that these issues will continue to be a significant focus as we expand into other services and jurisdictions.

Any failure or perceived failure by us to comply with applicable laws and regulations may subject us to regulatory inquiries, claims, suits and prosecutions. We have also incurred in the past, and expect to incur in the future, costs associated with responding to, defending, resolving, and/or settling proceedings, particularly those related to UPL, competitor claims and the provision of our services more generally. We can give no assurance that we will prevail in such regulatory inquiries, claims, suits and prosecutions on commercially reasonable terms or at all. Responding to, defending and/or settling regulatory inquiries, claims, suits and prosecutions may be time-consuming and divert management and financial resources or have other adverse effects on our business. A negative outcome in any of these proceedings may result in claims, changes to or discontinuance of some of our services, potential liabilities or additional costs that could have a material adverse effect on our business, results of operations, financial condition, future prospects and brand.

Our Arizona subsidiary, which is licensed as an ABS, may not insulate us from claims of the unauthorized practice of law and is subject to restrictions under Arizona Code of Judicial Administration

Our business model includes the provision of services that represent an alternative to traditional legal services, which subjects us to allegations of UPL. UPL generally refers to an entity or person giving legal advice that is not licensed to practice law or advertising their services as the practice of law. However, laws and regulations defining UPL, and the governing bodies that enforce UPL rules, differ among the various jurisdictions in which we operate and are often vague. Further, in the U.S., we are generally unable to hire attorneys as employees to provide legal advice directly to our customer, because we do not meet certain regulatory requirements, such as being exclusively owned by licensed attorneys. We are currently unable to acquire a license to practice law in most U.S. states, and laws, regulations and professional responsibility rules impose limitations on business transactions between attorneys and persons who are not licensed attorneys, including those related to the ethics of attorney fee-splitting and CPL.

However, Arizona currently permits non-lawyers to co-own law firms and other legal service operations. In September 2021, we received our license to operate our Arizona ABS, which employs and contracts with licensed attorneys to provide limited scope legal services to U.S.-based consumers who purchase such services on our websites. Our U.S. subsidiary, LZ Legal Services, LLC, which holds the license to operate the Arizona ABS, may be susceptible to potential claims from clients, such as breach of contract, product liability, negligence or other claims. Any such claims could result in reputational damage or an adverse effect on our results of operations. In addition, this structure is generally untested in U.S. courts and we cannot assure you that it will insulate us from claims of CPL or UPL. The professional liability insurance held by our U.S. subsidiary and limiting its liability in accordance with its engagement letters with clients, may not insure or protect against all potential claims or sufficiently indemnify us or our U.S. subsidiary for all liability that may be incurred. Any liability, inclusive of the costs and expenses that may be incurred in defending any such claims, that exceeds our insurance coverage could have a material adverse effect on our business, results of operations, financial condition, or future prospects.

In addition, under Section 7-209 of the Arizona Code of Judicial Administration, or ACJA, there are restrictions on holding an interest of 10% or more in the issued share capital of a licensed ABS or the parent company of a licensed ABS. As our U.S. subsidiary is a licensed ABS for the purposes of the ACJA, these restrictions apply to any holder(s) of 10% or more of our common stock. Each "authorized person", as defined in ACJA 702-9, including the members of our board of directors, could be required to file an ABS Authorized Person application with the Arizona Supreme Court when determined to be seeking a restricted interest. The Arizona Supreme Court may attach conditions to any authorization granted in respect to holding of a restricted interest.

The Arizona Supreme Court can force any person who acquires a restricted interest in contravention of the applicable rules, whether knowingly or unknowingly, to divest its share ownership in the licensed ABS or its parent company. The Arizona Supreme Court also has the ability to suspend or revoke our U.S. subsidiary's licensed ABS status in the event any such contravention occurs. Any suspension or revocation of our U.S. subsidiary's licensed ABS status would have a serious detrimental impact on our business, and, in such circumstances, we would seek to collaborate with the Arizona Supreme Court to minimize any resultant business disruption.

If the independent professionals who participate in our or our partners' networks, or otherwise work with LegalZoom as a consultant or contractor, are characterized as employees, we would be subject to employment and withholding liabilities and regulatory risks

We structure our relationships with the independent attorneys and independent accountants who participate in our and our partners' networks in a manner that we believe results in an independent contractor relationship, not an employee relationship. On the other hand, some of our tax offerings and our intellectual property offerings are currently fulfilled by our or our subsidiaries' own employee accountants, tax professionals, lawyers and fulfillment staff. We also use contractors, temporary employees and/or consultants as part of our operations. An independent contractor is generally distinguished from an employee by his or her degree of autonomy and independence in providing services. A high degree of autonomy and independence is generally indicative of a contractor relationship, while a high degree of control is generally indicative of an employment relationship. Tax or other regulatory authorities may in the future challenge our characterization of the independent attorneys and accountants who participate in our and our partners' networks of these relationships, or the other contractors and consultants used by us. If such regulatory authorities or state, federal or foreign courts were to determine that these attorneys, accountants or other contractors and consultants are employees, and not independent contractors, we would be required to withhold income taxes, to withhold and pay social security, Medicare and similar taxes, to pay unemployment and other related payroll taxes and could face allegations of UPL or CPL. We would also be liable for unpaid past taxes and subject to penalties. As a result, any determination that these individuals are our employees could have a material adverse effect on our business, results of operations, financial condition and future prospects. It is also possible that we could face claims of joint employment from the independent professionals who participate in our partner networks or from individuals working as a consultant, temporary employee, or contractor, if they were to pursue employment claims against LegalZoom. If a joint employment relationship is found to exist, joint liability for any successful claims would also likely exist.

Compliance with U.S. and foreign privacy and data security requirements could result in additional costs and liabilities to us or inhibit our ability to collect and store data, and the failure to comply with such requirements could subject us to significant fines and penalties, which could adversely affect our business, financial condition and reputation

In the ordinary course of business, we collect and otherwise process information from and about our customers and others, which include personal information and other data. As a result, aspects of our business are subject to laws, rules, regulations and other obligations (such as contracts and privacy notices) relating to privacy and the collection, use and security of personal information. In the United States, federal, state and local governments have enacted or introduced comprehensive data privacy laws and regulations, including the California Consumer Privacy Act of 2018. Many other U.S. states have enacted, or have proposed enacting, similar comprehensive privacy laws that impose certain obligations on covered businesses, including providing specific disclosures in privacy notices, obtaining consumer consent and affording residents with certain rights concerning their personal data. The exercise of these rights may impact our business and ability to provide our products and services. These state laws allow for statutory fines for noncompliance. Outside the U.S., an increasing number of laws, regulations and industry standards govern data privacy and security. For example, we are also subject to the European Union's General Data Protection Regulation, or GDPR, with respect to some portions of activities. In addition, we are subject to the terms of our privacy policies and obligations to third-parties related to privacy, data protection and information security.

We publish privacy policies, marketing materials and other statements regarding data privacy and security. Regulators in the United States are increasingly scrutinizing these statements, and if these policies, materials or statements are found to be deficient, lacking in transparency, deceptive, unfair, misleading, or misrepresentative of our practices, we may be subject to investigation, enforcement actions by regulators or other adverse consequences.

Any actual or perceived failure by us or third parties working on our behalf to comply with applicable privacy and data security laws, rules and regulations or related contractual or other obligations, or any perceived privacy rights violation, could lead to investigations, claims, and proceedings by governmental entities and private parties, damages for contract breaches, additional reporting obligations and other significant costs, penalties, and other liabilities, as well as harm to our reputation and market position. In addition, the global regulatory framework for privacy and data security issues is rapidly evolving and privacy and data security laws have been and may in the future be enacted by other U.S. states and countries in which we do business. As a result, interpretation of applicable privacy and data security laws, rules and regulations is ongoing, may not be fully determined at this time and may conflict across jurisdictions. In our efforts to meet the various data privacy obligations that apply to us, we have made and continue to make certain operational changes to our products and business practices. Preparing for and complying with these obligations requires significant time and resources and may necessitate further changes to our information technologies, systems,

and practices and to those of our customers, and of any third parties that process personal information on our behalf. In addition, these obligations may require us to change our business model.

Further, certain jurisdictions have enacted data localization laws and cross-border personal data transfer laws, which may make it more difficult for us to transfer personal data across jurisdictions (such as transferring or receiving personal data that originates in the EU or in other foreign jurisdictions). Existing mechanisms that facilitate cross-border personal data transfers may change or be invalidated. For example, the GDPR generally prohibits the transfer of personal information to countries outside of the European Economic Area that the European Commission does not consider to provide an adequate level of privacy and data security, such as the U.S., absent appropriate safeguards. In addition, certain countries outside Europe have also passed or are considering laws requiring local data residency or otherwise impeding the transfer of personal data across borders, any of which could increase the cost and complexity of doing business. If we cannot implement a valid compliance mechanism for cross-border data transfers, we may face increased exposure to regulatory actions, substantial fines, and injunctions against processing personal data from Europe or other foreign jurisdictions. The inability to import personal data to the U.S. could significantly and negatively impact our business operations, limit our ability to collaborate with parties that are subject to cross-border data transfer or localization laws, or require us to increase our data processing capabilities and infrastructure in foreign jurisdictions at significant expense.

Breaches and other types of security incidents of our data, networks or systems, or those of the third parties with whom we work, could negatively impact our ability to conduct our business, our brand and reputation, our ability to retain existing customers and attract new customers, and may cause us to incur significant liabilities and adversely affect our business, results of operations, financial condition and future prospects

We collect, use, store, transmit and otherwise process data and information about our customers, employees and others, some of which are sensitive, personal and/or confidential. Any actual or perceived breach of our security measures or those of the third parties with whom we work could adversely affect our business, operations and future prospects. Circumvention of our security measures or those of our service providers may result in access, misappropriation, deletion, alteration, publication, modification or other compromise of our information or information security systems, which could cause interruptions in our business and operations, fraud or loss to third parties, regulatory enforcement actions, litigation, indemnity obligations and other possible liabilities, as well as negative publicity. Widespread negative publicity may also result from real, threatened or perceived security compromises affecting our industry, competitors and customers. Concerns regarding data privacy and security could cause some of our customers to stop using our services and fail to renew their subscriptions. This discontinuance in use and failure to renew could harm our business, results of operations, financial condition and future prospects.

Our internal information systems, cloud-based computing services, and those of our current and any future service providers and third parties with whom we work are vulnerable to a variety of evolving threats. Cyberattacks and other malicious internet-based activity, such as computer malware, hacking and phishing attempts, continue to increase. In addition to traditional computer "hackers," sophisticated nation-state and nation-state supported actors now engage in similar attacks (including advanced persistent threat intrusions). Other threats include malicious code (such as viruses, worms and ransomware), social engineering attacks (such as through deep fakes and phishing attacks, cyber extortion, personnel error or malfeasance (including theft and misuse), malware, denial-of-service attacks, supply-chain attacks, software bugs, information systems malfunctions and failures, data loss, and other similar threats are evolving. In particular, severe ransomware attacks are becoming increasingly prevalent and can lead to significant interruptions in our operations, ability to provide our products and services, loss of sensitive data and income, reputational harm, and diversion of funds. Extortion payments may alleviate the negative impact of a ransomware attack, but we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments.

We have adopted a flexible-first policy for non-onsite roles, which enables flexibility to work remotely and collaborate in offices. This policy, which results in a predominantly remote workforce, poses additional data security risks to our information technology systems and data, as our personnel work from home and utilize network connections outside our premises. Additionally, future or past business transactions, acquisitions or integrations, including our recent acquisition of Formation Nation, could expose us to additional cybersecurity risks and vulnerabilities, as our systems could be negatively affected by vulnerabilities present in acquired or integrated entities' systems and technologies. Any of the previously identified or similar threats could cause a security breach or other interruption. A security breach or other interruption could result in unauthorized, unlawful, or accidental acquisition, modification, destruction, loss, alteration, encryption, disclosure of, or access to our sensitive information.

We have in the past and may in the future expend significant resources or modify our business activities to try to protect against security breaches. In addition, certain data privacy and security obligations have required and may in the future require us to implement and maintain specific security measures, industry-

standard or reasonable security measures to protect our information technology systems and sensitive information, including contractually. We cannot guarantee that our security measures to protect customer information and prevent data loss and other security breaches will be sufficient to protect against unauthorized access to, or other compromise of, personal information, or confidential, proprietary or otherwise sensitive information. The techniques used to sabotage or to obtain unauthorized access to our platform, systems, networks and/or physical facilities in which data is stored or through which data is transmitted change frequently, and we have not always been able in the past and may be unable in the future to anticipate such techniques or implement adequate preventative measures or stop security breaches that may arise from such techniques. As a result, our safeguards and preventive measures may not be adequate to prevent past, current or future cyberattacks and security breaches, including security breaches that may remain undetected for extended periods of time, which can substantially increase the potential for a material adverse impact resulting from the breach.

Like many companies, we rely on service providers to operate critical business systems to process sensitive information in a variety of contexts, including, without limitation, providers of cloud-based infrastructure, employee email, customer service and other functions. We may share or receive sensitive information with or from third parties. Our ability to monitor these third parties' information security practices is limited, and these third parties may not have adequate information security measures in place, which could lead to a breach in our information.

If we, or third parties with whom we work, experience or are perceived to have experienced (in the past or future) a security breach, we may experience adverse consequences. While we may be entitled to damages if our service providers fail to satisfy their privacy or security-related obligations to us, any award or other recovery may be insufficient to cover our damages.

We implement and maintain security measures designed to protect against security breaches and other compromise. However, there can be no assurance these measures will be effective. For example, we take steps designed to detect, mitigate and remediate vulnerabilities in our information systems (such as our hardware and software, including of third parties upon which we rely). We may not, however, detect and remediate all such vulnerabilities on a timely and effective basis. We may experience delays in developing and deploying remedial measures designed to address any such identified vulnerabilities. Vulnerabilities could be exploited and result in a security incident.

We may expend significant resources or modify our business activities to try to protect against security incidents. Certain data privacy and security obligations may require us to implement and maintain specific security measures or industry-standard or reasonable security measures designed to protect our information technology systems and information.

Applicable data privacy and security obligations may require us to notify relevant stakeholders, which may include affected individuals, regulatory authorities, or customers of security breaches. We operate in an industry that is prone to cyberattacks. We have experienced security breaches (such as unauthorized access to customer information) for which we may have been or were legally required to notify individuals, customers, regulators, the media and others. Data breach notification disclosures are costly, time consuming, and could lead to adverse consequences. In addition, the costs to respond to a cybersecurity event or to mitigate any security vulnerabilities that may be identified could be significant, including costs for remediating the effects of such an event, paying a ransom, restoring data from backups and conducting data analysis to determine what data may have been affected by the breach. In addition, our efforts to contain or remediate a security breach or any vulnerability exploited to cause a breach may be unsuccessful, and efforts and any related failures to contain or remediate them could result in interruptions, delays, loss in customer trust, harm to our reputation and increases to our insurance coverage.

Our contracts may not contain limitations of liability, and even where they do, there can be no assurance that limitations of liability in our contracts are sufficient to protect us from liabilities, damages, or claims related to our data privacy and security obligations. We may not have adequate insurance coverage for security incidents or breaches, including fines, judgments, settlements, penalties, costs, attorney fees and other impacts that arise out of such breaches. We cannot assure you that our cyber liability insurance coverage will be adequate to cover liabilities actually incurred or that insurance will continue to be available to us on economically reasonable terms, or at all. The successful assertion of one or more large claims against us that exceeds our available insurance coverage, or results in changes to our insurance policies (including premium increases or the imposition of large deductible or co-insurance requirements), could have an adverse effect on our business. Our risks are likely to increase as we continue to expand, grow our customer base, and process increasingly large amounts of sensitive information.

In addition to experiencing a security incident, third parties may gather, collect, or infer sensitive information about us from public sources, data brokers, or other means that reveals competitively sensitive details about our organization and could be used to undermine our competitive advantage or market position.

Risks Relating to Intellectual Property

Our use of open source software could negatively affect our proprietary technologies and our ability to offer and sell subscriptions to our products and could subject us to possible litigation

Certain of the technologies we currently use incorporate open source software, or OSS, and we expect to continue to utilize OSS in the future. OSS is licensed by its authors under a variety of license types. Some of these licenses (often called “hereditary” or “viral” licenses) contain requirements that could cause us to make available the source code of the modifications or derivative works that we create based upon the licensed OSS, and that we license such modifications or derivative works under the terms of a particular open source license granting third-parties certain rights of further use. By the terms of such open source licenses, we also could be required to release the source code of our proprietary (closed-source) software, and to make our proprietary software available under open source licenses, if we combine and/or distribute our proprietary software with such open source software in a manner that triggers the obligation of the license. We cannot be sure that all OSS and their associated licenses are reviewed prior to use in our proprietary software, that our programmers have not incorporated open source software into our proprietary software in a manner triggering such adverse licensing obligations, or that they will not do so in the future. Additionally, the terms of many open source licenses have not been interpreted by U.S. or other courts, and these licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products. We may face claims from others claiming ownership of open source software or patents reading on that software, rights to our intellectual property or breach of open source license terms, including a demand for release of material portions of our source code or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation, which could be costly to defend, require us to purchase a costly license (such as a commercial version of an open source license), require us to establish additional specific open source compliance procedures or require us to devote additional research and development resources to remove open source elements from or otherwise change our solutions, any of which would have a negative effect on our business, results of operations, financial condition and future prospects. Any of the foregoing could disrupt and harm our business, results of operations, financial condition and future prospects.

If we are unable to adequately protect our intellectual property to prevent unauthorized use or appropriation, the value of our brand and other intangible assets, as well as our business, results of operations, financial condition and future prospects may be adversely affected

We rely and expect to continue to rely on confidentiality and license agreements with our employees, consultants and third parties, and protection and enforcement of our intellectual property rights, including in our trademarks, copyrights, trade secrets and domain names. Third parties may knowingly or unknowingly infringe on or challenge our proprietary rights, and pending and future trademark or other intellectual property applications may not be approved and if approved, may be inadequate to prevent third parties from circumventing such intellectual property rights. In addition, effective intellectual property protection may not be available in every country in which we operate or intend to operate our business. In these cases, we may expend significant time and expense to prevent infringement and enforce our rights. We cannot assure you that others will not offer services or concepts that are substantially similar to ours and compete with our business. If the protection of our proprietary rights is inadequate to prevent unauthorized use or appropriation, the value of our brand and other intangible assets may be diminished and competitors may be able to more effectively mimic our services, business practices or operations, which may have an adverse effect on our business, results of operations, financial condition and future prospects.

Risks Relating to Ownership of Our Common Stock

The market price of our common stock may be volatile or may decline regardless of our operating performance, resulting in substantial losses for our investors

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated fluctuations in our revenue and results of operations;
- our ability to effectively and successfully integrate the operations of Formation Nation into our existing business;
- our ability to successfully implement our strategic execution priorities;
- the operating and financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;

- an increase or loss of customers;
- fluctuations in product sales mix;
- changes in our pricing strategy or those of our competitors;
- developments in new legislation and pending lawsuits or regulatory actions, including interim or final rulings by judicial or regulatory bodies;
- our involvement in any litigation;
- actual or anticipated changes in our growth rate relative to those of our competitors;
- announcements of technological innovations or new services offered by us or our competitors;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures or capital-raising activities or commitments;
- additions or departures of key personnel;
- actions of securities analysts who initiate or maintain coverage of us, changes in financial estimates by any securities analysts who follow our company, or our failure to meet these estimates or investor expectations;
- fluctuations in the valuation of companies perceived by investors to be comparable to us;
- technical factors in the public trading market for our common stock that may produce price movements that may or may not comport with macro, industry or company-specific fundamentals, including, without limitation, the sentiment of retail investors (including as may be expressed on financial trading and other social media sites), the amount and status of short interest in our common stock, access to margin debt, and trading in options and other derivatives on our common stock;
- additional shares of our common stock or other securities being sold into the market by us or our existing stockholders or the anticipation of such sales;
- price and volume fluctuations in the overall stock market, including as a result of trends in the economy as a whole;
- general macroeconomic, political, regulatory and market conditions, such as those related to recessionary fears, tariffs, inflation and/or elevated interest rates; and
- other events or factors, including those resulting from war, incidents of terrorism, a public health pandemic or epidemic, bank failures, or responses to these events.

In the past, companies that have experienced volatility in the market price of their stock have been subject to securities class action litigation. We may be the target of this type of litigation in the future. Securities litigation against us could result in substantial costs and divert our management's attention from other business concerns, which could adversely affect our business, results of operations, financial condition and future prospects.

A significant portion of our total outstanding shares may be sold into the market in the near future, which could cause the market price of our common stock to drop significantly, even if our business is performing well

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that such sales may have on the prevailing market price of our common stock. At March 31, 2025, holders of approximately 65 million shares of our common stock are entitled to rights pursuant to an investors' rights agreement, subject to some conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders. If one or more of these holders of our common stock sells a large number of shares by exercising their registration rights, it has in the past and may in the future adversely affect the market price for our common stock. In addition, if we file a registration statement for the purposes of selling additional shares to raise capital and are required to include shares held by these holders pursuant to the exercise of their registration rights, our ability to raise capital may be impaired.

Concentration of ownership of our common stock among our existing executive officers, directors and other affiliates may prevent new investors from influencing significant corporate decisions

Based upon shares of our common stock outstanding as of March 31, 2025, our executive officers, directors and other affiliates, in the aggregate, own shares, directly or indirectly, representing approximately 20% of our outstanding common stock. If our executive officers, directors and affiliates acted together, they may be able to significantly influence matters requiring stockholder approval, including the election and removal of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. The concentration of voting power and transfer restrictions could delay or prevent an acquisition of our company on terms that other stockholders may desire or result in the management of our company in ways with which other stockholders disagree.

In addition, FPLZ I, L.P., FPLZ II, L.P. and their affiliated investment entities, or FP, may have influence over management and control over matters requiring stockholder approval, including the annual election of directors and significant corporate transactions. Pursuant to a director nomination agreement previously entered into with FP, we will have the obligation to support the nomination of, and to cause our board of directors to include in the slate of nominees recommended to our stockholders for election, a number of designees equal to at least: (i) two individuals for so long as FP continuously beneficially owns shares of common stock representing at least 50% of the shares of common stock owned by FP immediately following our IPO and (ii) one individual for so long as FP continuously beneficially owns shares of common stock representing at least 25%, but less than 50% of the shares of common stock, owned by FP immediately following the completion of our IPO.

Provisions in our corporate charter documents and provisions under Delaware law could make an acquisition of us, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management

Provisions in our corporate charter and our bylaws may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions also could limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that not all members of the board are elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for stockholder proposals that can be acted on at stockholder meetings and nominations to our board of directors;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call stockholder meetings;
- authorize our board of directors to issue preferred stock without stockholder approval, which could be used to institute a stockholder rights plan, or so-called "poison pill," that would work to dilute the stock ownership of a potential hostile acquirer, effectively preventing acquisitions that have not been approved by our board of directors; and
- require the approval of the holders of at least 66 2/3% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

Moreover, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which prohibits a person who owns 15% or more of our outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired 15% or more of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner. These provisions could discourage potential acquisition proposals and could delay or prevent a change in control transaction. They could also have the effect of discouraging others from making tender offers for our common stock, including transactions that may be in your best interests. These provisions may also prevent changes in our management or limit the price that investors are willing to pay for our stock.

Our amended and restated certificate of incorporation provides that the doctrine of “corporate opportunity” will not apply with respect to certain stockholders

The doctrine of corporate opportunity generally provides that a corporate fiduciary may not develop an opportunity using corporate resources, acquire an interest adverse to that of the corporation or acquire property that is reasonably incident to the present or prospective business of the corporation or in which the corporation has a present or expectancy interest, unless that opportunity is first presented to the corporation and the corporation chooses not to pursue that opportunity. The doctrine of corporate opportunity is intended to preclude officers or directors or other fiduciaries from personally benefiting from opportunities that belong to the corporation. Our amended and restated certificate of incorporation provides that the doctrine of “corporate opportunity” will not apply with respect to certain parties to our investors’ rights agreement, in each case together with their respective affiliates, and its and their affiliates’ directors, partners, principals, officers, members, managers and/or employees. LucasZoom, LLC, Permira Advisers LLC, FPLZ I, L.P., FPLZ II, L.P., GPI Capital Gemini Holdco, LP, TCV IX, L.P., TCV IX (A), L.P., TCV IX (B), L.P., TCV Member Fund, L.P., TCV IX (A) Opportunities, L.P., Bryant Stibel Growth, LLC and Bryant-Stibel Fund, I LLC or their affiliates will, therefore, have no duty to communicate or present corporate opportunities to us, and will have the right to either hold any corporate opportunity for their (and their affiliates’) own account and benefit or to recommend, assign or otherwise transfer such corporate opportunity to persons other than us. As a result, certain of our stockholders, directors and their respective affiliates will not be prohibited from operating or investing in competing businesses. We, therefore, may find ourselves in competition with certain of our stockholders, directors or their respective affiliates, and we may not have knowledge of, or be able to pursue, transactions that could potentially be beneficial to us. Accordingly, we may lose a corporate opportunity or suffer competitive harm, which could negatively impact our business, operating results, financial condition and future prospects.

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

Our amended and restated certificate of incorporation, provides that unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware (or, if and only if the Court of Chancery of the State of Delaware lacks subject matter jurisdiction, any state court located within the State of Delaware or, if and only if all such state courts lack subject matter jurisdiction, the federal district court for the District of Delaware) and any appellate court thereof shall be the exclusive forum for certain claims or causes of actions under Delaware statutory or common law.

The provisions would not apply to suits brought to enforce a duty or liability created by the Securities Exchange Act of 1934, as amended. Furthermore, Section 22 of the Securities Act of 1933, as amended, creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated certificate of incorporation further provides that the federal district courts of the U.S. will be the exclusive forum for resolving any complaint asserting a cause or causes of action arising under the Securities Act, including all causes of action asserted against any defendant to such complaint.

While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such an instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our amended and restated certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

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

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds, and Issuer Purchases of Equity Securities

Purchases of Equity Securities

In October 2023, our board of directors approved a new stock repurchase program authorizing us to repurchase up to \$100.0 million of our common stock, with no fixed expiration. In May 2024 and November 2024, our board of directors approved increases of \$75.0 million and \$40.0 million, respectively, in the stock repurchase program, bringing the aggregate amount authorized to \$215.0 million. Stock repurchases under this program may be made through any manner, including in open market transactions (including pursuant to Rule 10b5-1 plans), through accelerated stock repurchase agreements, or in privately negotiated transactions with third parties, and in such amounts as management deems appropriate. This program does not obligate us to acquire any particular amount of common stock and may be modified, suspended or terminated at any time at the discretion of our board of directors.

We did not purchase any shares of our common stock in the three months ended March 31, 2025 and we had approximately \$50.0 million in remaining aggregate repurchase authorization as of March 31, 2025.

Subsequent to March 31, 2025, in May 2025, our board of directors approved a \$100.0 million increase in our stock repurchase program, bringing the aggregate amount authorized to \$315.0 million. As of the date of this filing, approximately \$150.0 million remained available for future repurchases of our common stock under the stock repurchase program.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

Item 6. Exhibits

The exhibits listed below are filed or furnished as part of this Quarterly Report:

Exhibit Number	Description of Exhibit
2.1	Stock Purchase Agreement, dated February 10, 2025, by and among LegalZoom.com, Inc., Formation Nation Inc., Cort Christie, in his individual capacity for the purposes of certain sections thereof, and in his capacity as representative of the stockholders, and the stockholders of Formation Nation Inc. included on the signature pages thereto (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed with the SEC on February 10, 2025).
3.1	Amended and Restated Certificate of Incorporation of LegalZoom.com, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on July 2, 2021).
3.2	Amended and Restated Bylaws of LegalZoom.com, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Current Report on Form 8-K filed with the SEC on November 6, 2024).
31.1*	Certification of Chief Executive Officer pursuant to Rule 13a-14(a)/15d-14(a) .
31.2*	Certification of Chief Financial Officer pursuant to Rule 13a-14(a)/15d-14(a) .
32.1**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 .
101	The following financial statements from our Quarterly Report on Form 10-Q for the three months ended March 31, 2025 were formatted in Inline XBRL: (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations, (iii) Condensed Consolidated Statements of Comprehensive Loss, (iv) Condensed Consolidated Statement of Stockholders' Equity, (v) Condensed Consolidated Statements of Cash Flows.
104	Cover Page Interactive Data File (formatted in Inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

Date: May 8, 2025

LegalZoom.com, Inc.

By: /s/ Jeffrey Stibel
Jeffrey Stibel
Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2025

/s/ Noel Watson
Noel Watson
Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), Jeffrey Stibel, Chief Executive Officer of LegalZoom.com, Inc. (the "Company"), and Noel Watson, Chief Financial Officer of the Company, each hereby certifies that, to the best of his knowledge:

1. The Company's Quarterly Report on Form 10-Q for the period ended March 31, 2025, to which this Certification is attached as Exhibit 32.1 (the "Periodic Report"), fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
2. The information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

IN WITNESS WHEREOF, the undersigned have set their hands hereto as of the 8th day of May 2025.

LegalZoom.com, Inc.

Date: May 8, 2025

By: _____
Jeffrey Stibel
Chief Executive Officer
(Principal Executive Officer)

Date: May 8, 2025

By: _____
Noel Watson
Chief Financial Officer
(Principal Financial Officer)

This certification shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of Section 18 of the Exchange Act. Such certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the Company specifically incorporates it by reference.