

**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 quarterly period ended June 30, 2024

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: 001-40647

Instructure Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-4325548
(I.R.S. Employer
Identification No.)

6330 South 3000 East, Suite 700
Salt Lake City, UT 84121
(Address of principal executive offices, including zip code)

(800) 203-6755
(Registrant's telephone number, including area code)

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

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, par value \$0.01 per share	INST	New York Stock Exchange

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 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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	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 July 31, 2024, there were 146,471,276 shares of the registrant's common stock outstanding.

[Table of Contents](#)

Instructure Holdings, Inc.
Quarterly Report on Form 10-Q
For the Quarter Ended June 30, 2024
INDEX

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1.	Condensed Consolidated Financial Statements (unaudited)
	3
	Condensed Consolidated Balance Sheets
	3
	Condensed Consolidated Statements of Operations and Comprehensive Loss
	4
	Condensed Consolidated Statements of Stockholders' Equity
	5
	Condensed Consolidated Statements of Cash Flows
	7
	Notes to Condensed Consolidated Financial Statements
	9
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
	22
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
	38
Item 4.	Controls and Procedures
	39
<u>PART II. OTHER INFORMATION</u>	
Item 1.	Legal Proceedings
	40
Item 1A.	Risk Factors
	40
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
	41
Item 3.	Default Upon Senior Securities
	41
Item 4.	Mine Safety Disclosures
	41
Item 5.	Other Information
	41
Item 6.	Exhibits
	42
SIGNATURES	44

In this Quarterly Report on Form 10-Q, “we,” “our,” “us,” “Instructure,” and the “Company” refer to Instructure Holdings, Inc. and its wholly-owned subsidiaries.

PART I. FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements

INSTRUCTURE HOLDINGS, INC. Condensed Consolidated Balance Sheets (in thousands, except per share amounts) (unaudited)

	June 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 137,743	\$ 341,047
Funds held on behalf of customers	6,470	—
Accounts receivable—net	223,220	67,193
Prepaid expenses	53,752	12,082
Deferred commissions	15,085	13,705
Other current assets	6,658	4,797
Total current assets	442,928	438,824
Property and equipment, net	14,905	13,479
Right-of-use assets	9,161	9,002
Goodwill	1,858,136	1,265,316
Intangible assets, net	611,788	399,712
Noncurrent prepaid expenses	2,841	4,182
Deferred commissions, net of current portion	13,350	13,816
Deferred tax assets	6,564	6,739
Other assets	4,530	6,908
Total assets	\$ 2,964,203	\$ 2,157,978
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$ 20,075	\$ 23,589
Customer fund deposits	6,470	—
Accrued liabilities	40,470	23,760
Lease liabilities	6,076	7,513
Long-term debt, current	76,525	4,013
Deferred revenue	330,429	291,784
Total current liabilities	480,045	350,659
Long-term debt, net of current portion	1,140,139	482,387
Deferred revenue, net of current portion	9,574	10,876
Lease liabilities, net of current portion	10,806	9,246
Deferred tax liabilities	46,191	14,420
Other long-term liabilities	5,747	4,898
Total liabilities	1,692,502	872,486
Stockholders' equity:		
Common stock, par value \$0.01 per share; 500,000 shares authorized as of June 30, 2024 and December 31, 2023; 146,471 and 145,207 shares issued and outstanding as of June 30, 2024 and December 31, 2023, respectively.	1,465	1,452
Additional paid-in capital	1,647,290	1,619,020
Accumulated deficit	(377,054)	(334,980)
Total stockholders' equity	1,271,701	1,285,492
Total liabilities and stockholders' equity	\$ 2,964,203	\$ 2,157,978

See accompanying notes.

INSTRUCTURE HOLDINGS, INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except per share amounts)

(unaudited)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Revenue:				
Subscription and support	\$ 157,569	\$ 118,569	\$ 302,226	\$ 237,049
Professional services and other	12,875	12,501	23,673	22,864
Total revenue	170,444	131,070	325,899	259,913
Cost of revenue:				
Subscription and support	49,427	38,377	95,739	77,187
Professional services and other	9,013	6,912	17,054	13,934
Total cost of revenue	58,440	45,289	112,793	91,121
Gross profit	112,004	85,781	213,106	168,792
Operating expenses:				
Sales and marketing	60,970	52,159	120,226	103,009
Research and development	31,240	21,482	58,776	45,184
General and administrative	20,985	14,218	41,375	28,591
Total operating expenses	113,195	87,859	220,377	176,784
Loss from operations	(1,191)	(2,078)	(7,271)	(7,992)
Other income (expense):				
Interest income	509	320	3,017	1,661
Interest expense	(26,413)	(10,289)	(49,009)	(19,774)
Other income (expense)	(518)	402	(2,353)	478
Loss on extinguishment of debt	—	—	(189)	—
Total other income (expense), net	(26,422)	(9,567)	(48,534)	(17,635)
Loss before income taxes	(27,613)	(11,645)	(55,805)	(25,627)
Income tax benefit	6,664	672	13,731	2,797
Net loss and comprehensive loss	\$ (20,949)	\$ (10,973)	\$ (42,074)	\$ (22,830)
Net loss per common share, basic and diluted	\$ (0.14)	\$ (0.08)	\$ (0.29)	\$ (0.16)
Weighted average common shares used in computing basic and diluted net loss per common share	146,107	143,647	145,781	143,381

See accompanying notes.

INSTRUCTURE HOLDINGS, INC.

Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except per share amounts)
(unaudited)

	Common Stock, \$0.01 Par Value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at March 31, 2024	145,928	\$ 1,459	\$ 1,633,221	\$ (356,105)	\$ 1,278,575
Vesting of restricted stock units	620	7	(7)	—	—
Shares withheld for tax withholding on vesting of restricted stock units	(77)	(1)	(1,681)	—	(1,682)
Stock-based compensation	—	—	15,757	—	15,757
Net loss	—	—	—	(20,949)	(20,949)
Balances at June 30, 2024	<u>146,471</u>	<u>\$ 1,465</u>	<u>\$ 1,647,290</u>	<u>\$ (377,054)</u>	<u>\$ 1,271,701</u>

	Common Stock, \$0.01 Par Value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at March 31, 2023	143,479	\$ 1,435	\$ 1,587,303	\$ (312,759)	1,275,979
Vesting of restricted stock units	581	6	(6)	—	—
Shares withheld for tax withholding on vesting of restricted stock units	(69)	(1)	(1,706)	—	(1,707)
Stock-based compensation	—	—	11,818	—	11,818
Net loss	—	—	—	(10,973)	(10,973)
Balances at June 30, 2023	<u>143,991</u>	<u>\$ 1,440</u>	<u>\$ 1,597,409</u>	<u>\$ (323,732)</u>	<u>\$ 1,275,117</u>

See accompanying notes.

INSTRUCTURE HOLDINGS, INC.

Condensed Consolidated Statements of Stockholders' Equity

(in thousands, except per share amounts)

(unaudited)

	Common Stock, \$0.01 Par Value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2023	145,207	\$ 1,452	\$ 1,619,020	\$ (334,980)	\$ 1,285,492
Vesting of restricted stock units	1,244	13	(13)	—	—
Purchase of ESPP shares	166	2	3,226	—	3,228
Shares withheld for tax withholding on vesting of restricted stock units	(146)	(2)	(3,248)	—	(3,250)
Stock-based compensation	—	—	28,305	—	28,305
Net loss	—	—	—	(42,074)	(42,074)
Balances at June 30, 2024	<u>146,471</u>	<u>\$ 1,465</u>	<u>\$ 1,647,290</u>	<u>\$ (377,054)</u>	<u>\$ 1,271,701</u>

	Common Stock, \$0.01 Par Value		Additional Paid-In Capital	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount			
Balances at December 31, 2022	142,917	\$ 1,429	\$ 1,575,600	\$ (300,902)	\$ 1,276,127
Vesting of restricted stock units	1,021	11	(11)	—	—
Purchase of ESPP shares	173	2	3,293	—	3,295
Shares withheld for tax withholding on vesting of restricted stock units	(120)	(2)	(2,984)	—	(2,986)
Stock-based compensation	—	—	21,511	—	21,511
Net loss	—	—	—	(22,830)	(22,830)
Balances at June 30, 2023	<u>143,991</u>	<u>\$ 1,440</u>	<u>\$ 1,597,409</u>	<u>\$ (323,732)</u>	<u>\$ 1,275,117</u>

See accompanying notes.

INSTRUCTURE HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six months ended June 30,	
	2024	2023
Operating activities:		
Net loss	\$ (42,074)	\$ (22,830)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation of property and equipment	2,742	2,295
Amortization of intangible assets	86,224	71,493
Amortization of deferred financing costs	2,452	589
Stock-based compensation	27,997	21,311
Deferred income taxes	(14,628)	(4,406)
Right-of-use assets	216	2,303
Other	2,127	184
Changes in assets and liabilities:		
Accounts receivable—net	(147,183)	(137,334)
Prepaid expenses and other assets	(38,782)	(26,680)
Deferred commissions	(914)	1,822
Accounts payable and accrued liabilities	3,562	(1,718)
Deferred revenue	19,865	41,358
Lease liabilities	(307)	(3,751)
Other liabilities	(1,958)	(396)
Net cash used in operating activities	<u>(100,661)</u>	<u>(55,760)</u>
Investing activities:		
Purchases of property and equipment	(3,746)	(2,900)
Proceeds from sale of property and equipment	22	35
Business acquisitions, net of cash received	(821,739)	—
Net cash used in investing activities	<u>(825,463)</u>	<u>(2,865)</u>
Financing activities:		
Proceeds from issuance of common stock from employee equity plans	3,228	3,295
Shares repurchased for tax withholdings on vesting of restricted stock units	(3,250)	(2,988)
Proceeds from issuance of term debt, net of discount	663,892	—
Payments for financing costs	—	(84)
Advances from revolving credit facility	70,000	—
Change in customer fund deposits	389	—
Repayments on long-term debt	(5,986)	(2,500)
Net cash provided by (used in) financing activities	<u>728,273</u>	<u>(2,277)</u>
Foreign currency impacts on cash, cash equivalents, restricted cash, and funds held on behalf of customers	(1,190)	457
Net decrease in cash, cash equivalents, restricted cash, and funds held on behalf of customers	(199,041)	(60,445)
Cash, cash equivalents, restricted cash, and funds held on behalf of customers, beginning of period	344,208	190,266
Cash, cash equivalents, restricted cash, and funds held on behalf of customers, end of period	<u>\$ 145,167</u>	<u>\$ 129,821</u>
Supplemental cash flow disclosure:		
Cash paid for taxes	\$ 3,048	\$ 1,819
Cash paid for interest on outstanding debt	\$ 40,124	\$ 17,674
Non-cash investing and financing activities:		
Capital expenditures incurred but not yet paid	\$ 43	\$ 138

See accompanying notes.

INSTRUCTURE HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

The following provides a reconciliation of cash, cash equivalents, restricted cash, and funds held on behalf of customers to the amounts reported on the condensed consolidated balance sheets. Restricted cash has been disclosed in Other assets as it is associated with letters of credit obtained to secure office space from our various lease agreements (in thousands):

	As of June 30,	
	2024	2023
Cash and cash equivalents	\$ 137,743	\$ 126,003
Restricted cash	954	3,818
Funds held on behalf of customers	6,470	—
Total cash, cash equivalents, restricted cash, and funds held on behalf of customers	<u>\$ 145,167</u>	<u>\$ 129,821</u>

See accompanying notes.

INSTRUCTURE HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Financial Statements

1. Description of Business and Basis of Presentation

Company and Background

Instructure Holdings, Inc. (the “Company,” “Instructure,” “we,” “our,” or “us”) is an education technology company dedicated to elevating student access, amplifying the power of teaching, and inspiring everyone to learn together. Instructure’s platform delivers a next-generation learning management system (“LMS”), robust assessments for learning, actionable analytics, and engaging, dynamic content. Instructure offers its platform through a Software-as-a-Service, or SaaS, business model. The Company was founded in September 2008. We are headquartered in Salt Lake City, Utah, and have wholly-owned subsidiaries in the United Kingdom, Australia, the Netherlands, Hong Kong, Sweden, Brazil, Mexico, Hungary, Ireland, Canada, Singapore, and the Philippines.

Basis of Presentation

The accompanying unaudited interim condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (“U.S. GAAP”) applicable to interim periods, under the rules and regulations of the United States Securities and Exchange Commission (“SEC”). In the opinion of management, we have prepared the accompanying unaudited condensed consolidated financial statements on a basis substantially consistent with the audited consolidated financial statements of the Company as of and for the fiscal year ended December 31, 2023, and these condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the results of the interim periods presented. All intercompany balances and transactions have been eliminated in consolidation. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for any subsequent quarter or for the entire year ending December 31, 2024. The year-end balance sheet data was derived from audited financial statements, but the interim condensed consolidated balance sheet included in this Form 10-Q does not include all disclosures required under U.S. GAAP. Certain information and note disclosures normally included in annual consolidated financial statements prepared in accordance with U.S. GAAP have been omitted under the rules and regulations of the SEC.

These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and related notes contained in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 21, 2024 (the “2023 10-K”).

Use of Estimates

The preparation of the condensed consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Such estimates, which we evaluate on an on-going basis, include provisions for credit losses, useful lives for property and equipment and intangible assets, valuation allowances for net deferred income tax assets, acquisition related estimates, our assessment for impairment of goodwill, intangible assets, and other long-lived assets, the standalone selling price of performance obligations, timing of professional services revenue recognition, and the determination of the period of benefit for deferred commissions. We base our estimates on historical experience and on various other assumptions which we believe to be reasonable.

Operating Segments

We operate in a single operating segment: cloud-based learning management, assessment and performance systems. Operating segments are defined as components of an enterprise for which separate financial information is regularly evaluated by the chief operating decision makers (“CODM”), which are our chief executive officer and chief financial officer, in deciding how to allocate resources and assess performance. Our CODM evaluate our financial information and resources and assess the performance of these resources on a consolidated basis. Since we operate in one operating segment, all required financial segment information can be found in the condensed consolidated financial statements.

2. Summary of Significant Accounting Policies

A summary of the Company’s significant accounting policies is discussed in “Note 1 – Description of Business and Summary of Significant Accounting Policies” of the 2023 10-K. There have been no significant changes to these policies during the six months ended June 30, 2024, except as noted below.

Revenue Recognition

We generate revenue primarily from two main sources: (1) subscription and support revenue, which is comprised of SaaS fees from customers accessing our learning platform and usage of our credential management platform, and from customers purchasing additional support beyond the standard support that is included in the basic SaaS fees; and (2) related professional services revenue, which is comprised of training, implementation services and other types of professional services. Consistent with ASC 606, Revenue from Contracts with Customers, revenue is recognized when control of these services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those services. The timing of revenue recognition may differ from the timing of invoicing our customers. We record an unbilled receivable, which is included within accounts receivable—net on our consolidated balance sheets, when revenue is recognized prior to invoicing.

We determined revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, we satisfy a performance obligation

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

Subscription and Support

Subscription and support revenue is derived from fees from customers to access and use our learning platform and our credential management platform, and support beyond the standard support that is included with all subscriptions. The terms of our subscriptions do not provide customers the right to take possession of the software. Subscription and support revenue from our learning platform is generally recognized on a ratable basis over the contract term. Payments from customers are primarily due annually in advance. Subscription and support revenue from our credential management platform is generally recognized based on the proportion of credentials transferred to the total estimated credentials to be transferred over the contract period. Customers choose to access and use the credential management platform through subscription contracts by committing to guaranteed minimum payments with excess volume billed in arrears, or through transactional contracts where payment generally occurs once an order is placed. The Company records pass through fees for transactional contracts on a net revenue basis, as the Company does not have control over the credential and is therefore acting as the agent.

Professional Services and Other

Professional services revenue is derived from implementation, training, and consulting services. Our professional services are typically considered distinct from the related subscription services as the promise to transfer the subscription can be fulfilled independently from the promise to deliver the professional services (i.e., customer receives standalone functionality from the subscription and the customer obtains the intended benefit of the subscription without the professional services). Professional services arrangements are billed in advance, and revenue from these arrangements is typically recognized over time as the services are rendered, using an efforts-expended input method. Implementation services also include nonrefundable upfront setup fees, which are allocated to the remaining performance obligations.

Contracts with Multiple Performance Obligations

Many of our contracts with customers contain multiple performance obligations. We account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price (“SSP”) basis. We determine the SSP based on our overall pricing objectives by reviewing our significant pricing practices, including discounting practices, geographical locations, the size and volume of our transactions, the customer type, price lists, our pricing strategy, and historical standalone sales. SSP is analyzed on a periodic basis to identify if we have experienced significant changes in our selling prices.

[Table of Contents](#)

Deferred Commissions

Sales commissions earned by our sales force, as well as related payroll taxes, are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be generally four years. We determined the period of benefit by taking into consideration our customer contracts, our technology and other factors. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying consolidated statements of operations and comprehensive loss.

Deferred Revenue

Deferred revenue consists of billings and payments received in advance of revenue recognition generated by our subscription and support services and professional services and other, as described above.

Funds Held on Behalf of Customers and Customer Fund Deposits

Funds held on behalf of customers and customer fund deposits represent cash received or in-transit from credential requestors via third-party credit card processors and other payment methods. The Company generally remits payment to customers within 30 to 60 days following the purchase of a credential. Funds held on behalf of customers represent the total amount due to customers, and as such, a liability for the same amount is recorded to customer fund deposits. The funds held on behalf of customers are not available for general business use by the Company.

Recent Accounting Pronouncements

Issued accounting pronouncements

In November 2023, the FASB issued Accounting Standards Update (“ASU”) No. 2023-07, Improvements to Reportable Segment Disclosures (Topic 280), which updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the CODM and included within each reported measure of a segment's profit or loss. The ASU is effective for annual periods beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. We do not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements and related notes.

In December 2023, the FASB issued ASU No. 2023-09, Improvements to Income Tax Disclosures (Topic 740), which requires disaggregated information about a reporting entity's effective tax rate reconciliation as well as additional information on income taxes paid. The ASU is effective on a prospective basis for annual periods beginning after December 15, 2024. Early adoption is also permitted for annual financial statements that have not yet been issued or made available for issuance. We do not expect the adoption of this guidance to have a material impact on our condensed consolidated financial statements and related notes.

3. Net Loss Per Share

A reconciliation of the denominator used in the calculation of basic and diluted net loss per share is as follows (in thousands, except per share amounts):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Numerator:				
Net loss	\$ (20,949)	\$ (10,973)	\$ (42,074)	\$ (22,830)
Denominator:				
Weighted-average common shares outstanding—basic	146,107	143,647	145,781	143,381
Dilutive effect of share equivalents resulting from unvested restricted stock units and shares for issuance under employee stock purchase plan	—	—	—	—
Weighted-average common shares outstanding—diluted	146,107	143,647	145,781	143,381
Net loss per common share, basic and diluted	\$ (0.14)	\$ (0.08)	\$ (0.29)	\$ (0.16)

[Table of Contents](#)

For the three and six months ended June 30, 2024 and 2023, we incurred net losses and, therefore, the effect of our restricted stock units (“RSUs”) and of shares issuable under the employee stock purchase plan were not included in the calculation of diluted net loss per share as the effect would be anti-dilutive. The following table contains share totals with a potentially dilutive impact (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Restricted stock units	7,142	5,788	7,142	5,788
Shares issuable under employee stock purchase plan	109	98	109	98
Total	7,251	5,886	7,251	5,886

4. Property and Equipment

Property and equipment consisted of the following (in thousands):

	June 30, 2024	December 31, 2023
Computer and office equipment	\$ 6,190	\$ 5,437
Capitalized software development costs	16,735	13,556
Furniture and fixtures	1,161	1,153
Leasehold improvements and other	4,512	6,270
Total property and equipment	28,598	26,416
Less accumulated depreciation and amortization	(13,693)	(12,937)
Total	\$ 14,905	\$ 13,479

Accumulated amortization for capitalized software development costs was \$6.4 million and \$4.7 million at June 30, 2024 and December 31, 2023, respectively. Amortization expense for capitalized software development costs for the three and six months ended June 30, 2024 was \$0.9 million and \$1.7 million, respectively, and for the three and six months ended June 30, 2023 was \$0.6 million and \$1.1 million, respectively, and is recorded within subscription and support cost of revenue on the condensed consolidated statements of operations and comprehensive loss.

5. Acquisitions

2024 Acquisitions

On February 1, 2024, we acquired all outstanding shares of PCS Holdings, LLC (“Parchment”), the world's largest academic credentialing platform and network. By adding Parchment to the Instructure Learning Platform, we provide a verifiable and comprehensive digital passport of achievement records and outcomes for learners.

At the time of the acquisition, we recorded a provisional net deferred tax liability of \$46.6 million in purchase accounting due to the step up in book basis of intangible assets as a result of the stock acquisition. We expect the net deferred tax liability to decrease as book amortization expense is recognized on the acquisition-related intangible assets. The conclusions below will remain provisional until the Parchment tax returns are filed.

The following table summarizes the preliminary estimated fair values of the consideration transferred, assets acquired and liabilities assumed as of the date of the Parchment acquisition (in thousands):

Consideration transferred		
Cash paid	\$	831,264
Escrow		2,000
Total purchase consideration	\$	833,264
Identifiable assets acquired		
Cash and cash equivalents	\$	5,445
Funds held on behalf of customers		6,081
Accounts receivable		9,746
Prepaid expenses and other assets		3,331
Property and equipment		212
Right-of-use assets		375
Intangible assets: developed technology		45,800
Intangible assets: trade name		12,500
Intangible assets: customer relationships		240,000
Total assets acquired	\$	323,490
Liabilities assumed		
Accounts payable and accrued liabilities	\$	9,676
Customer fund deposits		6,081
Lease liabilities		430
Deferred revenue		17,478
Deferred tax liabilities		46,574
Other liabilities		2,807
Total liabilities assumed	\$	83,046
Goodwill		592,820
Total purchase consideration	\$	833,264

The following unaudited pro forma condensed combined financial information (in thousands) presents the results of operations of Instructure as if the Parchment acquisition occurred as of January 1, 2023. The unaudited pro forma results may not necessarily reflect actual results of operations that would have been achieved, nor are they necessarily indicative of future results of operations. The unaudited pro forma results reflect the elimination of historical intangible amortization expense incurred by Parchment and the step-up amortization adjustments for the fair value of intangible assets acquired, the elimination of historical interest expense incurred by Parchment on its debt and the incurrence of interest expense related to the issuance of debt in connection with the Parchment acquisition, and transaction expenses, nonrecurring post-combination compensation expense and the related adjustment to the income tax provision.

	Three months ended June 30,		Six months ended June 30,	
	2023		2024	2023
Total revenue	\$	158,936	\$	335,957
Net loss	\$	(22,014)	\$	(41,921)
			\$	(55,838)

[Table of Contents](#)

Actual revenue and net income recorded on Instructure's condensed combined statement of operations and comprehensive loss for Parchment during the three months ended June 30, 2024 was \$32.8 million and \$5.9 million, respectively, and \$50.8 million and \$3.4 million during the six months ended June 30, 2024, respectively.

On July 1, 2024, Instructure closed the acquisition of 100% of the equity interests of Community Software Solutions, LLC ("Scribbles"), a leading provider of credentialing and records management to K-12 school districts across the United States, in an all cash transaction. The purchase was financed through a combination of cash on hand and \$70.0 million of debt financing under the Company's Senior Revolver (see Note 7. "Credit Facility"). The purpose of the transaction is to bolster the scale and reach of the Instructure Learning Platform as learners are engaged throughout their lifelong learning journey, facilitating evidence of learning and streamlining the educational process for educators and learners during key transitions. The Company intends to integrate Scribbles into its single operating segment. The preliminary purchase price is \$81.8 million, which was paid to the sellers net of unpaid indebtedness and transaction expenses, and is subject to certain post-closing adjustments as set forth in the Purchase Agreement. The Company is currently evaluating the purchase price allocation following the close of the acquisition of Scribbles and expects the primary assets acquired to be intangible assets and goodwill, and assumed liabilities. It is not practicable to disclose the preliminary purchase price allocation for this acquisition given the short period of time between the acquisition date and the issuance of these consolidated financial statements.

For all periods presented, the excess of purchase consideration over the fair value of net tangible and identifiable intangible assets acquired is recorded as goodwill, of which \$235.0 million is expected to be deductible for tax purposes from the Parchment acquisition. The goodwill generated from acquisition transactions is attributable to the expected synergies to be achieved following the consummation of the business combination and the assembled workforce values. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. Developed technology represents the estimated fair value of the acquired existing technology and is being amortized over its estimated useful life of five years. Amortization of developed technology is included in subscription and support cost of revenue expenses in the accompanying consolidated statements of operations and comprehensive loss. The trade names acquired are amortized over the estimated useful life of three to ten years. Customer relationships represent the estimated fair value of the acquired customer bases and are amortized over the estimated useful life of seven to ten years. Amortization of trade names and customer relationships is included in sales and marketing expenses in the accompanying consolidated statements of operations and comprehensive loss. Non-compete agreements are amortized over an estimated useful life of three years and amortization of non-compete agreements is included in research and development expenses in the accompanying condensed consolidated statements of operations and comprehensive loss.

[Table of Contents](#)

6. Goodwill and Intangible Assets

Goodwill activity was as follows (in thousands):

	Total
Balance as of December 31, 2023	\$ 1,265,316
Additions - see Note 5. "Acquisitions"	592,820
Balance as of June 30, 2024	<u>\$ 1,858,136</u>

Intangible assets consisted of the following (in thousands):

	Weighted-Average Remaining Useful Life	June 30, 2024			December 31, 2023		
		Gross	Accumulated Amortization	Net	Gross	Accumulated Amortization	Net
Software	0 Months	\$ 21	\$ (21)	\$ —	\$ 21	\$ (21)	\$ —
Trade names	67 Months	138,600	(56,845)	81,755	126,100	(49,336)	76,764
Developed technology	31 Months	371,100	(269,125)	101,975	325,300	(232,662)	92,638
Customer relationships	80 Months	691,400	(263,366)	428,034	451,400	(221,123)	230,277
Non-compete agreements	18 Months	50	(26)	24	50	(17)	33
Total		<u>\$ 1,201,171</u>	<u>\$ (589,383)</u>	<u>\$ 611,788</u>	<u>\$ 902,871</u>	<u>\$ (503,159)</u>	<u>\$ 399,712</u>

Amortization expense for intangible assets was \$42.9 million and 86.2 million, respectively, for the three and six months ended June 30, 2024, and \$35.7 million and 71.5 million, respectively, for the three and six months ended June 30, 2023.

Based on the recorded intangible assets at June 30, 2024, estimated amortization expense is expected to be as follows (in thousands):

	Amortization Expense
Years Ending December 31, Remainder of 2024	\$ 89,225
2025	135,736
2026	115,632
2027	75,894
2028	52,946
Thereafter	142,355
Total	<u>\$ 611,788</u>

7. Credit Facility

On October 29, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent, (the "2021 Credit Agreement") governing our senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of a \$500.0 million initial senior secured term loan facility (the "Senior Term Loan") and a \$125.0 million senior secured revolving credit facility (the "Senior Revolver"). The proceeds from the Senior Secured Credit Facilities were used, in addition to cash on hand, to (1) refinance, in full, all existing indebtedness under our initial credit agreement entered into in March of 2020 with a syndicate of lenders and Golub Capital Markets LLC (the "2021 Refinancing"), (2) pay certain fees and expenses incurred in connection with the entry into the 2021 Credit Agreement and the Refinancing, and (3) finance working capital needs of the Company and its subsidiaries for general corporate purposes.

All of the Company's obligations under the Senior Secured Credit Facilities are guaranteed by the subsidiary guarantors named therein. The Senior Revolver includes a \$10.0 million sublimit for the issuance of letters of credit. Any issuance of letters of credit will reduce the amount available under the Senior Revolver. As of June 30, 2024, we had \$70.0 million of borrowings outstanding under our Senior Revolver.

[Table of Contents](#)

The Senior Term Loan has a seven-year maturity and the Senior Revolver has a five-year maturity. Commencing June 30, 2022, we were required to repay the Senior Term Loan portion of the Senior Secured Credit Facilities in quarterly principal installments of 0.25% of the aggregate original principal amount of the Senior Term Loan at closing, with the balance payable at maturity. We are also required to pay an unused commitment fee to the lenders under the Senior Revolver at the Applicable Commitment Fee of the average daily unutilized commitments. The Applicable Commitment Fee ranges from 0.40% to 0.50% subject to the Company's Consolidated First Lien Net Leverage Ratio.

On June 21, 2023, we entered into the first amendment to the 2021 Credit Agreement (the "Amended 2021 Credit Agreement") whereby all borrowings denominated in U.S. dollars and that incur interest or fees using the Eurocurrency Rate, which are determined by reference to the London Interbank Offered Rate ("LIBOR"), have been replaced with the Secured Overnight Financing Rate ("SOFR"). For SOFR loans, the loans denominated in dollars now bear interest at the Adjusted Term SOFR Rate, which is equal to the Term SOFR Reference Rate, as published by the CME Term SOFR Administrator, plus the Term SOFR Adjustment as dictated by the interest rate period elected by the Company. The Term SOFR Adjustment ranges from 0.11448% to 0.42826% per annum. The Applicable Rate (x) for the Initial Term Loans remains at 2.75% per annum for SOFR loans and (y) for the Revolving Credit Facility remains at 2.50% per annum with applicable step downs. The transition from LIBOR to SOFR became effective on July 5, 2023. All other terms and conditions in place under the 2021 Credit Agreement on the effective date of the Amended 2021 Credit Agreement remained unchanged and in full effect.

The Amended 2021 Credit Agreement contains a financial covenant solely with respect to the Senior Revolver. If the outstanding amounts under the Senior Revolver exceed 35% of the aggregate amount of the Senior Revolver commitments, we are required to maintain at the end of each fiscal quarter a Consolidated Net Leverage Ratio of not more than 7.75 to 1.00. As of June 30, 2024, there was \$70.0 million of borrowings outstanding under the Senior Revolver. The Company had \$55.0 million of availability under the Senior Revolver as of June 30, 2024. The Company repaid the outstanding borrowings under the Senior Revolver in full on July 25, 2024.

On February 1, 2024, we entered into the second amendment to the 2021 Credit Agreement as previously amended by the Amended 2021 Credit Agreement (the "Amended 2023 Credit Agreement"), by and among the Company and certain of its subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders named therein. Pursuant to the Amended 2023 Credit Agreement, among certain other amendments, the lenders agreed, severally and not jointly, to extend additional 2023 Incremental Term Loans (the "2023 Incremental Term Loans") to Instructure under the 2021 Credit Agreement in an aggregate principal amount equal to \$685.0 million. The Company used the proceeds of the 2023 Incremental Term Loans, borrowed under the 2021 Credit Agreement, to finance (i) the cash consideration for the acquisition of Parchment, and (ii) fees and costs incurred in connection with the acquisition and related transactions. The Senior Secured Credit Facilities, together with the Amended 2023 Credit Agreement, comprise our amended senior secured credit facilities (the "Amended Senior Secured Credit Facilities").

As a result of the 2023 Incremental Term Loans, the Company capitalized \$4.4 million and \$16.3 million of debt discount costs incurred in connection with the Amended 2023 Credit Agreement in long-term debt, current and long-term debt, net of current portion, respectively, on the condensed consolidated balance sheets. The Company recognized \$1.4 million and \$2.4 million of amortization of debt discount costs for the three and six months ended June 30, 2024, respectively, and \$0.3 million and \$0.5 million for the three and six months ended June 30, 2023, respectively, which is recorded as interest expense in the accompanying condensed consolidated statements of operations and comprehensive loss. At June 30, 2024 and December 31, 2023, the Company had an aggregate principal amount outstanding of \$1,170.3 million and \$491.3 million, respectively, under the Amended Senior Secured Credit Facilities, bearing interest at 8.35% and 8.68%, respectively. The Company had \$23.6 million and \$4.9 million of unamortized debt discount costs at June 30, 2024 and December 31, 2023, respectively, which is recorded as a reduction of the debt balance on the Company's condensed consolidated balance sheets.

As a result of the 2021 Refinancing, the Company capitalized \$0.2 million and \$0.8 million of deferred issuance costs incurred in connection with the Senior Revolver in other current assets and other assets, respectively, on the condensed consolidated balance sheets. The Company recognized \$47.0 thousand and \$0.1 million of amortization of debt issuance costs for the three and six months ended June 30, 2024, respectively, and \$47.0 thousand, and \$0.1 million for the three and six months ended June 30, 2023, respectively, which is recorded as interest expense in the accompanying condensed consolidated statements of operations and comprehensive loss. The Company had \$0.4 million and \$0.5 million of unamortized debt issuance costs at June 30, 2024 and December 31, 2023, respectively, which are included in other current assets and other assets on the Company's condensed consolidated balance sheets.

The Amended Senior Secured Credit Facilities contain customary negative covenants. At June 30, 2024, the Company was in compliance with all applicable covenants pertaining to the Amended Senior Secured Credit Facilities.

[Table of Contents](#)

The maturities of outstanding debt as of June 30, 2024, inclusive of the Senior Revolver, are as follows (in thousands):

	Amount
Years Ending December 31,	
Remainder of 2024	\$ 75,986
2025	11,972
2026	11,972
2027	11,972
2028	1,128,362
Thereafter	—
Total	<u>\$ 1,240,264</u>

8. Revenue

We have one operating segment, which is our cloud-based learning, assessment, development and engagement systems. Our customers consist of K-12 and Higher Education institutions that purchase our Canvas LMS, which includes assessments, analytics, learning content, and credentials. The following table presents the Company's disaggregated revenues by geographic region, based on the physical location of the customer (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
United States	\$ 139,840	\$ 104,350	\$ 266,350	\$ 206,944
Foreign	30,604	26,720	59,549	52,969
Total revenue	<u>\$ 170,444</u>	<u>\$ 131,070</u>	<u>\$ 325,899</u>	<u>\$ 259,913</u>
Percentage of revenue generated outside of the United States	<u>18 %</u>	<u>20 %</u>	<u>18 %</u>	<u>20 %</u>

Deferred Revenue and Performance Obligations

During the three and six months ended June 30, 2024, 79% and 72% of revenue recognized was included in our deferred revenue balance at March 31, 2024 and December 31, 2023, respectively. During the three and six months ended June 30, 2023, 88% and 85% of revenue recognized was included in our deferred revenue balance at March 31, 2023 and December 31, 2022, respectively.

Transaction Price Allocated to the Remaining Performance Obligations

As of June 30, 2024, approximately \$934.9 million of revenue is expected to be recognized from remaining performance obligations. We expect to recognize revenue on approximately 76% of our remaining performance obligations over the next 24 months, with the balance recognized thereafter.

Concentration of Credit Risk, Significant Customers and Provision for Credit Losses

There were no customers with revenue as a percentage of total revenue exceeding 10% for the periods presented.

As of June 30, 2024 and December 31, 2023 there were no customers with outstanding net accounts receivable balances as a percentage of total outstanding net accounts receivable greater than 10%.

Our provisions for credit loss balances at June 30, 2024 and December 31, 2023 were \$2.8 million and \$2.0 million, respectively.

9. Deferred Commissions

Deferred commissions primarily consist of sales commissions that are capitalized as incremental contract origination costs and were \$28.4 million and \$27.5 million as of June 30, 2024 and December 31, 2023, respectively. Amortization expense for deferred commissions was \$4.6 million and \$9.3 million for the three and six months ended June 30, 2024, respectively, and \$5.3 million and \$10.1 million for the three and six months ended June 30, 2023, respectively. There was no impairment of deferred commissions during these periods.

10. Stock-Based Compensation

As of June 30, 2024 and December 31, 2023, there were 500,000,000 shares of common stock authorized. As of June 30, 2024 and December 31, 2023, there were 146,471,276 and 145,207,497 shares of common stock issued and outstanding, respectively.

Employee Equity Plans

The Instructure Parent, LP Incentive Equity Plan (the “2020 Plan”) was terminated in July 2021 in connection with the Company’s initial public offering (the “IPO”). As of the IPO date 6,126,802 unvested incentive units were exchanged for 3,496,739 RSUs under the 2021 Omnibus Incentive Plan (the “2021 Plan”). These RSUs will generally vest in 11 equal quarterly installments commencing September 1, 2021.

In July 2021, our board of directors adopted the 2021 Plan and no shares remain available for issuance under the 2020 Plan. A total of 18,000,000 shares of the Company's common stock were initially reserved for issuance under the 2021 Plan. Pursuant to the terms of the 2021 Plan, the share reserve increased by 5,808,300 shares in January 2024. As of June 30, 2024, we had 21,897,418 shares of common stock available for future grants under the 2021 Plan.

In July 2021, our board of directors adopted, and our stockholders approved the 2021 Employee Stock Purchase Plan (the “2021 ESPP”), which allows eligible employees to purchase shares of our common stock at a discount through payroll deductions of up to 15% of their eligible compensation, subject to any plan limitations. Each new offering period begins on or about March 1 and September 1 and is approximately six months in duration. On each purchase date, eligible employees can purchase our common stock at a price per share equal to 85% of the lesser of (1) the fair market value of our common stock on the offering date or (2) the fair market value of our common stock on the purchase date. A total of 1,900,000 shares of the Company’s common stock were initially reserved for issuance under the 2021 ESPP. Pursuant to the terms of the 2021 ESPP, the share reserve increased by 1,452,075 shares in January 2024. As of June 30, 2024, 5,304,954 shares of common stock were available for purchase under the 2021 ESPP.

During the three months ended June 30, 2024, we granted 2,362,142 RSUs to employees under the 2021 Plan. Each RSU entitles the recipient to receive one share of the Company’s common stock upon vesting. The RSUs are subject to time-based service requirements and generally vest over a four-year service period. The grant date fair value of the RSUs granted during the three months ended June 30, 2024 ranged from \$19.20 to \$21.60, which represents the closing stock price for the underlying common stock on the respective grant dates, with an aggregate fair value of \$46.8 million.

The following two tables present stock-based compensation by award type and where the stock-based compensation expense was recorded in our condensed consolidated statements of operations and comprehensive loss (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Restricted stock units	\$ 15,190	\$ 11,478	\$ 27,238	\$ 21,077
Shares issuable under employee stock purchase plan	362	378	759	789
Total stock-based compensation	<u>\$ 15,552</u>	<u>\$ 11,856</u>	<u>\$ 27,997</u>	<u>\$ 21,866</u>

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Subscription and support cost of revenue	\$ 792	\$ 474	\$ 1,357	\$ 853
Professional services and other cost of revenue	943	622	1,587	1,036
Sales and marketing	4,328	3,469	7,442	5,997
Research and development	4,738	3,480	8,578	6,654
General and administrative	4,751	3,811	9,033	7,326
Total stock-based compensation	<u>\$ 15,552</u>	<u>\$ 11,856</u>	<u>\$ 27,997</u>	<u>\$ 21,866</u>

Restricted Stock Units

The following table summarizes the activity of RSUs for the six months ended June 30, 2024 (in thousands, except per unit amounts):

	RSUs	Weighted Average Grant Date Fair Value Per Unit
Unvested and outstanding at December 31, 2023	4,470	\$ 23.68
Granted	4,101	21.84
Vested	(923)	22.95
Forfeited or canceled	(507)	23.10
Unvested and outstanding at June 30, 2024	7,141	\$ 22.76

As of June 30, 2024 and December 31, 2023, total unrecognized compensation cost related to unvested RSUs amounted to \$150.5 million and \$95.1 million, respectively, which is expected to be recognized over a weighted average period of 3.1 years and 2.9 years, respectively.

The following table summarizes the activity of the incentive units granted under the 2020 Plan, subsequent to their conversion into RSUs under the 2021 Plan, for the six months ended June 30, 2024 (in thousands, except per unit amounts):

	RSUs	Weighted Average Grant Date Fair Value Per Unit
Unvested and outstanding at December 31, 2023	320	\$ 12.30
Vested	(319)	12.30
Unvested and outstanding at June 30, 2024	1	\$ 13.48

There were no incentive units granted subsequent to December 31, 2021 under the 2020 Plan. As of June 30, 2024 and December 31, 2023, we had less than \$0.1 million and \$2.4 million, respectively, of unrecognized stock-based compensation expense related to unvested incentive units exchanged for RSUs that are expected to be recognized over a weighted-average period of 0.3 and 0.3 years, respectively.

2021 ESPP

The following table summarizes the assumptions relating to 2021 ESPP purchase rights used in a Black-Scholes option pricing model for the three months ended June 30, 2024 and 2023:

	Three months ended June 30,	
	2024	2023
Dividend yield	None	None
Volatility	18%	25%
Risk-free interest rate	5.27%	5.20%
Expected life (years)	0.5	0.5

11. Income Taxes

Utilization of the net operating loss carryforwards and credits may be subject to substantial annual limitation due to the ownership change limitations provided by Section 382 of the Internal Revenue Code of 1986, as amended, and similar state provisions. The annual limitation may result in the expiration of net operating losses and credits before utilization.

We file tax returns in the United States, the United Kingdom, Australia, the Netherlands, Hong Kong, Sweden, Brazil, Mexico, Hungary, China, Singapore, Ireland, Canada and various state jurisdictions. All of our tax years remain open to examination by major taxing jurisdictions to which we are subject, as carryforward attributes generated in past years may still be adjusted upon examination by the Internal Revenue Service or state and foreign tax authorities if they have or will be used in future periods.

We believe that we have provided adequate reserves for our income tax uncertainties in all open tax years. We do not expect our gross unrecognized tax benefits to change significantly in the next 12 months.

12. Fair Value of Financial Instruments

The fair value of a financial instrument is the amount that could be received upon the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets are marked to bid prices and financial liabilities are marked to offer prices. Fair value measurements do not include transaction costs. The fair value hierarchy prioritizes the quality and reliability of the information used to determine fair values. Categorization within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. The fair value hierarchy is defined into the following three categories:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

There were no transfers between Level 1 and Level 2 of the fair value measurement hierarchy during the period ended June 30, 2024 and December 31, 2023.

Instruments Not Recorded at Fair Value on a Recurring Basis

We estimate the fair value of our Senior Term Loan and 2023 Incremental Term Loans carried at face value, less unamortized discount costs, quarterly for disclosure purposes. The estimated fair value of our Senior Term Loan, 2023 Incremental Term Loans, and Senior Revolver is determined by Level 2 inputs, observable market-based inputs or unobservable inputs that are corroborated by market data. As of June 30, 2024, the fair value of our Senior Term Loan, 2023 Incremental Term Loans, and Senior Revolver was \$1,216.7 million. The carrying amounts of our cash, prepaid expenses, other current assets, and accrued liabilities approximate their current fair value because of their nature and relatively short maturity dates or durations.

13. Leases

The Company leases office space under non-cancelable operating leases with lease terms ranging from one to six years. These leases require monthly lease payments that may be subject to annual increases throughout the lease term. The Company subleases four of its locations. The first sublease expired in the second quarter of 2023, the second sublease expired in the second quarter of 2024, and the third and fourth sublease terms had 54 months and 19 months remaining as of June 30, 2024, respectively. The subleases do not have an option for renewal.

During the first quarter of 2024, the Company vacated multiple floors of its leased office space at its headquarters in Salt Lake City, Utah, with the intention of subleasing the vacated office space. As a result, the Company recognized a loss on exit of leased properties of \$1.9 million in the first quarter of 2024, of which \$0.4 million was recognized in subscription and support cost of revenue, \$0.3 million in professional services and other cost of revenue, \$0.6 million in sales and marketing, \$0.4 million in research and development, and \$0.2 million in general and administrative in our condensed consolidated statements of operations and comprehensive loss. Additionally, during the first quarter of 2024, the Company amended its lease for the remaining office space that it currently occupies at its headquarter location by extending the lease term from March 1, 2024 through February 28, 2029. As a result, the Company recorded a right-of-use asset and lease liability of \$3.2 million during the first quarter of 2024.

Operating lease right-of-use assets and operating lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term. Right-of-use assets also include adjustments related to prepaid or deferred lease payments and lease incentives. As most of our leases do not provide an implicit interest rate, we use our incremental borrowing rate based on information available at the lease commencement date to determine the present value of lease payments.

The Company performed evaluations of its contracts and determined that each of its identified leases are operating leases. The components of total lease costs were as follows (in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Operating lease cost, gross	\$ 1,350	\$ 1,511	\$ 2,590	\$ 3,297
Variable lease cost, gross ⁽¹⁾	561	656	1,067	1,366
Sublease income	(237)	(287)	(493)	(574)
Total lease costs ⁽²⁾	\$ 1,674	\$ 1,880	\$ 3,164	\$ 4,089

[Table of Contents](#)

(1) Variable rent expense was not included within the measurement of the Company's operating right-of-use assets and lease liabilities. Variable rent expense is comprised primarily of the Company's proportionate share of operating expenses, property taxes and insurance and is classified as lease expense due to the Company's election to not separate lease and non-lease components.

(2) Short-term lease costs for the three and six months ended June 30, 2024 and 2023 were not significant and are not included in the table above.

Cash paid for amounts included in the measurement of operating lease liabilities for the three and six months ended June 30, 2024 were \$1.4 million and \$2.8 million, respectively, and for the three and six months ended June 30, 2023 were \$2.2 million and \$4.4 million, respectively. Cash paid for amounts included in the measurement of operating lease liabilities was included in operating activities in the condensed consolidated statements of cash flows.

As of June 30, 2024, the maturities of the Company's operating lease liabilities were as follows (in thousands):

Remainder of 2024	\$	4,167
2025		5,435
2026		4,090
2027		3,157
2028		2,295
2029 and thereafter		200
Total lease payments		19,344
Less:		
Imputed interest		(2,462)
Lease liabilities		16,882
Tenant improvement reimbursements included in the measurement of lease liabilities but not yet received		(414)
Lease liabilities, net	\$	16,468

As of June 30, 2024 and December 31, 2023, the weighted average remaining lease term was 3.4 and 3.0 years, respectively, and the weighted average discount rate used to determine operating lease liabilities was 8.21% and 8.22% as of June 30, 2024 and December 31, 2023, respectively.

14. Commitments and Contingencies

Non-cancelable purchase obligations

As of June 30, 2024, our outstanding non-cancelable purchase obligations with a term of 12 months or longer related to cloud infrastructure and business analytic services in the ordinary course of business totaled \$1.2 million for fiscal year 2024, \$60.0 million per year for fiscal years 2025 through 2027, and \$65.0 million for fiscal year 2028. During the three months ended June 30, 2024, we recognized \$13.2 million in subscription and support cost of revenue, \$0.4 million in research and development, and \$0.1 million in professional services and other cost of revenue in our condensed consolidated statements of operations and comprehensive loss related to our non-cancelable purchase obligations, and during the six months ended June 30, 2024 we recognized \$27.2 million in subscription and support cost of revenue, \$0.9 million in research and development, and \$0.2 million in professional services and other cost of revenue in our condensed consolidated statements of operations and comprehensive loss related to our non-cancelable purchase obligations.

Letters of Credit and Collateral Arrangements

As of June 30, 2024 and December 31, 2023, we had a total of \$1.0 million and \$3.2 million, respectively, of letters of credit outstanding that were issued for purposes of securing certain of the Company's obligations under facility leases.

Litigation

We are involved in various legal proceedings and claims, including challenges to trademarks, from time to time. If we determine that it is probable that a loss has been incurred and the amount is reasonably estimable, we will record a liability in our condensed consolidated financial statements. If only a range of estimated losses can be determined, we accrue an amount within the range that, in our judgment, reflects the most likely outcome; if none of the estimates within that range is a better estimate than any other amount, we accrue the low end of the range. Although the results of litigation and claims are inherently unpredictable and uncertain, management does not believe that the outcome of our various legal proceedings, if determined adversely to us, individually or in the aggregate, would have a material impact on our financial statements.

15. Related-Party Transactions

In conjunction with the Amended 2023 Credit Agreement and the 2023 Incremental Term Loans, during the first quarter of 2024, the Company paid affiliates of Thoma Bravo, LLC \$1.5 million in arrangement fees. Refer to Note 7. “Credit Facility” for additional information regarding the Amended 2023 Credit Agreement and the 2023 Incremental Term Loans.

16. Subsequent Events

On July 25, 2024, Instructure entered into an Agreement and Plan of Merger (the “Merger Agreement”) with Icon Parent Inc., a Delaware corporation (“Parent”), and Icon Acquisition Sub Inc., a Delaware corporation and a wholly owned subsidiary of Parent (“Merger Sub”). Parent and Merger Sub are each affiliates of investment funds managed by Kohlberg Kravis Roberts & Co. L.P. (“KKR”), a leading global investment firm. Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Parent (the “Merger”). Under, and subject to, the terms of the Merger Agreement, at the effective time of the Merger, Instructure stockholders will have the right to receive \$23.60 per share in cash, without interest thereon and subject to applicable withholding taxes. The Company’s board of directors has unanimously approved the Merger Agreement and the transactions contemplated thereby and the necessary stockholder approval has been duly executed and delivered, adopting and approving the Merger Agreement and the transactions contemplated thereby. The obligations of the parties to complete the proposed Merger are subject to customary closing conditions, including, among others, the receipt of certain regulatory approvals. The proposed Merger is expected to close during the second half of 2024. Upon consummation of the Merger, the Company will be a privately held company and its common stock will no longer be traded on the New York Stock Exchange.

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

You should read the following discussion and analysis together with the financial statements and the related notes to those statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and our audited Consolidated Financial Data for the year ended December 31, 2023 and the related notes thereto, which are included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 21, 2024 (the “2023 10-K”). The following discussion contains forward-looking statements. See the “Forward-Looking Statements” section of this Quarterly Report on Form 10-Q.

Overview

From the inception of a teacher’s lesson through a student’s mastery of a concept, Instructure personalizes, simplifies, organizes, and automates the entire learning lifecycle through the power of technology. Our platform delivers the elements that leaders, teachers, and learners need – a next-generation LMS, robust assessments for learning, actionable analytics, and engaging, dynamic course content. Schools standardize on Instructure’s solutions as the core of their learning platform because we bring together all of the tools that students, teachers, parents, and administrators need to create an accessible, engaging and modern learning environment. Our platform is cloud-native, built on open technologies, and scalable across thousands of institutions and tens of millions of users worldwide. Instructure is the LMS market share leader in both Higher Education and paid K-12, with over 8,000 global customers, representing Higher Education institutions and K-12 districts and schools in more than 100 countries. We are maniacally focused on our customers and enhancing the teaching and learning experience. As such, we continuously innovate to grow the functionality and capabilities of our platform, including through acquisitions. Our platform becomes the invaluable digital infrastructure behind our customers’ instructional workflows. We acquired Parchment in February 2024, the world’s largest academic credentialing platform and network. By adding Parchment to the Instructure Learning Platform, we provide a verifiable and comprehensive digital passport of achievement records and outcomes for learners. Identification of Parchment’s global customer count within Instructure’s ecosystem is ongoing as part of our go-to-market alignment and integration efforts. On July 1, 2024, we acquired Scribbles, a leading provider of credentialing and records management to K-12 school districts across the United States. The purpose of the transaction is to bolster the scale and reach of the Instructure Learning Platform, facilitating evidence of learning and streamlining the educational process for educators and learners during key transitions. Integration efforts for Scribbles have commenced.

Since our founding in 2008, we have expanded our platform from the core LMS to include a broad set of offerings targeting all aspects of teaching, learning, and credentialing. As our platform has grown, we have become more strategic to schools as they seek vendor consolidation, best of breed solutions, and integrated offerings to serve teachers and students.

This discussion and analysis reflects our financial condition and results of operations for the three and six months ended June 30, 2024 and 2023.

For the three months ended June 30, 2024 and 2023:

- Our revenue was \$170.4 million and \$131.1 million, respectively.
- Our net loss was \$20.9 million and \$11.0 million, respectively.

- Our adjusted EBITDA was \$73.4 million and \$51.3 million, respectively.
- Our operating cash flow was \$(8.2) million and \$25.1 million, respectively.
- Our free cash flow was \$(10.0) million and \$23.5 million, respectively.

For the six months ended June 30, 2024 and 2023:

- Our revenue was \$325.9 million and \$259.9 million, respectively.
- Our net loss was \$42.1 million and \$22.8 million, respectively.
- Our adjusted EBITDA was \$138.4 million and \$99.5 million, respectively.
- Our operating cash flow was \$(100.7) million and \$(55.8) million, respectively.
- Our free cash flow was \$(104.4) million and \$(58.6) million, respectively.

Adjusted EBITDA and free cash flow are non-GAAP measures. See “Non-GAAP Financial Measures” for definitions and reconciliations to the most closely comparable GAAP measures.

Take-Private Merger Agreement

On July 25, 2024, Instructure entered into the Merger Agreement with Parent and Merger Sub. Parent and Merger Sub are each affiliates of investment funds managed by KKR, a leading global investment firm. Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Parent. Under, and subject to, the terms of the Merger Agreement, at the effective time of the Merger, Instructure stockholders will have the right to receive \$23.60 per share in cash, without interest thereon and subject to applicable withholding taxes. The Company’s board of directors has unanimously approved the Merger Agreement and the transactions contemplated thereby and the necessary stockholder approval has been duly executed and delivered, adopting and approving the Merger Agreement and the transactions contemplated thereby. The obligations of the parties to complete the proposed Merger are subject to customary closing conditions, including, among others, the receipt of certain regulatory approvals. The proposed Merger is expected to close during the second half of 2024. Upon consummation of the Merger, the Company will be a privately held company and its common stock will no longer be traded on the New York Stock Exchange.

Macroeconomic Conditions and Trends

Adverse macroeconomic conditions, including but not limited to high inflation, slower economic growth, changes to fiscal and monetary policy, and high interest rates could impact our business and customer spending. Certain of our customers may be negatively impacted by these events.

[Table of Contents](#)

We have continued to experience high usage on our platform as our customers continue to embrace remote learning platforms and demand for our products remains high. These factors have generated a positive impact to our gross margin.

Instructure has witnessed a noteworthy surge in the volume of Non-Traditional use case projects entering the market. The expanding Non-Traditional student segment presents a substantial growth opportunity, and we believe Instructure is strategically positioned to seize this market share. Leveraging the awareness gained from Kindergarten through Higher Ed utilization and Instructure's product competencies in credentialing, further enhances our advantage in capturing this evolving market.

The U.S. dollar may fluctuate relative to foreign currencies depending on whether the U.S. Federal Reserve maintains the federal funds interest rate or if they choose to lower the federal funds interest rate, which could further impact our reported expenses. The interest rate applicable to our Senior Term Loan decreased slightly from 8.68% as of December 31, 2023 to 8.35% as of June 30, 2024. These items have not had a material impact on our results of operations to date.

Key Factors Affecting Our Performance

Our historical financial performance has been, and we expect our financial performance in the future to be, driven by the following trends and our ability to:

Increase Adoption of Cloud-Based Software by Higher Education and K-12 Institutions

Our ability to increase market adoption of our platform is driven by the overall adoption of cloud applications and infrastructure by academic institutions. We believe that Higher Education and K-12 institutions continue to be poised to accelerate the pace of cloud adoption to support near-term online educational needs as a result of continued adoption of remote education and continued digital transformation in education, to withstand future challenges. Academic institutions that relied upon on-premises solutions to support remote operations faced significant delays at the height of the pandemic. To be prepared for any similar future health crisis, institutions must make a fundamental shift to adopt cloud-based collaboration solutions. In order to continue providing a high-quality education and support in-person, remote, and hybrid learning. As the leader in the market for cloud-based learning technology, we believe the imperative for these institutions to adopt cloud infrastructure will increase demand for our platform and broaden our customer base.

Grow Our Customer Base

We believe there is significant opportunity to grow our customer base in Higher Education and K-12. The growth of our Higher Education customer base is primarily dependent on the replacement of legacy systems with our cloud-native platform in North America and our continued expansion efforts internationally. The growth of our K-12 customer base is primarily dependent on our ability to surround currently implemented free solutions with our learning platform and, in connection therewith, monetize demand for our broad capabilities. We intend to expand our customer base by continuing to make targeted and prudent investments in sales and marketing and customer support.

Cross-sell into our Existing Customer Base

Most of our customers initially engage with us using our Canvas LMS solution, and then we are generally able to cross-sell our other solutions as these customers become aware of the benefits of our broad capabilities, including learning, assessments, analytics, student success, program management, digital courseware, and global online learning. Our future revenue growth is dependent upon our ability to expand our customers' use of our learning platform. Our ability to increase sales to existing customers depends on a number of factors, including customer satisfaction, competition, pricing, economic conditions, and spending by customers.

Key Components of Results of Operations

Revenue

We generate revenue primarily from two main sources: (1) subscription and support revenue, which is comprised of SaaS fees from customers accessing our learning platform and usage of our credential management platform, and from customers purchasing additional support beyond the standard support that is included in the basic SaaS fees; and (2) related professional services revenue, which is comprised of training, implementation services and other types of professional services.

[Table of Contents](#)

Subscription revenue is derived from customers using our learning platform and is driven primarily by the number of customers, the number of users at each customer, the price of our applications, and renewals. Support revenue is derived from customers purchasing additional support beyond the standard support that is included in the basic SaaS fee. Our contracts typically vary in length between one and five years. Subscriptions and support are non-cancelable and are billed in advance on an annual basis. All subscription and support fees billed are initially recorded in deferred revenue and recognized ratably over the subscription term. Revenue derived from the use of our credential management platform is also subscription and support revenue, and is generally recognized based on the proportion of credentials transferred to the total estimated credentials to be transferred over the contract period. Customers choose to access and use the credential management platform through subscription contracts by committing to guaranteed minimum payments with excess volume billed in arrears, or through transactional contracts where payment generally occurs once an order is placed. The Company records pass through fees for transactional contracts on a net revenue basis, as the Company does not have control over the credential and is therefore acting as the agent.

Professional services and other revenue are derived primarily from training, implementation, and other professional fees, which generally take anywhere from 30 to 90 days to complete depending on customer-side complexity and timelines. These services include regularly scheduled and highly-structured activities to ensure customers progress toward better utilizing our applications. Most of these interactions take place over the phone and through the use of web meeting technology. Because we have determined the implementation services are distinct, they are recognized over time as the services are rendered, using an efforts-expended input method. Implementation services also include nonrefundable upfront setup fees, which are allocated to the remaining performance obligations.

Instructure offers customers training services for an incremental fee which focus on creating confidence among users so they can be successful with our applications. Most training is performed remotely using web meeting technology, while the remainder is delivered in person. Because we have determined that training offerings are distinct from other performance obligations, we record training revenue upon the delivery of the service which can vary based on the nature of the training purchased. For trainings that are delivered live, revenue is recognized upon delivery. The Company offers customers unlimited access to online training services for a defined period of time, whereby revenue is recognized ratably over the defined contract term.

In addition to our implementation and training offerings, we provide consulting services for custom application development, integrations, content services and change management consulting. These services are architected to boost customer adoption of our applications and to drive usage of features and capabilities that are unique to our company. We have determined that these services are distinct. Professional services revenue is typically recognized over time as the services are rendered, using an efforts-expended input method.

Cost of Revenue

Cost of subscription and support revenue consists primarily of the costs of our cloud hosting provider and other third-party service providers, employee-related costs including payroll, benefits and stock-based compensation expense for our operations and customer support teams, amortization of capitalized software development costs and acquired technology, costs associated with our print operations, and allocated overhead costs, which we define as rent, facilities and costs related to information technology. Our technology acquired through mergers and acquisitions is measured at its estimated fair value and is amortized over its estimated useful life, which is five years.

Cost of professional services and other revenue consists primarily of personnel costs of our professional services organization, including salaries, benefits, travel, bonuses and stock-based compensation, as well as allocated overhead costs.

Operating Expenses

Sales and Marketing. Sales and marketing expenses consist primarily of personnel costs of our sales and marketing employees, including sales commissions and incentives, benefits and stock-based compensation expense, marketing programs, including lead generation, costs of our annual InstructureCon user conference, acquisition-related amortization expenses and allocated overhead costs. We defer and amortize on a straight-line basis sales commission costs related to acquiring new contracts over a period of benefit that we have determined to be generally four years. Customer relationships represent the estimated fair value of the acquired customer bases and are amortized over the estimated useful life of seven to ten years. The trade names acquired are amortized over the estimated useful lives ranging from three to ten years.

Research and Development. Research and development expenses consist primarily of personnel costs of our development team, including payroll, benefits and stock-based compensation expense and allocated overhead costs. We capitalize certain software development costs that are attributable to developing new applications, features and adding incremental functionality to our platform. We amortize these costs to subscription and support cost of revenue in the condensed consolidated statements of operations and comprehensive loss over the estimated life of the new application or incremental functionality, which is generally three years.

[Table of Contents](#)

General and Administrative. General and administrative expenses consist of personnel costs and related expenses for executive, finance, legal, human resources, recruiting, employee-related information technology, administrative personnel, including payroll, benefits and stock-based compensation expense; professional fees for external legal, accounting and other consulting services; and allocated overhead costs.

Other Income (Expense), net

Other income (expense), net consists primarily of interest income, interest expense, and the impact of foreign currency transaction gains and losses. Interest expense is related to fees incurred to have access to our credit facilities. As we have expanded our international operations, our exposure to fluctuations in foreign currencies has increased.

Income Tax Benefit

We are subject to income taxes in the United States and foreign jurisdictions in which we do business. These foreign jurisdictions have statutory tax rates different from those in the United States. Accordingly, our effective tax rates will vary depending on the relative proportion of foreign to U.S. income and changes in tax laws. The income tax benefit at June 30, 2024 consists of decreases in U.S. Federal and state deferred tax liabilities due to current year pretax book loss, net of valuation allowance released.

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The data has been derived from the unaudited condensed consolidated financial statements contained in this Quarterly Report on Form 10-Q which include, in our opinion, all adjustments, consisting only of normal recurring adjustments, that we consider necessary for a fair presentation of the financial position and results of operations for the interim periods presented. The period-to-period comparison of financial results is not necessarily indicative of financial results to be achieved in future periods.

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Revenue:				
Subscription and support	\$ 157,569	\$ 118,569	\$ 302,226	\$ 237,049
Professional services and other	12,875	12,501	23,673	22,864
Total revenue	170,444	131,070	325,899	259,913
Cost of revenue:				
Subscription and support ^{(1) (2) (3)}	49,427	38,377	95,739	77,187
Professional services and other ^{(1) (3)}	9,013	6,912	17,054	13,934
Total cost of revenue	58,440	45,289	112,793	91,121
Gross profit	112,004	85,781	213,106	168,792
Operating expenses:				
Sales and marketing ^{(1) (2) (3)}	60,970	52,159	120,226	103,009
Research and development ^{(1) (2) (3)}	31,240	21,482	58,776	45,184
General and administrative ^{(1) (3)}	20,985	14,218	41,375	28,591
Total operating expenses	113,195	87,859	220,377	176,784
Loss from operations	(1,191)	(2,078)	(7,271)	(7,992)
Other income (expense):				
Interest income	509	320	3,017	1,661
Interest expense	(26,413)	(10,289)	(49,009)	(19,774)
Other income (expense) ⁽³⁾	(518)	402	(2,353)	478
Loss on extinguishment of debt ⁽³⁾	—	—	(189)	—
Total other income (expense), net	(26,422)	(9,567)	(48,534)	(17,635)
Loss before income taxes	(27,613)	(11,645)	(55,805)	(25,627)
Income tax benefit	6,664	672	13,731	2,797
Net loss	\$ (20,949)	\$ (10,973)	\$ (42,074)	\$ (22,830)

[Table of Contents](#)

(1) Includes stock-based compensation as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cost of revenue:				
Subscription and support	\$ 792	\$ 474	\$ 1,357	\$ 853
Professional services and other	943	622	1,587	1,036
Sales and marketing	4,328	3,469	7,442	5,997
Research and development	4,738	3,480	8,578	6,654
General and administrative	4,751	3,811	9,033	7,326
Total stock-based compensation	\$ 15,552	\$ 11,856	\$ 27,997	\$ 21,866

(2) Includes amortization of acquisition-related intangibles as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cost of revenue:				
Subscription and support	\$ 18,625	\$ 16,265	\$ 36,463	\$ 32,338
Sales and marketing	24,269	19,475	49,753	39,145
Research and development	4	4	8	9
Total amortization of acquisition-related intangibles	\$ 42,898	\$ 35,744	\$ 86,224	\$ 71,492

(3) Includes transaction, globalization, restructuring, technology modernization, other non-recurring costs, foreign currency gains and losses, and loss on extinguishment of debt as follows:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Cost of revenue:				
Subscription and support	\$ 2,194	\$ 989	\$ 4,034	\$ 1,283
Professional services and other	565	14	1,309	239
Sales and marketing	2,574	1,610	4,838	3,369
Research and development	3,581	1,414	6,627	4,982
General and administrative	5,823	606	11,732	2,103
Other income (expense)	(515)	391	(2,347)	641
Loss on extinguishment of debt	—	—	189	—
Total costs for transaction, globalization, restructuring, technology modernization, other non-recurring costs, and foreign currency gains and losses	\$ 15,252	\$ 4,242	\$ 31,076	\$ 11,335

[Table of Contents](#)

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(as a percentage of total revenue)			
Revenue:				
Subscription and support	92%	90%	93%	91%
Professional services and other	8	10	7	9
Total revenue	100	100	100	100
Cost of revenue:				
Subscription and support	29	29	29	30
Professional services and other	5	5	5	5
Total cost of revenue	34	34	34	35
Gross profit	66	66	66	65
Operating expenses:				
Sales and marketing	36	40	37	40
Research and development	18	16	18	17
General and administrative	12	11	13	11
Total operating expenses	66	67	68	68
Loss from operations	—	(1)	(2)	(3)
Other income (expense):				
Interest income	—	—	1	1
Interest expense	(15)	(8)	(15)	(8)
Other income (expense)	—	—	—	—
Loss on extinguishment of debt	—	—	—	—
Total other income (expense), net	(15)	(8)	(14)	(7)
Loss before income taxes	(15)	(9)	(16)	(10)
Income tax benefit	4	1	4	1
Net loss	(11)%	(8)%	(12)%	(9)%

Comparison of the three and six months ended June 30, 2024 and three and six months ended June 30, 2023.

Revenue

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
	(dollars in thousands)							
Subscription and support	\$ 157,569	\$ 118,569	\$ 39,000	33 %	\$ 302,226	\$ 237,049	\$ 65,177	27 %
Professional services and other	12,875	12,501	374	3	23,673	22,864	809	4
Total revenue	<u>\$ 170,444</u>	<u>\$ 131,070</u>	<u>\$ 39,374</u>	30 %	<u>\$ 325,899</u>	<u>\$ 259,913</u>	<u>\$ 65,986</u>	25 %

[Table of Contents](#)

Three month change

Subscription and support revenue increased \$39.0 million for the three months ended June 30, 2024. The increase is due to expanded use of our solutions, including among new and existing customers. For the three months ended June 30, 2024, revenue from new customers increased by \$4.6 million, revenue from existing customers increased by \$2.4 million, and revenue from Parchment accounted for \$31.9 million of the increase. Included in those figures, international markets contributed 18% of the total revenue for the three months ended June 30, 2024, an increase of \$3.9 million. Use of our solutions expanded as a result of the need for continued digital transformation in education and targeted sales and marketing efforts in new and existing markets.

Professional services and other revenue increased \$0.4 million for the three months ended June 30, 2024. The increase is due to the expanded use of our solutions as discussed above, as well as contributions from the acquisition of Parchment.

Six month change

Subscription and support revenue increased \$65.2 million for the six months ended June 30, 2024. The increase is due to expanded use of our solutions, including among new and existing customers. For the six months ended June 30, 2024, revenue from new customers increased by \$8.3 million, revenue from existing customers increased by \$7.7 million, and revenue from Parchment accounted for \$49.2 million of the increase. Included in those figures, international markets contributed 18% of the total revenue for the six months ended June 30, 2024, an increase of \$6.6 million. Use of our solutions expanded as a result of the need for continued digital transformation in education and targeted sales and marketing efforts in new and existing markets.

Professional services and other revenue increased \$0.8 million for the six months ended June 30, 2024. The increase is due to the expanded use of our solutions as discussed above, as well as contributions from the acquisition of Parchment.

Cost of Revenue and Gross Margin

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
(dollars in thousands)								
Cost of revenue:								
Subscription and support	\$ 49,427	\$ 38,377	\$ 11,050	29 %	\$ 95,739	\$ 77,187	\$ 18,552	24 %
Professional services and other	9,013	6,912	2,101	30	17,054	13,934	3,120	22
Total cost of revenue	<u>\$ 58,440</u>	<u>\$ 45,289</u>	<u>\$ 13,151</u>	29 %	<u>\$ 112,793</u>	<u>\$ 91,121</u>	<u>\$ 21,672</u>	24 %
Gross margin percentage								
Subscription and support revenue	69 %	68 %			68 %	67 %		
Professional services and other	30	45			28	39		
Total gross margin	66	65			65	65		

Three month change

Subscription and support cost of revenue increased \$11.1 million for the three months ended June 30, 2024 due to an increase in amortization of acquisition-related intangibles of \$2.4 million, an increase in web hosting costs of \$1.6 million, an increase in salaries, wages, and payroll-related benefits of \$2.1 million, an increase in stock-based compensation of \$0.3 million, an increase in bonus expense of \$0.3 million, an increase in systems and hardware costs of \$0.3 million, an increase in amortization of capitalized software costs of \$0.3 million, an increase of \$0.2 million in software expense, and other insignificant increases totaling \$0.3 million. Additionally, subscription and support cost of revenue increased \$3.3 million due to the addition of Parchment's printing operations and merchant fees.

Professional services and other cost of revenue increased \$2.1 for the three months ended June 30, 2024 due to an increase in salaries, wages, and payroll-related benefits of \$1.4 million, an increase in stock-based compensation of \$0.3 million, an increase in bonuses of \$0.2 million, an increase in third-party contractor and consulting costs of \$0.1 million, and an increase in travel expenses of \$0.1 million.

[Table of Contents](#)

Six month change

Subscription and support cost of revenue increased \$18.6 million for the six months ended June 30, 2024 due to an increase in web hosting costs of \$3.0 million, an increase in amortization of acquisition-related intangibles of \$4.1 million, an increase in salaries, wages, and payroll-related benefits of \$3.4 million, an increase in stock-based compensation of \$0.5 million, an increase in bonuses of \$0.3 million, an increase of \$0.4 million due to exit of leased properties, an increase in amortization of capitalized software costs of \$0.6 million, an increase in systems and hardware of \$0.5 million, an increase of \$0.2 million in software expense, an increase in third-party contractor and consulting costs of \$0.1, and other insignificant increases totaling \$0.4 million. Additionally, subscription and support cost of revenue increased \$5.1 million due to the addition of Parchment's printing operations and merchant fees.

Professional services and other cost of revenue increased \$3.1 million for the six months ended June 30, 2024 due to an increase in salaries, wages, and payroll-related benefits of \$2.1 million, an increase in stock-based compensation of \$0.5 million, an increase in bonuses of \$0.2 million, and an increase of \$0.3 million due to exit of leased properties.

Operating Expenses

Sales and Marketing

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
(dollars in thousands)								
Sales and marketing	\$ 60,970	\$ 52,159	\$ 8,811	17%	\$ 120,226	\$ 103,009	\$ 17,217	17%

Three month change

Sales and marketing expenses increased \$8.8 million for the three months ended June 30, 2024 due to an increase in salaries, wages, and payroll-related benefits of \$3.5 million, an increase in amortization of acquisition-related intangibles of \$4.8 million, an increase in stock-based compensation of \$0.9 million, an increase in bonuses of \$0.5 million, an increase in systems and hardware expense of \$0.4 million, an increase in employee-related expense of \$0.3 million, and an increase in travel expenses of \$0.3 million. These increases were offset by a decrease in marketing expenses, including tradeshow, conferences, and public relations, of \$1.2 million, a decrease in commissions expense of \$0.4 million, and a decrease in third-party contractor and consulting costs of \$0.3 million.

Six month change

Sales and marketing expenses increased \$17.2 million for the six months ended June 30, 2024 due to an increase in salaries, wages, and payroll-related benefits of \$4.5 million, an increase in amortization of acquisition-related intangibles of \$10.6 million, an increase in stock-based compensation of \$1.4 million, an increase in bonuses of \$0.5 million, an increase in systems and hardware expenses of \$0.7 million, an increase in employee-related expense of \$0.9 million, and an increase in exit of leased properties of \$0.4 million. These increases were offset by a decrease in marketing expenses, including tradeshow, conferences, and public relations, of \$1.3 million, a decrease in commissions expense of \$0.2 million, and a decrease in third-party contractor and consulting costs of \$0.3 million.

Research and Development

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
(dollars in thousands)								
Research and development	\$ 31,240	\$ 21,482	\$ 9,758	45%	\$ 58,776	\$ 45,184	\$ 13,592	30%

[Table of Contents](#)

Three month change

Research and development expenses increased \$9.8 million for the three months ended June 30, 2024 due to an increase in salaries, wages, and payroll-related benefits of \$5.1 million, an increase in stock-based compensation of \$1.3 million, an increase in bonuses of \$0.8 million, and increase in third-party contractor and consulting costs of \$1.0 million, an increase in systems and hardware of \$0.8 million, an increase in employee related expenses of \$0.6 million, and an increase in travel expenses of \$0.2 million.

Six month change

Research and development expenses increased \$13.6 million for the six months ended June 30, 2024 due to an increase in salaries, wages, and payroll-related benefits of \$8.1 million, an increase in stock-based compensation of \$1.9 million, an increase in bonus expenses of \$0.7 million, an increase in systems and hardware expenses of \$1.0 million, and increase in employee related expenses of \$0.6 million, an increase in third-party contractor and consulting costs of \$0.6 million, an increase of \$0.4 million due to exit of leased properties, an increase in travel expenses of \$0.2 million, and an increase in marketing expenses of \$0.1 million.

General and Administrative

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
	(dollars in thousands)							
General and administrative	\$ 20,985	\$ 14,218	\$ 6,767	48 %	\$ 41,375	\$ 28,591	\$ 12,784	45 %

Three month change

General and administrative expenses increased by \$6.8 million for the three months ended June 30, 2024 due to increases in third-party contractor and consulting costs of \$4.7 million, an increase in salaries, wages, and payroll-related benefits of \$0.9 million, an increase in stock-based compensation of \$0.9 million, an increase in bonuses of \$0.3 million, an increase in systems and hardware expenses of \$0.1 million, and an increase in travel expenses of \$0.1 million. These increases were offset by a decrease in business insurance of \$0.2 million.

Six month change

General and administrative expenses increased by \$12.8 million for the six months ended June 30, 2024 due to increases in third-party contractor and consulting costs of \$8.2 million, an increase in salaries, wages, and payroll-related benefits of \$2.2 million, an increase in stock-based compensation of \$1.7 million, an increase in bonus expenses of \$0.6 million, an increase in sales tax expenses of \$0.2 million, an increase in systems and hardware expenses of \$0.1 million, and an increase in travel expenses of \$0.1 million. These increases were offset by a decrease in business insurance expenses of \$0.3 million.

Other Income (Expense), Net

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
	(dollars in thousands)							
Other income (expense), net	\$ (26,422)	\$ (9,567)	\$ (16,855)	176 %	\$ (48,534)	\$ (17,635)	\$ (30,899)	175 %

Three month change

Other income (expense), net includes interest income and expense and the impact of foreign currency transaction gains and losses. Other income (expense), net increased \$16.9 million for the three months ended June 30, 2024 as a result of increased interest expense of \$16.1 million due to additional borrowings on our Senior Term Loan (as defined below) and an increase in expense of \$1.0 million related to realized and unrealized foreign currency losses. These increases were offset by an increase in interest income of \$0.2 million.

[Table of Contents](#)

Six month change

Other income (expense), net includes interest income and expense, the impact of foreign currency transaction gains and losses, losses on extinguishment of debt, and gains and losses related to the disposal of fixed assets. Other income (expense), net increased \$30.9 million for the six months ended June 30, 2024 as a result of increased interest expense of \$29.2 million due to additional borrowings on our Senior Term Loan (as defined below), an increase of \$0.2 million due to loss on extinguishment of debt, and an increase in expense of \$3.1 million related to realized and unrealized foreign currency losses. These increases were offset by an increase in interest income of \$1.4 million and a gain of \$0.2 million related to disposal of fixed assets.

Income Tax Benefit

	Three months ended June 30,		Change		Six months ended June 30,		Change	
	2024	2023	Amount	%	2024	2023	Amount	%
(dollars in thousands)								
Income tax benefit	\$ 6,664	\$ 672	\$ 5,992	892 %	\$ 13,731	\$ 2,797	\$ 10,934	391 %

Three month change

Income tax benefit increased \$6.0 million for the three months ended June 30, 2024. Income tax benefit consists of current and deferred taxes for U.S. and foreign income taxes. The increase is due to forecasted net loss related to the Parchment acquisition.

Six month change

Income tax benefit increased \$10.9 million for the six months ended June 30, 2024. Income tax benefit consists of current and deferred taxes for U.S. and foreign income taxes. The increase is due to forecasted net loss related to the Parchment acquisition.

Liquidity and Capital Resources

As of December 31, 2023 our principal sources of liquidity were cash, cash equivalents, and restricted cash, and, as of June 30, 2024 our principal sources of liquidity were cash, cash equivalents, restricted cash, and funds held on behalf of customers. For June 30, 2024 and December 31, 2023, these amounts totaled \$145.2 million and \$344.2 million, respectively, which were held for working capital purposes, as well as the available balance of our Senior Revolver (as defined below). As of June 30, 2024 and December 31, 2023, our cash equivalents were comprised of money market funds. We expect our operating cash flows to improve as we increase our operational efficiency and experience economies of scale.

We have financed our operations through cash received from operations and debt financing. We believe our existing cash and cash equivalents, our Amended Senior Secured Credit Facilities (as defined below) and cash provided by sales of our solutions and services will be sufficient to meet our working capital, capital expenditure and cash needs for at least the next 12 months and beyond. Our future capital requirements will depend on many factors including our growth rate, the timing and extent of spending to support development efforts, the expansion of sales and marketing activities, the introduction of new and enhanced products and services offerings, and the continuing market acceptance of our products. In the future, we may enter into arrangements to acquire or invest in complementary businesses, services and technologies.

Our material cash requirements from known contractual and other obligations primarily consist of payments under our Amended Senior Secured Credit Facilities and operating facility lease obligations, including certain letters of credit. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our 2023 10-K for more details.

We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital or generate cash flows necessary to expand our operations and invest in new technologies, this could reduce our ability to compete successfully and harm our results of operations.

A portion of our customers pay in advance for subscriptions, a portion of which is recorded as deferred revenue. Deferred revenue consists of the unearned portion of billed fees for our subscriptions, which is later recognized as revenue in accordance with our revenue recognition policy. As of June 30, 2024, we had deferred revenue of \$340.0 million, of which \$330.4 million was recorded as a current liability and is expected to be recorded to revenue in the next 12 months, provided all other revenue recognition criteria have been met. As of December 31, 2023, we had deferred revenue of \$302.7 million, of which \$291.8 million was recorded as a current liability.

[Table of Contents](#)

The following table shows our cash flows for the six months ended June 30, 2024 and 2023:

	Six months ended June 30,	
	2024	2023
	(in thousands)	
Net cash used in operating activities	\$ (100,661)	\$ (55,760)
Net cash used in investing activities	(825,463)	(2,865)
Net cash provided by (used in) financing activities	728,273	(2,277)

Our cash flows are subject to seasonal fluctuations. A significant portion of our contracts have terms that coincide with our customers' typical fiscal year-end of June 30. Historical experience has shown an increase in new and renewed contracts as well as anniversary billings, all of which immediately precede the beginning of our academic customers' typical fiscal year-end. We typically invoice SaaS fees annually upfront with credit terms of net 30 or 60 days. In turn, our cash flows from operations are affected by this seasonality and are typically reflected in higher cash flow, accounts receivable and deferred revenue balances for the second and third quarter of each year.

Credit Facility

On October 29, 2021, we entered into a credit agreement with JPMorgan Chase Bank, N.A., as administrative agent (the "2021 Credit Agreement"), governing our senior secured credit facilities (the "Senior Secured Credit Facilities"), consisting of a \$500.0 million senior secured term loan facility (the "Senior Term Loan") and a \$125.0 million senior secured revolving credit facility (the "Senior Revolver"). The proceeds from the Senior Secured Credit Facilities were used, in addition to cash on hand, to (1) refinance, in full, all existing indebtedness under our initial credit agreement entered into in March 2020 with a syndicate of lenders and Golub Capital Markets LLC (the "Refinancing"), (2) pay certain fees and expenses incurred in connection with the entry into the 2021 Credit Agreement and the Refinancing, and (3) finance working capital needs of the Company and its subsidiaries for general corporate purposes.

All of the Company's obligations under the Senior Secured Credit Facilities are guaranteed by the subsidiary guarantors named therein. The Senior Revolver includes borrowing capacity available for letters of credit. Any issuance of letters of credit will reduce the amount available under the Senior Revolver. As of June 30, 2024 there were \$70.0 million of borrowings outstanding under the Senior Revolver. The Company had \$55.0 million of availability under the Senior Revolver as of June 30, 2024. The Company repaid the outstanding borrowings under the Senior Revolver in full on July 25, 2024.

The Senior Term Loan has a seven-year maturity and the Senior Revolver has a five-year maturity. Commencing June 30, 2022, we were required to repay the Senior Term Loan portion of the Senior Secured Credit Facilities in quarterly principal installments of 0.25% of the aggregate original principal amount of the Senior Term Loan at closing, with the balance payable at maturity. We are also required to pay an unused commitment fee to the lenders under the Senior Revolver at the Applicable Commitment Fee of the average daily unutilized commitments. The Applicable Commitment Fee ranges from 0.40% to 0.50% subject to the Company's Consolidated First Lien Net Leverage Ratio.

On June 21, 2023, we entered into the first amendment to the 2021 Credit Agreement (the "Amended 2021 Credit Agreement") whereby all borrowings denominated in U.S. dollars and that incur interest or fees using the Eurocurrency Rate, which are determined by reference to the London Interbank Offered Rate ("LIBOR"), have been replaced with the Secured Overnight Financing Rate ("SOFR"). For SOFR loans, the loans denominated in dollars now bear interest at the Adjusted Term SOFR Rate, which is equal to the Term SOFR Reference Rate, as published by the CME Term SOFR Administrator, plus the Term SOFR Adjustment as dictated by the interest rate period elected by the Company. The Term SOFR Adjustment ranges from 0.11448% to 0.42826% per annum. The Applicable Rate (x) for the Initial Term Loans remains at 2.75% per annum for SOFR loans and (y) for the Revolving Credit Facility remains at 2.5% per annum with applicable step downs. The transition from LIBOR to SOFR became effective on July 5, 2023. All other terms and conditions in place under the 2021 Credit Agreement on the effective date of the Amended 2021 Credit Agreement remained unchanged and in full effect.

On February 1, 2024, we entered into the second amendment to the 2021 Credit Agreement as previously amended by the Amended 2021 Credit Agreement (the "Amended 2023 Credit Agreement"), by and among the Company and certain of its subsidiaries, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders named therein. Pursuant to the Amended 2023 Credit Agreement, among certain other amendments, the lenders agreed, severally and not jointly, to extend additional 2023 Incremental Term Loans (as defined in the 2021 Credit Agreement) (the "2023 Incremental Term Loans") to Instructure under the 2021 Credit Agreement in an aggregate principal amount equal to \$685.0 million. The Company used the proceeds of the 2023 Incremental Term Loans, borrowed under the 2021 Credit Agreement, to finance (i) the cash consideration for the acquisition of Parchment, and (ii) fees and costs incurred in connection with the acquisition and related transactions. The Senior Secured Credit Facilities, together with the Amended 2023 Credit Agreement, comprise our amended senior secured credit facilities (the "Amended Senior Secured Credit Facilities").

[Table of Contents](#)

As of June 30, 2024, we had outstanding borrowings of \$1,170.3 million on the Senior Term Loan and the 2023 Incremental Term Loans, \$70.0 million of outstanding borrowings under our Senior Revolver and \$1.0 million outstanding under letters of credit.

Operating Activities

Net cash used in operating activities consists of net loss adjusted for certain non-cash items, including stock-based compensation, depreciation and amortization and other non-cash charges, net.

Net cash used in operating activities during the six months ended June 30, 2024 was \$100.7 million, which was attributable to a net loss of \$42.1 million adjusted for certain non-cash items, including \$28.0 million of stock-based compensation expense, \$89.0 million of depreciation and amortization, \$2.5 million of amortization of debt discount and issuance costs, \$0.2 million of right-of-use assets, and \$2.1 million in other non-cash items. These amounts were offset by a decrease of \$14.6 million to deferred income taxes. Working capital sources of cash included a net decrease of \$127.3 million in deferred revenue and accounts receivable resulting from the seasonality of our business where a significant number of our customer agreements occur in the second and third quarter each year, with a significant portion of our cash collections taking place in the third quarter. Prepaid expenses and other current assets increased by \$38.8 million, while accounts payable and accrued liabilities increased by \$3.6 million, lease liabilities decreased by \$0.3 million, other liabilities decreased by \$2.0 million, and deferred commissions increased by \$0.9 million.

Net cash used in operating activities during the six months ended June 30, 2023 was \$55.8 million, which was attributable to a net loss of \$22.8 million adjusted for certain non-cash items, including \$21.3 million of stock-based compensation expense, \$73.8 million of depreciation and amortization, \$0.6 million of amortization of debt discount and issuance costs and \$0.2 million in other non-cash items. These amounts were offset by a decrease of \$4.4 million to deferred income taxes. Working capital sources of cash included a net decrease of \$96.0 million in deferred revenue and accounts receivable resulting from the seasonality of our business where a significant number of our customer agreements occur in the second and third quarter each year, with a significant portion of our cash collections taking place in the third quarter. Prepaid expenses and other current assets increased by \$26.7 million, while accounts payable and accrued liabilities decreased by \$1.7 million, lease liabilities decreased by \$3.8 million, other liabilities decreased by \$0.4 million, deferred commissions decreased by \$1.8 million, and right-of-use assets decreased by \$2.3 million.

Investing Activities

Our investing activities have consisted primarily of business acquisitions, property and equipment purchases for computer-related equipment and capitalization of software development costs. Capitalized software development costs are related to new applications or improvements to our existing software platform that expand the functionality for our customers.

Net cash used in investing activities during the six months ended June 30, 2024 was \$825.5 million, consisting of purchases of property and equipment of \$3.7 million and business acquisitions, net of cash received, of \$821.7 million related to the acquisition of Parchment.

Net cash used in investing activities during the six months ended June 30, 2023 was \$2.9 million, consisting of purchases of property and equipment of \$2.9 million.

Financing Activities

Our financing activities have consisted of proceeds from issuance of common stock from employee equity plans, shares withheld for tax withholdings on vesting of RSUs, borrowings and repayments of long-term debt, and changes in customer fund deposits.

Net cash provided by financing activities during the six months ended June 30, 2024 was \$728.3 million, which consisted of borrowings under the 2023 Incremental Term Loans, net of discount, of \$663.9 million, borrowings under the Senior Revolver of \$70.0 million, \$3.2 million in proceeds from the issuance of common stock from the employee stock purchase plan, and \$0.4 million increase in customer fund deposits, offset by \$3.3 million of shares repurchased for tax withholdings on vesting of RSUs, and \$6.0 million in repayments on long-term debt.

Net cash used in financing activities during the six months ended June 30, 2023 was \$2.3 million, which consisted of \$3.3 million in proceeds from the issuance of common stock from the employee equity stock purchase plan, offset by \$3.0 million of shares repurchased for tax withholdings on vesting of RSUs, \$0.1 million of financing costs, and \$2.5 million in payments on long-term debt.

Critical Accounting Estimates

Our condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

[Table of Contents](#)

For information on our critical accounting estimates, see the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” set forth in our 2023 10-K.

Recent Accounting Pronouncement

For information on recent accounting pronouncements, see Note 2. “Summary of Significant Accounting Policies—*Recent Accounting Pronouncements*” in the notes to the condensed consolidated financial statements appearing elsewhere in this Quarterly Report on Form 10-Q.

Non-GAAP Financial Measures

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance and liquidity. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance and assists in comparisons with other companies, some of which use similar non-GAAP financial information to supplement their U.S. GAAP results. The non-GAAP financial information is presented for supplemental informational purposes only and should not be considered a substitute for financial information presented in accordance with U.S. GAAP and may be different from similarly-titled non-GAAP measures used by other companies. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related U.S. GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable U.S. GAAP financial measures.

Non-GAAP Operating Income

We define non-GAAP operating income as loss from operations excluding the impact of stock-based compensation, transaction costs, globalization costs, restructuring costs, technology modernization costs, other non-recurring costs, and amortization of acquisition-related intangibles that we do not believe are reflective of our ongoing operations. We believe non-GAAP operating income is useful in evaluating our operating performance compared to that of other companies in our industry, as this metric generally eliminates the effects of certain items that may vary for different companies for reasons unrelated to overall operating performance. Although we exclude the amortization of acquisition-related intangibles from this non-GAAP measure, management believes it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

The following table provides a reconciliation of loss from operations to non-GAAP operating income for each of the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Income (loss) from operations	(1,191)	(2,078)	(7,271)	(7,992)
Stock-based compensation	15,552	11,856	27,997	21,866
Transaction costs ⁽¹⁾	6,264	2,317	11,879	6,153
Globalization costs ⁽²⁾	3,481	83	4,371	92
Restructuring costs ⁽³⁾	2,724	1,514	7,654	4,741
Technology modernization costs ⁽⁴⁾	2,246	695	4,512	910
Other non-recurring costs ⁽⁵⁾	22	24	124	80
Amortization of acquisition-related intangibles	42,898	35,744	86,224	71,492
Non-GAAP operating income	<u>\$ 71,996</u>	<u>\$ 50,155</u>	<u>\$ 135,490</u>	<u>\$ 97,342</u>

- (1) Represents expenses incurred with third parties as part of the Company’s merger and acquisition activity, including due diligence, closing and post-closing integration activities.
- (2) Represents one-time expenses incurred in the Company's recent efforts to develop and mobilize a global workforce to better support its broadening customer base and expanding international operations.
- (3) Consists of restructuring-related costs, including executive recruiting, severance charges, and other workforce realignment costs. In addition, lease termination costs and disposal of fixed asset charges related to the Company's real estate consolidation efforts. The Company continues to execute a remote-first strategy, closing offices, inclusive of those acquired in merger and acquisition activity, and reducing office space globally. Beginning in 2023, the Company began restructuring its executive team.

[Table of Contents](#)

- (4) Includes costs that are one-time in nature related to technology modernization to allow the Company's customers and users to have a more cohesive experience on its learning platform as a result of the various technologies acquired from historical acquisitions.
- (5) Represents expenses incurred for services provided by Thoma Bravo and their affiliates.

Free Cash Flow

We define free cash flow as net cash provided by operating activities less purchases of property and equipment and intangible assets, net of proceeds from disposals of property and equipment. We believe free cash flow facilitates period-to-period comparisons of liquidity. We consider free cash flow to be an important measure because it measures the amount of cash we generate and reflects changes in working capital. We use free cash flow in conjunction with traditional U.S. GAAP measures as part of our overall assessment of our liquidity, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our liquidity.

The following table provides a reconciliation of net cash provided by operating activities to free cash flow for each of the periods indicated:

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Net cash provided by (used in) operating activities	\$ (8,160)	\$ 25,073	\$ (100,661)	\$ (55,760)
Purchases of property and equipment and intangible assets	(1,865)	(1,573)	(3,746)	(2,900)
Proceeds from disposals of property and equipment	14	29	22	35
Free cash flow	<u>\$ (10,011)</u>	<u>\$ 23,529</u>	<u>\$ (104,385)</u>	<u>\$ (58,625)</u>

Adjusted EBITDA

EBITDA is defined as earnings before debt-related costs, including interest and loss on debt extinguishment, benefit for taxes, depreciation, and amortization. We further adjust EBITDA to exclude certain items of a significant or unusual nature, including stock-based compensation, transaction costs, globalization costs, restructuring costs, technology modernization costs, other non-recurring costs, effects of foreign currency transaction losses, amortization of acquisition-related intangibles, and interest income. Although we exclude the amortization of acquisition-related intangibles from this non-GAAP measure, management believes that it is important for investors to understand that such intangible assets were recorded as part of purchase accounting and contribute to revenue generation.

We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management team and board of directors. In addition, it provides a useful measure for period-to-period comparisons of our business, as it removes the effect of certain non-cash expenses and certain variable charges.

Adjusted EBITDA has limitations as a financial measure, should be considered as supplemental in nature, and is not meant as a substitute for the related financial information prepared in accordance with U.S. GAAP.

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

	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(in thousands)			
Net loss	\$ (20,949)	\$ (10,973)	\$ (42,074)	\$ (22,830)
Interest on outstanding debt and loss on debt extinguishment	26,495	10,287	49,280	19,772
Benefit for taxes	(6,664)	(672)	(13,731)	(2,797)
Depreciation	1,399	1,092	2,742	2,295
Amortization	—	—	—	2
Stock-based compensation	15,552	11,856	27,997	21,866
Transaction costs ⁽¹⁾	6,264	2,317	11,879	6,153
Globalization costs ⁽²⁾	3,481	83	4,371	92
Restructuring costs ⁽³⁾	2,724	1,520	7,654	4,848
Technology modernization costs ⁽⁴⁾	2,246	695	4,512	910
Other non-recurring costs ⁽⁵⁾	22	24	124	80
Effects of foreign currency transaction losses	515	(397)	2,347	(748)
Amortization of acquisition-related intangibles	42,898	35,744	86,224	71,492
Interest income	(563)	(316)	(2,962)	(1,617)
Adjusted EBITDA	<u>\$ 73,420</u>	<u>\$ 51,260</u>	<u>\$ 138,363</u>	<u>\$ 99,518</u>

[Table of Contents](#)

- (1) Represents expenses incurred with third parties as part of the Company's merger and acquisition activity, including due diligence, closing and post-closing integration activities.
- (2) Represents one-time expenses incurred in the Company's recent efforts to develop and mobilize a global workforce to better support its broadening customer base and expanding international operations.
- (3) Consists of restructuring-related costs, including executive recruiting, severance charges, and other workforce realignment costs. In addition, lease termination costs and disposal of fixed asset charges related to the Company's real estate consolidation efforts. The Company continues to execute a remote-first strategy, closing offices, inclusive of those acquired in merger and acquisition activity, and reducing office space globally. Beginning in 2023, the Company began restructuring its executive team.
- (4) Includes costs that are one-time in nature related to technology modernization to allow the Company's customers and users to have a more cohesive experience on its learning platform as a result of the various technologies acquired from historical acquisitions.
- (5) Represents expenses incurred for services provided by Thoma Bravo and their affiliates.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are based on our management's beliefs and assumptions and on information currently available to our management. All statements other than statements of historical facts are "forward-looking statements" for purposes of these provisions, including those relating to future events or our future financial performance and financial guidance. In some cases, you can identify forward-looking statements by terminology such as "may," "might," "will," "should," "expect," "plan," "anticipate," "project," "believe," "estimate," "predict," "potential," "intend" or "continue," the negative of terms like these or other comparable terminology, and other words or terms of similar meaning in connection with any discussion of future operating or financial performance. For example, all statements we make relating to our current expectations relating to the Merger and the transactions, contemplated by the Merger agreement, estimated and projected costs, expenditures, cash flows, growth rates and financial results, our plans and objectives for future operations, growth initiatives, or strategies, industry, market and macroeconomic expectations, or future business and product capabilities are forward-looking statements. These statements are only predictions. You should not place undue reliance on our forward-looking statements. These statements are not guarantees of future performance and are subject to future events, risks and uncertainties, many of which are beyond our control, or currently unknown to us. Our assumptions may turn out to be inaccurate and cause actual events or results to differ materially from our expectation or projections. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- the risk that the proposed Merger may not be completed in a timely manner or at all, which may adversely affect the Company's business and the price of the common stock;
- the occurrence of any event, change or other circumstance or condition that could give rise to the termination of the Merger Agreement, including in circumstances requiring the Company to pay a termination fee;
- the ability of Parent and Merger Sub to obtain the necessary financing arrangements set forth in the commitment letters received in connection with the Merger;
- potential litigation relating to the Merger that could be instituted against the parties to the Merger Agreement or their respective directors, managers or officers, including the effects of any outcomes related thereto;
- certain restrictions during the pendency of the Merger that may impact the Company's ability to pursue certain business opportunities or strategic transactions;
- uncertainty as to timing of completion of the Merger;
- risks that the benefits of the Merger are not realized when and as expected;
- the continued economic uncertainty, including persistent inflation, labor shortages, high interest rates, foreign currency exchange volatility, concerns of economic slowdown or recession, reduced spending or suspension of investment in new or enhanced projects and geopolitical instability;
- risks associated with failing to continue our recent growth rates, including our ability to acquire new customers and successfully retain existing customers;
- the effects of the increased usage of, or interruptions or performance problems associated with, our learning platform;
- the impact on our business by health pandemics or epidemics;
- the history of losses and expectation that we will not be profitable for the foreseeable future;

- our to our revenues and operating results if we are unable to acquire new customers, successfully retain existing customers, expand sales to existing customers or develop new products;
- ability to grow our business effectively, to scale our business and to manage our expenses;
- risks and uncertainties associated with potential acquisitions;
- the competitiveness of the market in which we operate;
- our reliance on our management team and other key employees;
- risks related our brand recognition and reputation;
- the impact of potential information technology or data security breaches or other cyberattacks or other disruptions;
- risks associated with our use of open source software, including that we make a substantial portion of the source code for Canvas available under the terms of an open source license;
- our ability to obtain, maintain, protect and enforce our intellectual property and proprietary rights;
- our ability to comply with regulations applicable to us;
- risks related to our estimates of market opportunity and our ability to change our pricing models, if necessary to compete successfully; and;
- other factors disclosed in the section entitled “Risk Factors” in the 2023 10-K.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based on many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by this cautionary statement as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

We caution you that the important factors referenced above may not contain all of the factors that are important to you. In addition, we cannot assure you that we will realize the results or developments we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our operations in the way we expect. The forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Foreign Currency Exchange Risk

Our reporting currency is the U.S. dollar. Due to our international operations, we have foreign currency risks related to operating expense denominated in currencies other than the U.S. dollar, particularly the euro. Most of our sales are denominated in U.S. dollars, and therefore our revenue is not currently subject to significant foreign currency risk. Our operating expenses are denominated in the currencies of the countries in which our operations are located, which are primarily in the United States, Europe, Australia, and New Zealand. Our condensed consolidated results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign exchange rates. To date, we have not entered into any hedging arrangements with respect to foreign currency risk or other derivative financial instruments. For the three and six months ended June 30, 2024, a hypothetical 10% change in foreign currency exchange rates applicable to our business would not have had a material impact on our condensed consolidated financial statements.

Interest Rate Risk

We had cash, cash equivalents and restricted cash of \$145.2 million and \$344.2 million as of June 30, 2024 and December 31, 2023, respectively, consisting of cash and money market accounts in highly rated financial institutions. With the exception of cash, these interest-earning instruments carry a degree of interest rate risk. To date, fluctuations in our interest income have not been significant. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of these investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates.

At June 30, 2024 and December 31, 2023, we also had in place a \$125.0 million Senior Revolver and approximately \$1,170.3 million and \$491.3 million outstanding on our Senior Term Loan and 2023 Incremental Term Loans, respectively. As of June 30, 2024, we had \$70.0 million outstanding borrowings under our Senior Revolver and no outstanding borrowings as of December 31, 2023. The Senior Revolver bears interest at 2.5% plus a variable applicable rate, whereas the Senior Term Loan and 2023 Incremental Term Loans bear interest at 2.75% plus a variable applicable rate. At June 30, 2024, the applicable rate for the Senior Revolver was 7.96%. At June 30, 2024 and December 31, 2023, the applicable rate for the Senior Term Loan and 2023 Incremental Term Loans was 8.35% and 8.68%, respectively.

We have an agreement to maintain cash balances at a financial institution of no less than \$1.0 million as collateral for several letters of credit for the purpose of securing certain of the Company's obligations under facility leases.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures. Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, have evaluated our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer have concluded that, as of the end of the period covered by this Quarterly Report on Form 10-Q, our disclosure controls and procedures were designed to, and were effective to, provide assurance at a reasonable level that the information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Changes in internal control over financial reporting. There were no changes in our internal control over financial reporting during the quarter ended June 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent limitation on the effectiveness of internal control. The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute assurances. In addition, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are, and from time to time may be, party to litigation and subject to claims. As our growth continues, we may become party to an increasing number of litigation matters and claims. The outcome of litigation and claims cannot be predicted with certainty, and the resolution of these matters could materially affect our future results of operations, cash flows or financial position.

Item 1A. Risk Factors

A discussion of the material factors that make an investment in us risky is included in the section entitled “Risk Factors” included in our 2023 10-K.

Uncertainties associated with the Merger could adversely affect our business, results of operations and financial condition.

On July 25, 2024, Instructure entered into the Merger Agreement. Pursuant to the Merger Agreement, Merger Sub will be merged with and into the Company, with the Company surviving as a wholly owned subsidiary of Parent.

The closing of the Merger is subject to certain conditions, including (i) the expiration or termination of any applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (ii) certain other approvals and clearances by government authorities and (iii) other customary conditions for a transaction of this type, such as the absence of any legal restraint prohibiting the consummation of the transactions and the absence of any Company Material Adverse Effect (as defined in the Merger Agreement). The regulatory agencies from which certain of these approvals and clearances will be sought have broad discretion in administering the governing regulations. As a condition to their clearance of the Merger, agencies may impose requirements, limitations or costs or require divestitures or place restrictions on the conduct of the parties’ business. These requirements, limitations, costs, divestitures or restrictions could jeopardize or delay the consummation of the Merger. The parties to the Merger Agreement may not receive the necessary approvals for the transaction or receive them within the expected timeframe. In addition, the Merger may fail to close for other reasons.

The announcement and pendency of the Merger, as well as any delays in the expected timeframe, could cause disruption in and create uncertainties, which could have an adverse effect on our business, results of operations and financial condition, regardless of whether the Merger is completed. These risks include, but are not limited to:

- an adverse effect on our relationship with vendors, customers, and employees, including if our vendors, customers or others attempt to negotiate changes in existing business relationships, consider entering into business relationships with parties other than us, delay or defer decisions concerning their business with us, or terminate their existing business relationships with us during the pendency of the Merger;
- a diversion of a significant amount of management time and resources towards the completion of the Merger;
- being subject to certain restrictions on the conduct of our business;
- possibly foregoing certain business opportunities that we might otherwise pursue absent the pending Merger; and
- difficulties attracting and retaining key employees.

Failure to complete the Merger could adversely affect our business and the market price of our shares of common stock.

The closing of the Merger may not occur on the expected timeline or at all. The Merger Agreement contains certain termination rights for us and Parent, including, among others (i) if the Merger is not consummated by 11:59 p.m., New York City time, on March 25, 2025 (the “Termination Date”), (ii) if the other party breaches its representations, warranties or covenants in a manner that would cause certain conditions to the closing set forth in the Merger Agreement to not be satisfied and fails to timely cure such breach within the period provided by the terms of the Merger Agreement, or (iii) if any judgment, law or order prohibiting the Merger has become final and non-appealable.

If the Merger Agreement is terminated and the Merger is not consummated, the price of our common stock may decline and you may not recover your investment or receive a price for your shares similar to what has been offered pursuant to the Merger. In addition, if the Merger Agreement is validly terminated by Parent under certain circumstances set forth in the Merger Agreement, the Company will be required to pay Parent a termination fee equal to \$109.0 million. If the Company is required to pay this termination fee, such fee, together with costs incurred to execute the Merger Agreement and pursue the Merger, could have a material adverse effect on the Company’s financial condition and results of operations.

The Merger Agreement contains provisions that limit our ability to pursue alternatives to the Merger.

Under the Merger Agreement, we are restricted from soliciting, initiating, proposing or encouraging or facilitating alternative acquisition proposals from third parties and/or, subject to certain exceptions set forth in the Merger Agreement, providing non-public information to third parties in response to any inquiries regarding, or the submission of any proposal or offer that constitutes, or would reasonably be expected to lead to, any Acquisition Proposal (as defined in the Merger Agreement). These provisions could discourage a third party that may have an interest in acquiring all or a significant part of our business from considering or proposing that acquisition, even if such third party were prepared to pay consideration with a higher value than the value of the consideration in the Merger.

We are subject to certain restrictions on the conduct of our business under the terms of the Merger Agreement.

Under the terms of the Merger Agreement, we have agreed to certain restrictions on the operations of our business. We have agreed to limit the conduct of our business to those actions undertaken in the ordinary course of business and to refrain from, among other things, incurring debt; entering into, adopting, amending, modifying or terminating any material Employee Plans (as defined in the Merger Agreement); increasing the compensation of any director, officer or employee or hiring or terminating any employee (other than for cause); settling certain legal proceedings; changing our methods, principles or practices of financial accounting; and incurring certain capital expenditures, in each case, subject to certain exceptions set forth in the Merger Agreement. Because of these restrictions, we may be prevented from undertaking certain actions with respect to the conduct of our business that we might otherwise have taken if not for the Merger Agreement.

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

None.

Item 3. Defaults upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Insider Trading Arrangements

During the quarter ended June 30, 2024, none of our directors or officers (as defined in Section 16 of the Exchange Act), adopted or terminated a “Rule 10b5-1 trading arrangement” or a “non-Rule 10b5-1 trading arrangement” (each as defined in Item 408(a) and (c) of Regulation S-K).

Correction of Filed Executive Agreement

Due to a clerical error, an incorrect version of the Executive Agreement with Mitch Benson was filed with the Company’s previous filings with the SEC. The correct version of the agreement is filed herewith as Exhibit 10.1 and supersedes the previously filed version. The differences between the correct version of the Executive Agreement and the previously filed version as well as its description in the Company’s definitive Proxy Statement filed on April 22, 2024, are as follows:

- (1) Upon a CIC Termination (as defined in the Executive Agreement), Mr. Benson is eligible to receive severance consisting of, among other items previously disclosed, his then current base salary and reimbursement of COBRA premiums, in each case for up to 12 months (instead of 18 months as had been previously disclosed); and (2) upon a Qualifying Termination that is not a CIC Termination (as defined therein), Mr. Benson is eligible for severance equal to his then current base salary and reimbursement of COBRA premiums, in each case, for up to six months (instead of 12 months as had been previously disclosed);
- If the CIC Termination occurs on or after March 31, Mr. Benson is eligible for a lump sum amount equal to 80% of his then current target bonus on a pro-rated basis, which had not been previously disclosed; and
- Mr. Benson’s Executive Agreement does not provide for single-trigger vesting of all outstanding equity awards held by him effective immediately prior to a change in control as had been previously disclosed.

[Table of Contents](#)

The foregoing description of the Executive Agreement is qualified in its entirety by the full text of the Executive Agreement and the full description of its terms included in the Company's definitive Proxy Statement filed on April 22, 2024, except for the terms that are corrected above.

Item 6. Exhibits

EXHIBIT INDEX

Exhibit Number	Description
2.1	<u>Agreement and Plan of Merger, by and among Instructure Holdings, Inc., Icon Parent Inc. and Icon Acquisition Sub Inc., dated July 25, 2024</u> ⁽¹⁾
3.1	<u>Second Amended and Restated Certificate of Incorporation of Instructure Holdings, Inc., filed July 23, 2021</u> ⁽²⁾
3.2	<u>Certificate of Amendment to the Second Amended and Restated Certificate of Incorporation of Instructure Holdings, Inc., filed May 30, 2023</u> ⁽³⁾
3.3	<u>Amended and Restated Bylaws of Instructure Holdings, Inc., effective July 21, 2021</u> ⁽⁴⁾
10.1	<u>Executive Agreement, dated as of June 25, 2021, by and between Mitch Benson and Instructure, Inc.</u>
31.1	<u>Certification of the Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1*	<u>Certification of the Principal Executive Officer and Principal Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u>
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation
101.DEF	Inline XBRL Extension Definition
101.LAB	Inline XBRL Taxonomy Extension Label
101.PRE	Inline XBRL Taxonomy Extension Presentation
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

(1) Incorporated by reference to Exhibit 2.1 on Form 8-K filed on July 25, 2024

(2) Incorporated by reference to Exhibit 3.1 on Form 8-K filed on July 21, 2021

(3) Incorporated by reference to Exhibit 3.3 on Form 10-Q filed on August 2, 2023

(4) Incorporated by reference to Exhibit 3.2 on Form 8-K filed on July 21, 2021

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

INSTRUCTURE HOLDINGS, INC.

Date: August 2, 2024

By: /s/Peter Walker
Peter Walker
Chief Financial Officer (Duly Authorized Officer and
Principal Financial Officer)

INSTRUCTURE, INC.
EXECUTIVE AGREEMENT

THIS EXECUTIVE AGREEMENT (this “*Agreement*”) is entered into as of June 25, 2021 by and between **MITCH BENSON** (“*Executive*”) and **INSTRUCTURE, INC.**, a Delaware corporation (the “*Company*”) and shall become effective upon (but only upon) the consummation of the IPO (as defined below) (the “*Effective Date*”).

RECITALS

A. The Company’s indirect parent company, Instructure Intermediate Holdings, Inc., a Delaware corporation (“*Parent*”) expects to make an initial public offering of its common stock (“*IPO*”) in the near future.

B. Parent’s Board of Directors (the “*Board*”) believes it is in the best interests of the Company and its stockholders to retain Executive on and after the IPO and to provide Executive with certain protections in the event of Executive’s termination of employment under certain circumstances.

C. The Company and Executive entered into that certain Offer Letter, dated as of April 2, 2020 (the “*Prior Agreement*”).

D. The Company and Executive seek to document the terms and conditions of Executive’s continuing employment relationship with the Company, with such terms and conditions to supersede and replace all existing terms (including, without limitation, those set forth in the Prior Agreement) in their entirety, effective as of the consummation of the IPO.

NOW THEREFORE, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Executive by the Company, the parties hereto agree as follows:

1. At-Will Employment. Executive’s employment is and shall remain at-will, which means that the Company may terminate Executive’s employment at any time, with or without advance notice, and with or without Cause. Similarly, Executive may resign Executive’s employment at any time, with or without advance notice. Executive shall not receive any compensation of any kind, including, without limitation, stock option or other equity award vesting acceleration and severance benefits, following Executive’s termination of employment with the Company, except as expressly provided herein. Notwithstanding the foregoing, should the the IPO not be consummated for any reason, this Agreement shall not become effective and shall be null and void *ab initio*.

2. Severance Benefits.

(a) Severance Benefits upon a Termination in Connection with or Following a Change in Control. If Executive’s employment is terminated by the Company without Cause (as defined below, and other than as a result of death or disability), or Executive

resigns his or her employment with the Company for Good Reason (as defined below), in either case within three (3) months prior to (and contingent upon the consummation of the Change in Control), in connection with, or within twelve (12) months following the effective date of a Change in Control (a “**CIC Termination**”), and provided such termination constitutes a “separation from service” (within the meaning of Treasury Regulation Section 1.409A-1(h), a “**Separation from Service**”), and further provided that Executive delivers an effective release of claims as required under Section 3 below, then Executive shall be entitled to the following severance benefits (the “**CIC Benefits**”):

(i) The Company shall pay Executive an amount in cash equal to twelve (12) months of Executive’s then current base salary, paid over the twelve (12) month period following Executive’s Separation from Service, in accordance with the Company’s regular payroll schedule, at the time specified in Section 3 below.

(ii) The Company shall pay Executive a lump sum amount in cash equal to 80% of Executive’s then current target bonus, pro-rated based on the number of full months in the year in which the Separation from Service occurs prior to Executive’s Separation from Service, at the time specified in Section 3 below, provided that the CIC Termination occurs on or after March 31 in a calendar year.

(iii) Subject to Section 9(c), the Company shall pay Executive’s expenses for continuing his or her health care coverage and that of any dependents who are covered at the time of the Executive’s Separation from Service (the “**COBRA Premiums**”) under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (“**COBRA**”) for a period ending on the earlier of the twelve (12) month anniversary of the Separation from Service or the date on which Executive becomes eligible to be covered by the health care plans of another employer (the “**CIC COBRA Period**”), so long as Executive timely elects such COBRA continuation coverage.

(iv) All outstanding stock awards then held by Executive shall become fully vested with respect to all of the shares subject thereto, effective immediately prior to Executive’s Separation from Service under this Section 2(a).

(b) Severance Benefits upon a Termination that is not a CIC Termination. If Executive’s employment is terminated by the Company without Cause (other than as a result of death or disability), or Executive resigns his or her employment with the Company for Good Reason, and such termination is not a CIC Termination, and provided such termination constitutes a Separation from Service and that Executive delivers an effective release of claims as required under Section 3 below, then Executive shall be entitled to the following severance benefits (the “**Severance Benefits**”):

(i) The Company shall pay Executive an amount in cash equal to six (6) months of Executive’s then current base salary, paid over the (6) month period following Executive’s Separation from Service, in accordance with the Company’s regular payroll schedule, at the time specified in Section 3 below; and

(ii) Subject to Section 9(c), the Company shall pay Executive's COBRA Premiums for a period ending on the earlier of the six (6) month anniversary of the Separation from Service or the date on which Executive becomes eligible to be covered by the health care plans of another employer (the "**Severance COBRA Period**"), so long as Executive timely elects such COBRA continuation coverage.

(c) **Accrued Wages, Bonus and Vacation, Expenses.** Without regard to the reason for, or the timing of, Executive's termination of employment, the Company shall pay (or provide reimbursement to) Executive for (i) any unpaid base salary due for periods prior to and including the date of Separation from Service; (ii) all accrued and unused vacation through the date of Separation from Service, if applicable; (iii) any earned (as determined and approved by the Board prior to the Separation from Service) but not yet paid incentive bonus from the prior fiscal year, which bonus shall be paid in accordance with the Company's regular bonus payment process and in any event by no later than two and one-half months after the end of such subsequent year; and (iv) following submission of proper expense reports by Executive, all expenses reasonably and necessarily incurred by Executive in connection with the business of the Company prior to the Separation from Service. These payments shall be made promptly upon or following termination and within the period of time mandated by law (or in the case of an earned bonus, within the time period set forth in the Company's bonus plan and in any event by no later than two and one-half months after the end of the fiscal year following the year in which the bonus was earned).

3. Release Required; Timing of Payments.

(a) **Requirement of Release.** Prior to the payment of any CIC Benefits or Severance Benefits (including the acceleration of equity, if applicable), Executive shall execute and allow to become effective a standard employment release agreement releasing the Company (and its successor and affiliates) from any and all claims Executive (or Executive's estate or beneficiaries) may have against such entities related to or arising in connection with his or her employment and the terms of such employment and termination thereof (the "**Release**") within the time frame set forth therein, but not later than 60 days following Executive's Separation from Service (the "**Release Effective Date**"). No CIC or Severance Benefits shall be paid or provided prior to the Release Effective Date.

(b) **Form of Release.** The Release shall in substantially the form attached hereto as *Exhibit A*, *Exhibit B*, or *Exhibit C*, as applicable, and shall specifically relate to all of Executive's rights and claims in existence at the time of such execution and shall confirm Executive's continuing obligations to the Company (including but not limited to obligations under any confidentiality and/or non-solicitation agreement with the Company). Unless a Change in Control has occurred, the Board, in its sole discretion, may modify the form of the required Release to comply with applicable law and shall determine the form of the required Release, which may be incorporated into a termination agreement or other agreement with Executive.

(c) **Timing of Payments.** Within five days following the Release Effective Date, the Company will pay (or commence payment of) the CIC Benefits or Severance Benefits Executive would otherwise have received on or prior to such date but for the delay in payment related to the effectiveness of the Release, with the balance of benefits being paid as scheduled. Notwithstanding the foregoing, if the Company (or, if applicable, the successor entity thereto)

determines that any of the CIC Benefits or Severance Benefits constitute “deferred compensation” under Section 409A (defined below), then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, no CIC Benefits or Severance Benefits will be paid prior to the 60th day following Executive’s Separation from Service. On the 60th day following the date of Separation from Service, the Company will pay to Executive in a lump sum the CIC Benefits or Severance Benefits, as applicable, that Executive would otherwise have received on or prior to such date, with the balance of the CIC Benefits or Severance Benefits being paid as originally scheduled.

4. Limitation on Payments.

(a) If any payment or benefit (including payments and benefits pursuant to this Agreement) that Executive would receive in connection with a Change in Control from the Company or otherwise (“**Transaction Payment**”) would (i) constitute a “parachute payment” within the meaning of Section 280G of the Code, and (ii) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the “**Excise Tax**”), then the Company shall cause to be determined, before any amounts of the Transaction Payment are paid to Executive, which of the following two alternative forms of payment would result in Executive’s receipt, on an after-tax basis, of the greater amount of the Transaction Payment notwithstanding that all or some portion of the Transaction Payment may be subject to the Excise Tax: (1) payment in full of the entire amount of the Transaction Payment (a “**Full Payment**”), or (2) payment of only a part of the Transaction Payment so that Executive receives the largest payment possible without the imposition of the Excise Tax (a “**Reduced Payment**”). For purposes of determining whether to make a Full Payment or a Reduced Payment, the Company shall cause to be taken into account all applicable federal, state and local income and employment taxes and the Excise Tax (all computed at the highest applicable marginal rate, net of the maximum reduction in federal income taxes which could be obtained from a deduction of such state and local taxes). If a Reduced Payment is made, (x) Executive shall have no rights to any additional payments and/or benefits constituting the Transaction Payment, and (y) reduction in payments and/or benefits will occur in the following order: (1) reduction of cash payments; (2) cancellation of accelerated vesting of equity awards other than stock options; (3) cancellation of accelerated vesting of stock options; and (4) reduction of other benefits paid to Executive. In the event that acceleration of vesting of equity award compensation is to be reduced, such acceleration of vesting will be cancelled in the reverse order of the date of grant of Executive’s equity awards. In no event will the Company, Parent or any stockholder be liable to Executive for any amounts not paid as a result of the operation of this Section 4.

(b) The professional firm engaged by the Company for general tax purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 4. If the professional firm so engaged by the Company is serving as accountant or auditor for the individual, entity or group effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such professional firm required to be made hereunder.

(c) The professional firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and

Executive within 15 calendar days after the date on which Executive's right to a Transaction Payment is triggered or such other time as reasonably requested by the Company or Executive. If the professional firm determines that no Excise Tax is payable with respect to the Transaction Payment, either before or after the application of the Reduced Amount, it shall furnish the Company and Executive with detailed supporting calculations of its determinations that no Excise Tax will be imposed with respect to such Transaction Payment. Any good faith determinations of the professional firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

5. Successors.

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the Company's, or ensure that the Company fully performs its, obligations under this Agreement and shall perform the Company's, or ensure that the Company performs its, obligations, under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any such successor.

(b) Executive's Successors. Without the written consent of the Company, Executive shall not assign or transfer any right or obligation under this Agreement to any other person or entity. Notwithstanding the foregoing, the terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6. Notices.

(a) General. Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered, when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid, or when e-mailed with confirmation of receipt. In the case of Executive, mailed notices shall be addressed to him at the home address or e-mail address which he most recently communicated to the Company in writing. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of its Secretary.

(b) Notice of Termination. Any termination by the Company with or without Cause or by Executive as a result of a voluntary resignation for any reason shall be communicated by a notice of termination to the other party hereto given in accordance with this Agreement.

7. Arbitration. The Company and Executive shall attempt to settle any disputes arising in connection with this Agreement through good faith consultation. In the event that Executive and the Company are not able to resolve any such disputes within 15 days after notification in writing to the other, any dispute or claim arising out of or in connection with this Agreement will be finally settled by binding arbitration in Salt Lake City, Utah in accordance with

the rules of the American Arbitration Association by one arbitrator mutually agreed upon by the parties. The arbitrator will apply Utah law, without reference to rules of conflicts of law or rules of statutory arbitration, to the resolution of any dispute. Except as set forth in Section 9(i) below, the arbitrator shall not have authority to modify the terms of this Agreement. The Company shall pay the costs of the arbitration proceeding. Each party shall, unless otherwise determined by the arbitrator, bear its or his or her own attorneys' fees and expenses, provided however that if Executive prevails in an arbitration proceeding, the Company shall reimburse Executive for his or her reasonable attorneys' fees and costs. Judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. Notwithstanding the foregoing, the Company and Executive may apply to any court of competent jurisdiction for preliminary or interim equitable relief, or to compel arbitration in accordance with this paragraph, without breach of this arbitration provision.

8. Definition of Terms. The following terms referred to in this Agreement shall have the following meanings:

(a) **Cause.** "**Cause**" for termination of Executive's employment will exist if Executive is terminated by the Company for any of the following reasons: (i) Executive's commission of any material act of dishonesty; (ii) Executive's conviction of a felony or any crime involving moral turpitude; (iii) Executive's commission of any action that that has caused or is reasonably expected to result in material harm to the business or the reputation of the Company (excluding any action taken in good faith); (iv) Executive's material violation of any duty or obligation owed by Executive to the Company which causes or is reasonably expected to cause material injury to the Company; (v) Executive's material breach of any of his or her obligations under any written agreement or covenant with the Company, including but not limited to Executive's Confidentiality and Intellectual Property Agreement; or (vi) Executive's repeated refusal to substantially perform his or her assigned duties. The determination as to whether Executive is being terminated for Cause shall be made in good faith by the Company and shall be final and binding on Executive. The term "Company" will be interpreted to include any subsidiary, parent or affiliate of the Company, as appropriate.

(b) **Change in Control.** "**Change in Control**" shall have the meaning set forth in Parent's 2021 Omnibus Incentive Plan, as it may be amended from time to time; provided that to the extent required for compliance with Section 409A of the Code, in no event will a Change in Control be deemed to have occurred if such transaction is not also a "change in the ownership or effective control of" the Company or "a change in the ownership of a substantial portion of the assets of" the Company as determined under Treasury Regulations Section 1.409A-3(i)(5) (without regard to any alternative definition thereunder).

(c) **Good Reason.** "**Good Reason**" for Executive's resignation of his or her employment shall exist following the occurrence of any of the following without Executive's written consent: (i) a material reduction in job duties, responsibilities, title or authority inconsistent with the Executive's position with the Company; *provided, however*, that any such reduction or change (including a change in title) after a Change in Control will not constitute Good Reason if Executive retains reasonably comparable duties, position and responsibilities with respect to the Company's business within the successor entity following a Change of Control; (ii) a material reduction of Executive's then current base salary, representing a reduction of more than

10% of the Executive's then current base salary; *provided*, that an across-the-board reduction in the salary level of all executive officers of the Company by the same percentage amount as part of a general salary level reduction implemented prior to a Change in Control shall not constitute such a material salary reduction; or (iii) the relocation of Executive's principal place of employment to a place that increases Executive's one-way commute by more than 35 miles as compared to Executive's then current principal place of employment immediately prior to such relocation; *provided*, that the Executive gives written notice to the Company of the event forming the basis of the termination for Good Reason within 60 days after the date on which the Company gives written notice to the Executive of the Company's affirmative decision to take an action set forth in clause (i), (ii), or (iii) above, the Company fails to cure such basis for the Good Reason resignation within 30 days after receipt of Executive's written notice and Executive terminates his or her employment within 30 days following the expiration of the cure period.

9. Miscellaneous Provisions.

(a) Executive Obligations. Notwithstanding anything to the contrary contained herein, payment of any of the CIC Benefits or Severance Benefits will be conditioned upon (i) Executive continuing to comply with his or her obligations under the Confidentiality and Intellectual Property Agreement (or such similar form that Executive previously executed in connection with his or her employment) during the period of time in which Executive is receiving the CIC Benefits or Severance Benefits; and (ii) Executive's resignation from all positions with the Company, any subsidiaries and affiliates, and the Board (as applicable), to be effective no later than the date of Separation from Service (or such other date as determined by the Board).

(b) Income and Employment Taxes. All amounts paid or provided under this Agreement shall be net of required withholdings, and Executive shall be responsible for any additional taxes of any nature (including any penalties or interest that may apply to such taxes) that the Company reasonably determines apply to any payment made hereunder. Executive's receipt of any benefit hereunder is conditioned on his or her satisfaction of any applicable withholding or similar obligations that apply to such benefit and any cash payment owed hereunder will be reduced to satisfy any such withholding or similar obligations that may apply.

(c) Alternative Method of Providing COBRA Benefit. If the Company determines, in its sole discretion, that the Company cannot pay COBRA Premiums as provided in Section 2(a) or 2(b) without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof pay Executive a taxable cash amount, which payment shall be made regardless of whether Executive or Executive's eligible family members elect health care continuation coverage (the "***Health Care Benefit Payment***"). The Health Care Benefit Payment shall be paid in monthly installments on the same schedule and over the same time period that the COBRA Premiums would otherwise have been paid on behalf of the Executive. The Health Care Benefit Payment shall be equal to the amount that the Company would have otherwise paid for COBRA Premiums (which amount shall be calculated based on the premium for the first month of coverage), and shall be paid until the expiration of the CIC COBRA Period or the Severance COBRA Period, as applicable.

(d) **No Duty to Mitigate.** Executive shall not be required to mitigate the amount of any payment contemplated by this Agreement, nor shall any such payment be reduced by any earnings that Executive may receive from any other source.

(e) **Interaction with Other CIC Benefits.** In the event that Executive would be entitled to a greater level of CIC Benefits under the terms and conditions of an individual stock option agreement or restricted stock unit agreement with the Company or Parent or a severance plan or policy provided by the Company or Parent or their respective successors to other Company employees being terminated within three (3) months prior to (and contingent upon the consummation of the Change in Control), in connection with, or within twelve (12) months following a Change in Control but for the existence of this Agreement, Executive shall be entitled to receive the greater of the CIC Benefits or the benefits under such other agreement, plan or policy subject to the applicable terms and conditions thereof.

(f) **Waiver.** No provision of this Agreement may be waived or discharged unless the waiver or discharge is agreed to in writing and signed by the Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(g) **Integration.** This Agreement supersedes all prior or contemporaneous agreements, whether written or oral, with respect to this Agreement (including, without limitation, the Prior Agreement and any incentive equity grant agreement or similar agreement by and between Executive and Instructure Parent, L.P., a Delaware limited partnership); provided that, for clarification purposes, this Agreement shall not affect any agreements between the Company and Executive regarding intellectual property matters, non-solicitation or non-competition restrictions or confidential information of the Company.

(h) **Choice of Law.** The validity, interpretation, construction and performance of this Agreement shall be governed by the internal substantive laws, but not the conflicts of law rules, of the State of Utah.

(i) **Severability.** The invalidity or unenforceability of any provision or provisions of this Agreement shall not affect the validity or enforceability of any other provision hereof, which shall remain in full force and effect.

(j) **Code Section 409A.** It is intended that each installment of the payments and benefits provided for in this Agreement is a separate “payment” for purposes of Treasury Regulation Section 1.409A-2(b)(2)(i). For the avoidance of doubt, it is intended that payments of the amounts set forth in this Agreement satisfy, to the greatest extent possible, the exemptions from the application of Section 409A of the Internal Revenue Code of 1986, as amended (the “*Code*”) (Section 409A of the Code, together, with any state law of similar effect, “*Section 409A*”) provided under Treasury Regulations 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if the Company (or, if applicable, the successor entity thereto) determines that the severance payments and benefits provided under this Agreement (the “*Agreement Payments*”) constitute “deferred compensation” under Section 409A and Executive is, on the date of his or her

Separation from Service, a “specified employee” of the Company or any successor entity thereto, as such term is defined in Section 409A(a)(2)(B)(i) of the Code (a “***Specified Employee***”), then, solely to the extent necessary to avoid the incurrence of the adverse personal tax consequences under Section 409A, the timing of the Severance Benefits described in Section 4(b) shall be delayed as follows: on the earlier to occur of (i) the date that is six months and one day after Executive’s Separation from Service or (ii) the date of Executive’s death (such earlier date, the “***Delayed Initial Payment Date***”), the Company (or the successor entity thereto, as applicable) shall pay to Executive a lump sum amount equal to the applicable benefit that Executive would otherwise have received through the Delayed Initial Payment Date if the commencement of the payment of the benefit had not been so delayed pursuant to this Section 9(j).

(k) Legal Fees and Expenses. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with the execution of this Agreement.

(l) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

EXECUTIVE

MITCH BENSON

Date:

INSTRUCTURE, INC.

By:

Name:

Title:

Date:

SIGNATURE PAGE TO EXECUTIVE AGREEMENT

EXHIBIT A

RELEASE AGREEMENT

In consideration of receiving certain benefits under my Executive Agreement with Instructure, Inc. (the “**Company**”) dated [____], 2021 (the “**Agreement**”), I have agreed to sign this Release. I understand that I am not entitled to benefits under the Agreement unless I sign this Release.

I understand that this Release, together with the Agreement, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Agreement.

I hereby confirm my obligations under my Confidentiality and Intellectual Property Agreement (or such similar form that I previously executed in connection with my employment) with the Company, including but not limited to the nonsolicitation of employees covenant set forth in such agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its current and former directors, officers, executives, stockholders, stockholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the “**Released Parties**”) from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release (collectively, the “**Released Claims**”). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company or its affiliates, or the termination of that employment; (2) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company or its affiliates; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“**ADEA**”), the federal Employee Retirement Income Security Act of 1974 (as amended), the Utah Antidiscrimination Act of 1965 (as amended), and the Utah Payment of Wages Act. Notwithstanding the foregoing, the following are not included in the Released Claims (the “**Excluded Claims**”): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the charter or bylaws of the Company, or under applicable law; (2) any rights related to vested securities of the Company that were granted to me during the course of my employment with the Company or any shares of capital stock or other securities of the Company that I purchased other than pursuant to a Company

stock option or stock plan; or (3) any rights which are not waivable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given for the Released Claims is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) the Released Claims do not apply to any rights or claims that arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not to do so); (c) I have forty-five (45) days to consider this Release (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; and (e) the Release will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release (“**Effective Date**”).

I have received with this Release all of the information required by the ADEA, including without limitation a detailed list of the job titles and ages of all employees who were terminated in this group termination and the ages of all employees of the Company in the same job classification or organizational unit who were not terminated, along with information on the eligibility factors used to select employees for the group termination and any time limits applicable to this group termination program.

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, and I have not suffered any on-the-job injury for which I have not already filed a workers’ compensation claim.

I hereby agree not to disparage the Company, or its officers, directors, executives, stockholders or agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; *provided, however*; that I will respond accurately and fully to any question, inquiry or request for information when required by legal process.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than forty-five (45) days following the date it is provided to me, and I must not revoke it thereafter.

For Executive Age 40 or Older
Group Termination

I UNDERSTAND THAT THIS RELEASE AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, EVEN THOSE UNKNOWN CLAIMS THAT, IF KNOWN BY ME, WOULD AFFECT MY DECISION TO ACCEPT THIS RELEASE AGREEMENT.

[EXECUTIVE NAME]

Date:

A-3.

EXHIBIT B

RELEASE AGREEMENT

In consideration of receiving certain benefits under my Executive Agreement with Instructure, Inc. (the “**Company**”) dated [____], 2021 (the “**Agreement**”), I have agreed to sign this Release. I understand that I am not entitled to benefits under the Agreement unless I sign this Release.

I understand that this Release, together with the Agreement, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Agreement.

I hereby confirm my obligations under my Confidentiality and Intellectual Property Agreement (or such similar form that I previously executed in connection with my employment) with the Company, including but not limited to the nonsolicitation of employees covenant set forth in such agreement.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its current and former directors, officers, executives, stockholders, stockholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the “**Released Parties**”) from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release (collectively, the “**Released Claims**”). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company or its affiliates, or the termination of that employment; (2) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company or its affiliates; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Age Discrimination in Employment Act of 1967 (as amended) (“**ADEA**”), the federal Executive Retirement Income Security Act of 1974 (as amended), the Utah Antidiscrimination Act of 1965 (as amended), and the Utah Payment of Wages Act. Notwithstanding the foregoing, the following are not included in the Released Claims (the “**Excluded Claims**”): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the charter or bylaws of the Company, or under applicable law; (2) any rights related to vested securities of the Company that were granted to me during the course of my employment with the Company or any shares of capital stock or other securities of the Company that I purchased other than pursuant to a Company

stock option or stock plan; or (3) any rights which are not waivable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I acknowledge that I am knowingly and voluntarily waiving and releasing any rights I may have under the ADEA. I also acknowledge that the consideration given for the Released Claims is in addition to anything of value to which I was already entitled. I further acknowledge that I have been advised by this writing, as required by the ADEA, that: (a) the Released Claims do not apply to any rights or claims that arise after the date I sign this Release; (b) I should consult with an attorney prior to signing this Release (although I may choose voluntarily not to do so); (c) I have twenty-one (21) days to consider this Release (although I may choose to voluntarily sign it sooner); (d) I have seven (7) days following the date I sign this Release to revoke the Release by providing written notice to an officer of the Company; and (e) the Release will not be effective until the date upon which the revocation period has expired unexercised, which will be the eighth day after I sign this Release (“*Effective Date*”).

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, and I have not suffered any on-the-job injury for which I have not already filed a workers’ compensation claim.

I hereby agree not to disparage the Company, or its officers, directors, executives, stockholders or agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; *provided, however*, that I will respond accurately and fully to any question, inquiry or request for information when required by legal process.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than twenty-one (21) days following the date it is provided to me, and I must not revoke it thereafter.

I UNDERSTAND THAT THIS RELEASE AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, EVEN THOSE UNKNOWN CLAIMS THAT, IF KNOWN BY ME, WOULD AFFECT MY DECISION TO ACCEPT THIS RELEASE AGREEMENT.

[EXECUTIVE NAME]

Date:

B-2.

B-3.

EXHIBIT C

RELEASE AGREEMENT

In consideration of receiving certain benefits under my Executive Agreement with Instructure, Inc. (the “**Company**”) dated [____], 2021 (the “**Agreement**”), I have agreed to sign this Release. I understand that I am not entitled to benefits under the Agreement unless I sign this Release.

I understand that this Release, together with the Agreement, constitutes the complete, final and exclusive embodiment of the entire agreement between the Company, affiliates of the Company and me with regard to the subject matter hereof. I am not relying on any promise or representation by the Company that is not expressly stated therein. Certain capitalized terms used in this Release are defined in the Agreement.

I hereby confirm my obligations under my Confidentiality and Intellectual Property Agreement (or such similar form that I previously executed in connection with my employment) with the Company.

Except as otherwise set forth in this Release, I hereby generally and completely release the Company and its current and former directors, officers, executives, shareholders, partners, agents, attorneys, predecessors, successors, parent and subsidiary entities, insurers, affiliates, and assigns (collectively, the “**Released Parties**”) from any and all claims, liabilities and obligations, both known and unknown, that arise out of or are in any way related to events, acts, conduct, or omissions occurring prior to my signing this Release (collectively, the “**Released Claims**”). The Released Claims include, but are not limited to: (1) all claims arising out of or in any way related to my employment with the Company or its affiliates, or the termination of that employment; (2) all claims related to my compensation or benefits, including salary, bonuses, commissions, vacation pay, expense reimbursements, severance pay, fringe benefits, stock, stock options, or any other ownership interests in the Company or its affiliates; (3) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; (4) all tort claims, including claims for fraud, defamation, emotional distress, and discharge in violation of public policy; and (5) all federal, state, and local statutory claims, including claims for discrimination, harassment, retaliation, attorneys’ fees, or other claims arising under the federal Civil Rights Act of 1964 (as amended), the federal Americans with Disabilities Act of 1990, the federal Executive Retirement Income Security Act of 1974 (as amended), the Utah Antidiscrimination Act of 1965 (as amended), and the Utah Payment of Wages Act. Notwithstanding the foregoing, the following are not included in the Released Claims (the “**Excluded Claims**”): (1) any rights or claims for indemnification I may have pursuant to any written indemnification agreement with the Company to which I am a party, the charter or bylaws of the Company, or under applicable law; (2) any rights related to vested securities of the Company that were granted to me during the course of my employment with the Company or any shares of capital stock or other securities of the Company that I purchased other than pursuant to a Company stock option or stock plan; or (3) any rights which are not waivable as a matter of law. In addition, nothing in this Release prevents me from filing, cooperating with, or participating in any

proceeding before the Equal Employment Opportunity Commission, the Department of Labor, or any other local, state, or federal administrative body or government agency that is authorized to enforce or administer laws related to employment, against the Company, except that I hereby waive my right to any monetary benefits in connection with any such claim, charge or proceeding. I hereby represent and warrant that, other than the Excluded Claims, I am not aware of any claims I have or might have against any of the Released Parties that are not included in the Released Claims.

I hereby represent that I have been paid all compensation owed and for all hours worked, I have received all the leave and leave benefits and protections for which I am eligible, and I have not suffered any on-the-job injury for which I have not already filed a workers' compensation claim.

I hereby agree not to disparage the Company, or its officers, directors, executives, shareholders or agents, in any manner likely to be harmful to its or their business, business reputation, or personal reputation; *provided, however*, that I will respond accurately and fully to any question, inquiry or request for information when required by legal process.

I acknowledge that to become effective, I must sign and return this Release to the Company so that it is received not later than fourteen (14) days following the date it is provided to me, and I must not revoke it thereafter.

I UNDERSTAND THAT THIS RELEASE AGREEMENT INCLUDES A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS, EVEN THOSE UNKNOWN CLAIMS THAT, IF KNOWN BY ME, WOULD AFFECT MY DECISION TO ACCEPT THIS RELEASE AGREEMENT.

[EXECUTIVE NAME]

Date: _____

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

I, Steve Daly, certify that:

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

Date: August 2, 2024

By: /s/ Steve Daly

Steve Daly
Chief Executive Officer
(Principal Executive Officer)

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

I, Peter Walker, certify that:

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

Date: August 2, 2024

By: /s/ Peter Walker
 Peter Walker
 Chief Financial Officer
 (Principal Financial Officer)

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

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), Steve Daly, Chief Executive Officer of Instructure Holdings, Inc. (the “Company”), and Peter Walker, 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 quarter ended June 30, 2024 (the “Quarterly Report”), to which this Certification is attached as Exhibit 32.1, fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- (2) The information contained in the Quarterly Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 2, 2024

By: /s/ Steve Daly
Steve Daly
Chief Executive Officer
(Principal Executive Officer)

Date: August 2, 2024

By: /s/Peter Walker
Peter Walker
Chief Financial Officer
(Principal Financial Officer)