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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

OR

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

Commission File Number 001-39775

ContextLogic Inc.

(Exact name of Registrant as specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**27-2930953** **(I.R.S. Employer Identification No.)**
One Sansome Street 33rd Floor **San Francisco, CA** **(Address of principal executive offices)**	**94104** **(Zip Code)**

Registrant's telephone number, including area code: (415) 432-7323

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

Title of each class	**Trading Symbol(s)**	**Name of each exchange on which registered**
Class A Common Stock, $0.0001 par value	WISH	Nasdaq Global Select Market

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the registrant's Class A common stock held by non-affiliates of the registrant, based on the closing price of the registrant's Class A common stock as reported by the Nasdaq Global Select Market on June 30, 2021 (the last business day of the registrant's most recently completed second fiscal quarter) was approximately $5.6 billion, based upon the closing sale price of such stock on the Nasdaq Global Select Market. Shares of common stock held by each executive officer, director, and holder of 5% or more of the outstanding common stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of January 31, 2022, the number of shares of the registrant's Class A common stock outstanding was 594 million and the number of shares of the registrant's Class B common stock outstanding was 66 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the information called for by Part III of this Annual Report on Form 10-K is hereby incorporated by reference from the definitive proxy statement for the registrant's 2022 annual meeting of stockholders, which will be filed with the Securities and Exchange Commission not later than 120 days after the registrant's fiscal year ended December 31, 2021.

Table of Contents

		Page
	Special Note Regarding Forward Looking Statements	ii
PART I		
Item 1.	Business	4
Item 1A.	Risk Factors	13
Item 1B.	Unresolved Staff Comments	57
Item 2.	Properties	57
Item 3.	Legal Proceedings	57
Item 4.	Mine Safety Disclosures	57
PART II		
Item 5.	Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities	58
Item 6.	[Reserved]	59
Item 7.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	60
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	79
Item 8.	Financial Statements and Supplementary Data	80
Item 9.	Changes in and Disagreements With Accountants on Accounting and Financial Disclosure	116
Item 9A.	Controls and Procedures	116
Item 9B.	Other Information	118
PART III		
Item 10.	Directors, Executive Officers and Corporate Governance	119
Item 11.	Executive Compensation	119
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	119
Item 13.	Certain Relationships and Related Transactions, and Director Independence	119
Item 14.	Principal Accounting Fees and Services	119
PART IV		
Item 15.	Exhibits, Financial Statement Schedules	120
Item 16.	Form 10-K Summary	121

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended ("Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended ("Exchange Act"), which involve substantial risks and uncertainties regarding future events and future results. Forward-looking statements include all statements that are not historical facts such as information concerning our possible or assumed future results of operations and expenses, business strategies and plans, competitive position, business environment and potential growth strategies and opportunities. In some cases, forward-looking statements can be identified by terms such as “anticipates,” “believes,” “could,” “estimates,” “expects,” “foresees,” “forecasts,” “intends,” “goals,” “may,” “might,” “outlook,” “plans,” “potential,” “predicts,” “projects,” “seeks,” “should,” “targets,” “will,” “would” or similar expressions and the negatives of those terms.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Those risks include those described in Part I, Item 1A. “Risk Factors” in this Annual Report on Form 10-K. The inclusion of forward-looking information should not be regarded as a representation by us, our management or any other person that the future plans, estimates, or expectations contemplated by us will be achieved. Given these uncertainties, you should not place undue reliance on any forward-looking statements in this Annual Report on Form 10-K.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject, including, but not limited to, statements regarding future financial performance; implementation and execution of business strategies, including turnaround and restructuring plans; our future liquidity and operating expenditures; CEO transition; the impact of COVID-19 on our business; financial condition and results of operations; our future market position, technological advances, and competitive changes in the marketplace; expected consumer behavior; the outcome of ongoing litigation; our expected tax rate; the effect of changes in or the application of new or revised tax laws; the effect of new accounting pronouncements; and other characterizations of future events or circumstances. These statements are based on information available to us as of the date of this Annual Report on Form 10-K. While we believe such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

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

You should read this Annual Report on Form 10-K and the documents that we reference in this Annual Report on Form 10-K and have filed with the Securities and Exchange Commission as exhibits to this Annual Report on Form 10-K with the understanding that our actual future results, levels of activity, performance, and events and circumstances may be materially different from what we expect.

RISK FACTORS SUMMARY

Below is a summary of the principal factors that make an investment in our Class A common stock speculative or risky:

- Our efforts to acquire new users and engage existing users may not be successful or may be more costly than we expect, which could prevent us from maintaining or increasing our revenue.
- If we are unable to promote, maintain, and protect our brand and reputation and offer a compelling user experience, our ability to attract new users and engage with our existing base of users will be impaired.
- The transition to a new Chief Executive Officer ("CEO") may impact our ability to execute on our business strategy in a timely manner.
- If we lose the services of members of our senior management team we may not be able to execute our business strategy.
- We rely on the Apple App Store and the Google Play Store to offer and promote our app. If we are unable to maintain a good relationship with such platform providers, if their terms and conditions change to our detriment, if we violate, or if a platform provider believes that we have violated, the terms and conditions of its platform, our business will suffer.
- Our brand, reputation, and business may be harmed if merchants on our platform use unethical or illegal business practices, including the sale of counterfeit or fraudulent products or if our policies and practices with respect to such sales are perceived or found to be inadequate, and we may be impacted by the unlawful activity of merchants on our platform.
- Our company is evolving and we are in the process of executing on new business strategies and restructuring efforts; if we fail to successfully execute on these, our business, financial condition, and operating results could be harmed.
- We may not successfully execute or achieve the expected benefits of our restructuring and turnaround initiatives, which could adversely affect our business
- The market in which we operate is rapidly evolving and we face intense competition; if we do not compete effectively, our results of operations and financial condition could be harmed.
- The ongoing COVID-19 pandemic may adversely affect our business and results of operations.
- Economic tension between the United States and China, or between other countries, may intensify and the United States, China, or other countries may adopt drastic measures in the future that impact our business.
- Merchants on our platform may experience additional disruptions to their supply and restrictions on their ability to deliver products to our users in a timely manner, which could harm our business.
- Our business and our merchants and users may be subject to sales and other taxes and these taxes may negatively impact our revenue and growth.
- Any significant disruption in service on our platform or in our computer systems, some of which are currently hosted by third-party providers, for any reason, including cyber threats, could damage our reputation and result in a loss of users, which would harm our business and results of operations.
- The dual class structure of our common stock has the effect of concentrating voting control with certain stockholders, in particular, our founder, Piotr Szulczewski, which will limit investors' ability to influence the outcome of important transactions, including a change in control.
- We may be involved in litigation matters or other legal proceedings or regulatory investigations that are expensive, time consuming, and may result in restrictions in our business operations.
- We identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

PART I

Item 1. Business.

Overview

We launched Wish with a simple mission—to bring an affordable and entertaining mobile shopping experience to billions of consumers around the world. Our platform combines technology and data science capabilities, an innovative and discovery-based mobile shopping experience, a comprehensive suite of merchant services, and a massive scale of users, merchants, and items.

We are revolutionizing e-commerce with a user experience that is mobile-first, discovery-based, deeply personalized, and entertaining. Our highly-personalized product feed enables our users to discover products they want to purchase by simply scrolling through our mobile app and browsing. Wish users engage with our app in a similar manner to how they engage with social media; scrolling through image-rich, highly-engaging, and interactive content. To enhance user engagement, we incorporate fresh gamified features, rich user-generated content including photos, videos, and reviews, and a wide range of relevant products to make shopping more entertaining.

We also built Wish to empower merchants around the world. Today, most of our merchants are based in China. We initially grew our platform focusing on merchants in China due to these merchants' strength in selling quality products at competitive prices. We continue to expand our merchant base around the world. Through our diversified and global merchant base, we are able to offer greater depth and breadth of categories and products. We give our merchants immediate access to our global base of over 74 million monthly active users and a comprehensive suite of merchant services, including demand generation and engagement, user-generated content creation, data intelligence, promotional and logistics capabilities, and business operations support, all in a cost-efficient manner.

Local brick-and-mortar stores worldwide are experiencing challenges as the retail world is being transformed by ecommerce industry consolidation, and the COVID-19 pandemic. We launched Wish Local in 2019 to help these stores increase their online reach and discovery, gain foot traffic, and drive additional sales. Our Wish Local partners also serve as Wish Pickup locations for online Wish orders, which effectively gives us a local warehousing and fulfillment footprint around the world without owning any real estate.

Our data science capabilities provide us with a unique competitive advantage and are core to our business operations. Our proprietary algorithms analyze a rich and growing data set of transactions and historical behaviors of both users and merchants to drive continuous optimization on the platform and inform key business decisions on a daily basis. Our data science enables personalization at the individual user level at a massive scale and drives significant advantages across all aspects of our business operations, including user acquisition, user experience, pricing strategies, user-generated content, merchant insights, and user and merchant support.

Our proprietary data and technology also fuel our powerful network effects. The scale of our user base and active global merchants means we accumulate significant data across user and merchant activities, which we believe strengthens our data advantage, and creates an even better experience for everyone on our platform, which in turn can attract more users and merchants. As more users come to Wish, driven by the affordable value proposition and differentiated shopping experience, we can drive more sales to our merchants. Our significant user base also drives our user-generated feedback loop of ratings, reviews, photos, and videos, which in turn drives greater user engagement. As more merchants succeed on Wish, more merchants join the platform to grow their businesses, broadening our product selection, which in turn improves the user experience. This flywheel effect has driven tremendous value to both users and merchants and has made Wish one of the largest ecommerce marketplaces in the world.

The Wish Platform

Our global ecommerce platform connects over 74 million monthly active users in over 60 countries to approximately 250,000 active global merchants. We determine our number of active global merchants by counting the total number of merchants who have sold at least one order on the Wish platform, either on our mobile app, mobile web, or on a desktop, during the preceding 12 months.

We seek to democratize ecommerce by making the Wish platform affordable, open, and accessible to all users and merchants in many countries around the world. We do this through our relentless focus on product, technology, and data science. For our users, we are revolutionizing the mobile shopping experience by making it affordable, personalized, and entertaining. For our merchants, we offer immediate, cost-efficient access to our global user base, scaled data, and technology platform, as well as a comprehensive suite of merchant services to help run their businesses and drive sales. To serve our global and diversified user and merchant base, we approach our platform development with a specific geographic focus, tailoring key features to solve for the needs of that locality, and enabling an authentic, localized experience.

Value Proposition to Wish Users

We have democratized ecommerce by making it:

- **Affordable.** Price is the single most important determinant when making a purchase for a substantial portion of the global population, and we aim to serve the affordability needs of these value-conscious consumers. The merchants on our platform offer primarily unbranded products that can be deeply discounted as compared to branded alternatives across several categories. We have a number of policies which, in combination with our robust user-generated content, promote higher quality merchants and products on our platform. This allows us to offer a vast selection of high-quality items at competitive prices, a value proposition that attracts more than 74 million monthly active users to our platform.
- **Accessible.** We built Wish to be mobile-first so any consumer around the world can easily access our shopping platform on a mobile device.
- **Everywhere**. To better serve our global user base, we localize various features on our online platform and tailor our experience to each respective market through, for example, making it accessible in 42 different languages and providing country-specific payment methods. This localization is designed to improve the engagement of our large, diverse user base, in addition to connecting our users with more than 60,000 local brick-and-mortar Wish Local stores.

We have re-invented the online shopping experience to be:

- **Mobile-First.** Wish was built for mobile. Our application is image-rich, with minimal search input or text-based interactions. Over 90% of our user activity and purchases occur on our mobile app.
- **Discovery-Based.** Our platform is designed to make it easy to navigate a vast selection of products when users do not have a specific item or brand in mind. Unlike other ecommerce platforms where consumers often visit with a predetermined purchase intent for specific items, our navigational and entertaining shopping experience gives us the ability to create purchase intent in our users across a diverse set of products and categories. Over 70% of the sales on our platform do not involve a search query and instead come from personalized browsing.
- **Personalized.** No two users' Wish interfaces and product feeds look the same. Utilizing big data technology, we enable customization on a massive scale. We deliver personalized and curated products to our users and help them discover desired products quickly.

- **Entertaining.** We have transformed the user experience to make shopping on Wish as engaging and entertaining as browsing on social media. We utilize highly-personalized feeds with a wide range of relevant products as well as gamified, interactive, and social features to increase the length and frequency of a user's sessions and drive increased engagement. Wish users spent on average approximately 11 minutes per day on our platform in 2021, an increase from over nine minutes per day on our platform in 2020.

Value Proposition to Wish Merchants

Accessible and Cost-Efficient Ecommerce Platform. We give our merchants immediate access to our global base of over 74 million monthly active users and a comprehensive suite of merchant services in a cost-efficient manner to help them run their businesses and grow sales. We seek to empower these highly capable merchants offering quality products at compelling values and unlock this supply of goods to consumers globally.

In addition, we give our merchants the following merchant services:

Demand Generation and Engagement

- **Global Reach for Online Merchants.** Wish gives merchants immediate access to over 74 million monthly active users across more than 60 countries, with a significant user footprint in the United States and Europe. We help our merchants reach these users in a highly targeted and cost-efficient manner.
- **Promotion.** Wish merchants can amplify their reach and sales by utilizing our native advertising tool, ProductBoost. We utilize data science to optimize ad placement, target users, and maximize the merchant's return on ad spend.

User-Generated Content Creation. User-generated content that is particular, authentic, and localized can meaningfully improve user engagement and increase the purchases of products on our platform. Our value-conscious users rely on user-generated content such as reviews, ratings, photos, and videos, rather than brand recognition, when making purchase decisions. Our data science prioritizes items with favorable reviews, higher ratings and shipping history, connecting buyers with high-quality merchants and enhancing both the user and merchant experience.

Data Intelligence

- **Data Insight.** We provide our merchants a comprehensive data set to run their businesses through the Wish Merchant Dashboard. This dashboard helps our merchants improve their performance in terms of total impressions, overall sales, product assortment, service quality, fulfillment, shipping needs, and refunds, among others.
- **Revenue Impact.** Our proprietary, state-of-the-art data science capabilities are designed to display products to users who are most likely to buy them, in turn driving more revenue to merchants.

Logistics

- **Shipping Logistics.** With ongoing changes to global postal regulations and increases in cross-border sales volume, logistics has become paramount for small merchants to succeed in ecommerce. We have developed a number of logistics programs to provide a set of reliable cross-border logistics solutions at competitive costs for our merchants. We believe that ensuring a consistent delivery experience for our users increases value to our merchants by boosting sales volumes and minimizing returns.
- **Wish Local Pick-Up.** Through our Wish Local partnerships, we enable our online merchants to send their inventory to our more than 60,000 partner pick-up locations in close proximity to users to allow for quicker, localized pickup. These Wish Local stores effectively give us a local warehousing and fulfillment footprint around the world without owning any real estate.

Business Operations

- **Optimization Tools, Services, and Education.** We provide tools, services, and ongoing education to our merchant base to help them improve their business operations and drive greater success.
- **Merchant Support.** Wish assists merchants with international trade compliance, payment processing, user support, and certain other services.

Data Science

Our technology and data science capabilities drive all aspects of our business. Our data advantage comes from our rich and growing data set of historical and recent user and merchant behaviors and transactions, and deep understanding of our more than 74 million monthly active users, approximately 250,000 active global merchants, and approximately 900,000 items sold per day. All of this feeds into a proprietary data science algorithm that we continuously optimize for more intelligent insights and decision making.

Key examples of how we use data science to drive our business include:

- **User Acquisition:** We leverage the power of our proprietary data to make decisions on what to show to whom, when, and through which acquisition channel, with a focus on maximizing our return on marketing investment and conversion.
- **Lifetime Value Maximization:** Data science plays a critical role in maximizing lifetime value ("LTV") of our users and optimizing the initial user acquisition investment. We use data science to determine the allocation of marketing investment across different users, marketing channels, and user acquisition and re-engagement strategies.
- **User Personalization:** Our proprietary algorithms utilize a rich and growing data set of historical and recent user behaviors that includes browsing data, past transactions, reviews, and preferences noted on Wish, to display the most relevant and personalized content. This data-driven approach enables efficient and enjoyable navigation and discovery on a mobile screen, creates purchase intent across a diverse set of products, and increases conversion to sales.
- **User-Generated Content:** Our platform offers mostly unbranded goods today. Our value-conscious users rely on user-generated content such as reviews, ratings, photos, and videos, rather than brand recognition, when making purchase decisions. This makes the user-generated content on our platform an important source of trust and quality for our largely unbranded product selection.
- **Merchant Insights:** Our platform includes a merchant dashboard with built-in analytics to help merchants sell more products and track their performance. Our data capabilities help merchants better understand user behavior and preferences, enabling them to operate more intelligently and efficiently.
- **ProductBoost:** ProductBoost is our native advertising tool for merchants, which helps them promote their products on our platform. We utilize data science to improve the performance of ProductBoost and help maximize the merchants' return on their ad spend.
- **Logistics:** We leverage data science to improve transparency and logistics operational efficiency for our merchants, while also aiming at reducing shipping time and improving delivery reliability for our buyers.
- **User and Merchant Support:** We use data to understand what a user or merchant is likely to need help with in order to improve the quality of support and maximize cost efficiency of providing such support.
- **Dynamic Pricing:** We utilize our data to dynamically vary prices across products to optimize conversion as well as our margin. This type of shopping environment is well suited to gauge user demand and conduct price discovery on a global level as well as on an individual user level. We take into account characteristics of the product and the user to estimate price sensitivity and vary pricing to achieve a margin target at the user and basket level, as opposed to on individual items.

Our Customers

We generate revenue from marketplace and logistics services provided to our customers. We consider both the merchant and the user to be our customers. We provide a mix of marketplace services to merchants. We provide merchants access to our marketplace where merchants display and sell their products to users. We also provide ProductBoost services to help merchants promote their products within our marketplace. Our logistics offering for merchants, introduced in 2018, is designed for direct end-to-end single order shipment from a merchant’s location to the user. Logistics services include transportation and delivery of the merchant’s products to the user. Merchants are required to prepay for logistics services on a per order basis.

Sales and Marketing

Our sales and marketing capabilities represent a core competency that is essential to the success of the Wish platform. We are focused on continuing to acquire and retain new users and build brand awareness efficiently. Our advertising costs to acquire new users constituted 89% of our sales and marketing expenses, and sales and marketing expenses constituted 75% of our operating expenses, in 2021. We have extensive experience in cost-effective, data-driven digital marketing and user acquisition. We also design innovative marketing programs that help increase brand awareness by targeting people who we believe have a higher propensity to engage with our platform and buy from our merchants. We continue to partner with various social-media platforms to ensure we gain exposure with broader audiences.

In 2021, we faced the headwinds of reduced retention and new buyer conversion and a rise in digital advertising costs. In response to rising digital advertising costs, which contributed to lower marketing efficiency, we decided to significantly reduce our digital advertising expenditures starting in the third quarter of 2021, as we focused our resources on other strategic initiatives. As discussed below under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Performance Metrics,” our monthly active users and last twelve months active buyers were negatively impacted by our decision to significantly reduce our digital advertising expenditures. Starting in the third quarter of 2021, in response to these headwinds, we commenced a number of initiatives that we believe will improve the user experience and increase retention, including (i) enhancing our product quality and selection, (ii) providing an unmatched fun and entertaining shopping experience, and (iii) improving the performance of the app. We believe our continued strategy to improve users’ experience in our marketplace and provide a more differentiated and engaging user experience will position us for long-term sustainable growth.

We currently acquire new users through a variety of marketing channels including social media, search engine optimization and brand-oriented marketing campaigns. We rely on our data to understand consumer behavior and long term value of the consumer which guide our acquisition strategy. We also utilize data in determining how best to engage our users and seek to optimize the mode, timing and frequency of interactions across our mobile app, SMS text, mobile notifications, and emails.

We have invested heavily in building a talented in-house marketing team, while also developing proprietary technologies that enable us to build data-driven and highly-personalized campaigns that can scale globally on digital platforms including Facebook, Instagram, and various Google properties. Our marketing efforts also focus on re-targeting of existing users, building our brand, generating awareness, and cultivating the Wish community.

Additionally, our user base has created additional opportunities for us to reach existing and new customers organically, a venue of demand generation that supplements our paid market efforts.

Finally, we also invest in efficient sales and marketing activities to identify and onboard high potential merchants around the world both for our online marketplace as well as Wish Local. Similar to our user acquisition strategies, we deploy digital performance marketing campaigns on social media and other channels to acquire new merchants. We supplement this effort with offline marketing activities that include attending trade shows and conducting seminars. We also leverage partnerships with third-party platforms for merchant referrals.

Research and Development

We have a technology and data-driven research and development culture that allows us to deliver a high-quality experience for our users and merchants. Our research and development talent is responsible for the design, development, testing, and delivery of our platform and user experience. The vast majority of our research and development talent is located in San Francisco and Toronto. We strive to create an environment that utilizes our employees' talents and satisfies their intellectual curiosities while promoting the development of impactful and transformative technologies.

As a company, we invest substantial resources in research and development to drive core technology innovation and bring new products to market. As of December 31, 2021, 44% of our total headcount was involved in research and development and related activities.

Our Competition

We compete for both users and merchants. For users, we compete on the basis of affordability and user experience. For merchants, we compete on the basis of providing profitable distribution, an end to end platform and global reach.

Our online competitors include large, global ecommerce platforms such as Amazon, Alibaba, Shein, and Shopify as well as more traditional discount retailers such as Walmart and Target. Our offline competitors also include scaled discount retailers that offer heavily discounted and off-season products, such as Dollar General and TJ Maxx. We are able to compete for users based on our massive product selection, low prices and daily discounts, deeply-personalized and differentiated shopping experience powered by our data science and optimized for the mobile device, and entertainment derived from various engaging and interactive features of our platform.

Intellectual Property

We rely on federal, state, common law, and international rights, as well as contractual restrictions, to protect our intellectual property. We control access to our proprietary technology through a combination of trademarks, domain names, copyrights, trade secrets, patents, and confidentiality agreements with employees and third parties. We pursue the registration of our copyrights, trademarks, service marks, and domain names in the United States and in certain locations outside the United States. Our success depends in part upon our ability to protect and use our core technology and intellectual property. We rely on a combination of trade secret, copyright, trademark and, to a lesser extent, patent laws, as well as confidentiality protection procedures to protect our intellectual property rights.

See Item 1A, "Risk Factors," for further discussion of risks related to protecting our intellectual property.

Government Regulations

As with any company operating on the Internet, we are subject to a growing number of local, national and international laws and regulations. These laws are often complex, sometimes contradict other laws, and are frequently still evolving. Laws may be interpreted and enforced in different ways in various locations around the world, posing a significant challenge to our global business. For example, U.S. federal and state laws, EU Directives and Regulations, and other national laws govern the processing of payments, consumer protection and the privacy of consumer information; other laws define and regulate unfair and deceptive trade practices. Still other laws dictate when and how sales or other taxes must be collected. The growing regulation of ecommerce worldwide could impose additional compliance burdens and costs on us or on Wish merchants, and could subject us to significant liability for any failure to comply. Additionally, because we operate internationally, we need to comply with various laws associated with doing business outside of the United States, including anti-money laundering, anti-corruption and export control laws. Recent trends globally toward increased protectionism and trade barriers can result in actions by governments around the world that may be disruptive to our businesses.

See Item 1A, "Risk Factors," for further discussion of risks related to government regulations and other legal obligations related to privacy, data protection, information security, and consumer protection.

Legal Proceedings

We are currently involved in, and may in the future be involved in, actual and threatened legal proceedings, claims, investigations and government inquiries arising in the ordinary course of our business, including legal proceedings, claims, investigations and government inquiries involving intellectual property, data privacy and data protection, torts, consumer protection, securities, employment, contractual rights or false or misleading advertising. We are also regularly subject to proceedings, claims, investigations and government inquiries seeking to hold us liable for the actions of merchants on our platform.

Although the results of the actual and threatened legal proceedings, claims, investigations and government inquiries in which we currently are involved cannot be predicted with certainty, we do not believe that there is a reasonable possibility that the final outcome of these matters will have a material adverse effect on our business or financial results. Regardless of the final outcome, however, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources, harm to our reputation and brand, and other factors.

See Item 1A, “Risk Factors,” for further discussion of risks related to legal proceedings. See also, Notes to Consolidated Financial Statements, Note 7. Commitments and Contingencies, “Legal Contingencies and Proceedings,” for further discussion of current litigation.

Human Capital

We are continually investing in the engagement and retention of our global workforce by creating an inclusive workplace, providing market-competitive benefits to support our employees’ health and well-being, and fostering a learning environment in support of their growth and development. As of December 31, 2021, we had a total of 1218 full-time employees worldwide, of which 793 are in the US.

We also engage temporary employees and consultants as needed to support our operations. None of our employees in the United States are represented by a labor union or subject to a collective bargaining agreement. In certain countries in which we operate, we may be subject to, and need to comply with, local labor law requirements which may automatically make our employees subject to industry-wide collective bargaining agreements. We may be required to comply with the terms of these collective bargaining agreements. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

Diversity and Inclusion

We are committed to creating and maintaining a workplace free from discrimination or harassment on the basis of race, color, citizenship, religion, creed, national origin, ancestry, gender, sexual orientation, age, marital status, veteran status, disability, medical condition, or any other status protected by applicable law. Our global employment policies and compliance trainings prohibit such discrimination and harassment. Our management team and employees are also expected to exhibit and promote honest, ethical, and respectful conduct in the workplace. All of our employees must adhere to a code of business conduct and ethics that sets standards for appropriate behavior and are required to attend annual training on the code of business conduct and ethics.

Employee Development and Training

Our values-based culture is a critical component of our success. Our employees are critical to the success of our company, and we strive to create a supportive environment, where they can contribute, learn, and grow in their careers. Our culture promotes feedback, where we seek divergent points of view so that healthy debate can drive strong decision making. We encourage a culture where everyone feels a sense of agency and can contribute to the success of the company. We foster opportunities for our employees to grow in both formal and informal learning environments, inside and outside of the Company. We prioritize employee development and training, which we believe has a direct impact on employee growth, engagement, and retention. To continue to support managers and individual contributors at Wish, most of whom work remotely due to the on-going COVID-19 pandemic, we provide virtual training and development opportunities. We also support the well-being of our employees by providing regular mental health breaks and wellness benefits to support their overall health and ongoing well-being. We continue to optimize our organizational efficiency and collaboration by providing training on strengthening communication skills and leading effective meetings. We believe that employee development is a shared responsibility of employee and manager, and through both formal and informal methods, we strive to build trust and encourage knowledge sharing and mentorship. We have a robust talent calibration and succession planning process designed to assess our top talent and identify any skills gaps with development plans.

Flexibility and Decentralization

While we have distributed teams collaborating around the world, the COVID-19 pandemic pivoted the vast majority of our employees to work from home starting March 2020. Despite the easing of governmental stay-at-home mandates, in the first quarter of 2022, we made a decision to shift towards a primarily remote working environment in which most employees will have the option to work from home even after we reopen our offices. We believe this flexible location policy will unlock further opportunities to source, connect, and hire talent in more locations as well as enable us to retain talent, as employees can continue to work for Wish if they need or want to relocate.

Information about Segment and Geographic Areas

The segment and geographic information required herein is contained in Note 13 of Notes to Consolidated Financial Statements included in Part II, Item 8 of this Annual Report on Form 10-K.

Corporate Information

We were incorporated in the state of Delaware in June 2010 as ContextLogic Inc., d/b/a “Wish.” Our principal executive offices are located at One Sansome Street 33rd Floor, San Francisco, California 94104. Our telephone number is (415) 432-7323. Our website address is www.wish.com.

We use various trademarks, trade names, and design marks in our business, including Wish™, Wish Shopping Made Fun™, W™, WishPost™, Wish Pickup™, Wish Local™, ProductBoost™, and ContextLogic™. This annual report also contains trademarks and trade names of other businesses that are the property of their respective holders. We do not intend our use or display of other companies’ trademarks and trade names to imply a relationship with, or endorsement or sponsorship of us by, these other companies.

Available Information

We file our annual reports on Form 10-K, quarterly reports on Form 10-Q, and current reports on Form 8-K with the SEC electronically. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding issuers, including ContextLogic Inc. that file electronically with the SEC. The address of that website is https://www.sec.gov.

You may obtain a free copy of our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports on our website at http://www.wish.com under the Investor Relations section. Such reports and other information are available on our website as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. Our Corporate Governance Standards, the charters of our Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee, as well as our Worldwide Code of Business Conduct are also available on our website. Information on our website is not, and will not be deemed, a part of this report or incorporated into any other filings the Company makes with the SEC.

Investors and others should note that we announce material financial and operational information to our investors using our Investor Relations website (https://ir.wish.com), press releases, SEC filings and public conference calls and webcasts. We also use the following channels to provide updates to the public about our business, activities, and other related matters, which could be deemed to be material information: www.twitter.com/WishShopping and www.linkedin.com/company/wishshopping. Information contained on or accessible through our websites are neither a part of nor incorporated by reference into this Annual Report on Form 10-K or any other report or document we file with or furnish to the SEC, and any references to our websites and the inclusion of our website addresses in this Annual Report on Form 10-K are intended to be inactive textual references only.

Item 1A. Risk Factors.

RISK FACTORS

Investing in our Class A common stock involves a high degree of risk. Before deciding whether to purchase shares of our Class A common stock, you should consider carefully the risks and uncertainties described below, our consolidated financial statements and related notes, and all of the other information in this report. If any of the following risks actually occurs, our business, financial condition, results of operations, and prospects could be adversely affected. As a result, the price of our Class A common stock could decline and you could lose part or all of your investment.

Risks Related to Our Business and Industry

Our efforts to acquire new users and engage existing users may not be successful or may be more costly than we expect, which could prevent us from maintaining or increasing our revenue.

Our success depends on our ability to attract new users and engage existing users in a cost-effective manner. In order to acquire and engage users, we must, among other things, promote and sustain our platform and provide high-quality products, user experiences, and service. Our marketing efforts currently include various initiatives and consist primarily of digital marketing on a variety of social media channels, such as Facebook, search engine optimization on websites, such as Google, Bing, and Yahoo!, various branding strategies, such as our relationship with social influencers, and mobile "push" notifications, text messaging, and email. For the years ended December 31, 2021, 2020 and 2019, we spent $1.1 billion, $1.7 billion and $1.5 billion on sales and marketing, representing 53%, 67% and 77% of our revenue, respectively. We anticipate that sales and marketing expenses will continue to comprise a substantial majority of our overall operating costs for the foreseeable future. We have historically acquired a significant number of our users through digital advertising on platforms and websites owned by Facebook and Google, which may terminate their agreements with us anytime. Our investments in sales and marketing may not effectively reach potential users, potential users may decide not to buy through us, or user spend on our platform may not yield the intended return on investment, any of which could negatively affect our financial results.

In addition, in 2021, we faced the headwinds of reduced retention and new buyer conversion and a rise in digital advertising costs. In response to rising digital advertising costs, which contributed to lower marketing efficiency, starting in the third quarter of 2021, we decided to significantly reduce our digital advertising expenditures as we focused our resources on other strategic initiatives. As discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations—Key Financial and Performance Metrics," our monthly active users and last twelve months Active Buyers were negatively impacted by our decision to significantly reduce our digital advertising expenditures. Starting in the third quarter of 2021, in response to these headwinds, we commenced a number of initiatives that we believe will improve the user experience and increase retention, including (i) enhancing our product quality and selection, (ii) providing an unmatched fun and entertaining shopping experience, and (iii) improving the performance of the app. We believe our continued strategy to increase users' experience in our marketplace and provide a more differentiated and engaging user experience will position us for long-term sustainable growth, but there can be no assurance that our initiatives will be successful.

Many other factors, some of which are beyond our control, may reduce our ability to acquire, maintain and further engage with users, including those described in this "Risk Factors" section and the following:

- system updates to app stores and advertising platforms such as Facebook and Google, including adjustments to algorithms that may decrease user engagement or negatively affect our ability to target a broad audience;
- ongoing changes in advertising platforms' pricing, which could continue to result in higher advertising costs;

- changes in digital advertising platforms' policies, such as those of Facebook and Google, that may delay or prevent us from advertising through these channels, which could result in reduced traffic to and sales on our platform;
- changes in search algorithms by search engines;
- inability of our email marketing messages to reach the intended recipients' inbox;
- ineffectiveness of our marketing efforts and other spend to continue to acquire new users and maintain and increase engagement with existing users;
- decline in popularity of, or governmental restrictions on, social media platforms where we advertise;
- the development of new search engines or social media sites that reduce traffic on existing search engines and social media sites;
- consumer behavior changes as a result of COVID-19; and
- products listed by merchants on our platform that are the subject of adverse media reports, regulatory investigations, or other negative publicity.

As a result of any of these factors or any additional factors that are outside of our control, if we are unable to continue acquiring new users or increasing engagement with existing users, it could have a material adverse effect on our business, financial condition, results of operations, and prospects.

If we are unable to promote, maintain, and protect our brand and reputation, and offer a compelling user experience, our ability to attract new users and engage with our existing base of users will be impaired.

We believe that maintaining our brand and reputation will be critical to attracting new users and encouraging users to transact on our platform. In addition to targeted online marketing, we spend a considerable amount of resources on promoting our brand and reputation. For example, starting in 2020, we began to invest in additional off-line marketing activities. Our brand promotion activities may not be successful or cost effective, and to the extent that these activities yield increased revenue, the increased revenue may not offset the expenses we incur. If we do not successfully drive brand awareness, we may fail to attract new users or increase engagement with existing users and our business may not grow or may decline, all of which could harm our business, financial condition, results of operations, and prospects.

Our ability to provide a high-quality user experience is also highly dependent on external factors over which we may have little or no control, including, without limitation, the reliability and performance of our merchants and third-party carriers. If our users are dissatisfied with the quality of the products sold on our platform, the customer service they receive or their overall user experience, or if our merchants or third-party carriers cannot deliver products to our users in a timely manner or at all, our users may stop purchasing products on our platform. Our users may also become dissatisfied with their user experience if they are unable to receive timely customer service, and because we rely in large part on an automated customer service system, it is possible our users could become dissatisfied with our customer service. We also rely on merchants for information, including product characteristics, descriptions, images, and availability that may be inaccurate or misleading. Our failure to provide our users with high-quality products and high-quality user experiences for any reason could substantially harm our reputation and adversely impact our efforts to develop Wish as a trusted brand, which could have a material adverse effect on our business, financial condition, results of operations, and prospects.

In addition, we may be subject to unfavorable publicity that would create a public perception that non-authentic, counterfeit, dangerous, illegal, or defective goods are sold on our platform, or that our policies and practices are insufficient to deter or respond to such conduct. Even if these claims are factually incorrect or based on isolated incidents, it could damage our reputation, diminish the value of our brand, draw governmental or regulatory scrutiny or action, undermine our trust and credibility, or have a negative impact on our ability to attract new users, or discourage our existing users from continuing to transact on our platform. We may also be subject to negative media regarding our privacy or cyber security practices, terms of service, product quality, litigation or regulatory activity, the sale of illicit or dangerous goods, other unauthorized actions by merchants on our platform, or the actions of other companies that provide similar services to ours, which may adversely affect our reputation, business, and financial results.

The transition to a new Chief Executive Officer ("CEO") will be critical to our success and our business may be adversely impacted if we do not successfully manage the transition process in a timely manner.

Our success depends, in part, on the effectiveness of Vijay Talwar, our recently appointed CEO who will be critical to setting and achieving our vision, strategic direction, culture, products, and technology. The CEO transition, and any related speculation and uncertainty regarding our future business strategy and direction may be disruptive to the Company and our relationships with customers and employees. If we are unable to execute an orderly transition and successfully integrate Mr. Talwar into our leadership team, revenue, operating results, and financial conditions may be adversely affected.

Additionally, even though Piotr Szulczewski remains on the Board, the departure of Mr. Szulczewski as our CEO will result in a loss of institutional knowledge. This loss of knowledge and experience can be mitigated through successful hiring and transition, but there can be no assurance that we will be successful in such efforts. The ability of Mr. Talwar to quickly expand his knowledge of our business, operations, and strategic plans will be critical to the Board and our management's ability to make informed decisions about our strategic direction and operations.

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

Competition for talent in our industry and the technology industry has become increasingly intense as the current labor market to build, retain, and replace highly skilled personnel has become highly competitive. We rely on the continued service of our senior management team, key employees, and other highly skilled personnel. The failure to properly manage succession plans, develop leadership talent, and/or replace the loss of services of senior management or other key employees, could significantly delay or prevent the achievement of our objectives. From time to time, there may be changes in our senior management team resulting from the hiring or departure of executives, which could disrupt our business. We do not have long-term employment agreements with any of our key personnel, and do not maintain any "key person" life insurance policies. The loss of the services of one or more of our senior management or other key employees for any reason could adversely affect our business, financial condition, and results of operations, and require significant amounts of time, training and resources to find suitable replacements and integrate them within our business and could affect our corporate culture. Further, in connection with the announcement of our restructuring plan, we may find it even more difficult to recruit and retain highly skilled personnel, which could harm our business. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations— February 2022 Restructuring Plan" and Notes to Consolidated Financial Statements, Note 12. Subsequent Events, "February 2022 Restructuring Plan," for further discussion of our restructuring plan.

We rely on the Apple App Store and the Google Play Store to offer and promote our app. If we are unable to maintain a good relationship with such platform providers, if their terms and conditions change to our detriment, if we violate, or if a platform provider believes that we have violated, the terms and conditions of its platform, our business will suffer.

A significant portion of our users download our mobile app through the Apple App Store and the Google Play Store, and over 90% of our user activity and purchases occur on our mobile app.

We are subject to the policies and terms of service of these third-party platforms, which govern the promotion, distribution, content, and operation of our app on the platform. Each platform provider has broad discretion to change and interpret its terms of service and other policies with respect to us and other developers, and those changes may be unfavorable to us. A platform provider may also add fees associated with access to and use of its platform, alter how we are able to advertise on the platform, prevent our app from being offered on their platform, change how the personal information of its users is made available to application developers on the platform, or limit the use of personal information for advertising purposes.

If we violate, or a platform provider believes we have violated, its terms of service (or if there is any change or deterioration in our relationship with these platform providers), that platform provider could limit or discontinue our access to the platform. A platform provider may also object to content created by merchants on our platform, such as drug paraphernalia or adult content, and our perceived distribution or advertisement of such content may cause a platform provider to view us in a negative light or take other adverse actions against us. For example, platform providers have warned application developers on their platform, including Wish, that providing content related to drug paraphernalia or adult content could cause such platform providers to remove the apps from their platforms. While we believe that we have complied with platform providers' requirements, they may introduce additional requirements in the future. If a platform provider establishes more favorable relationships with one or more of our competitors or such platform provider determines that we are a competitor, our access to a platform may be limited or discontinued entirely. Any limit or discontinuation of our access to any platform could adversely affect our business, financial condition, and results of operations.

In the past, some of these platforms have been unavailable for short periods of time. This and other changes, bugs, or technical system issues could degrade the user experience on our platform. There may also be changes to mobile hardware or software technology that make it more difficult for our users to access and use our platform on their mobile devices, which could adversely affect our user growth and user engagement. If any of these events recurs on a prolonged, or even short-term basis, or other similar issues arise that impact users' ability to access our app or use mobile devices, our business, financial condition, results of operations, or reputation may be harmed.

If we are unable to offer features and attract merchants to list products that keep pace with changing consumer preferences, our business, financial condition, and results of operations may be materially and adversely affected.

Constantly changing consumer preferences have affected and will continue to affect the ecommerce industry. We must stay ahead of emerging consumer preferences and anticipate product trends that will appeal to existing and potential users. Our users choose to purchase products due in part to the attractive prices that we offer, and they may choose to shop elsewhere if we cannot match the prices offered by other websites and platforms or by brick-and-mortar stores. If our users do not find our platform entertaining and are not shown desired products on our platform at attractive prices, they may lose interest in us, which in turn may materially and adversely affect our business, financial condition, and results of operations.

We rely on our merchants to provide a positive experience to our users.

Negative publicity or sentiment as a result of complaints about merchants selling on our platform could reduce our ability to attract users, discourage users from making additional purchases on our platform, or otherwise damage our reputation. A perception that our levels of responsiveness and support for our users are inadequate could have similar results. In some situations, we may choose to reimburse users for their purchases to help avoid harm to our reputation, but we may not be able to recover the funds we expend for those reimbursements.

Disruptions in the operations of a substantial number of merchants on our platform, to the extent they are caused by events that are beyond their control, such as interruptions in order or payment processing, transportation disruptions, natural disasters, pandemics, inclement weather, geo-political conflicts, including the current conflict between Russia and Ukraine arising from the invasion of Ukraine by Russia, terrorism, public health crises, or political unrest, could result in negative experiences for a substantial number of our users, which could harm our reputation and adversely affect our business. For example, during the initial outbreak of COVID-19, our merchants based in China experienced supply interruptions and delivery delays. If there are subsequent or further increases in the number of COVID-19 outbreaks in China or elsewhere, merchants on our platform may experience additional disruptions to their supply and restrictions on their ability to deliver products to our users in a timely manner, which could harm our business.

Our brand, reputation, and business may be harmed if merchants on our platform use unethical or illegal business practices, including the sale of hazardous, counterfeit, fraudulent, or illegal products, or if our policies and practices with respect to such sales are perceived or found to be inadequate, and we may be impacted by the unlawful activities of merchants on our platform.

It is important that both merchants and users have confidence in the transactions they are completing on our platform. Merchants on our platform have in the past, and may in the future, engage in illegal or unethical business practices. Allegations or findings of such illegal or unethical business practices by merchants on our platform could harm our brand, reputation, and business. Our policies promote legal and ethical business practices, such as prohibiting false or misleading seller or product information, the listing or sale of counterfeit or otherwise infringing goods, and the listing or sale of hazardous, fraudulent, or illegal products. For example, our merchant terms explicitly prohibit any illegal activity by merchants and require compliance with our policies. We maintain a suite of policies that educate merchants regarding items and practices that are explicitly prohibited from the platform, as well as the penalties for violations of our policies. We enforce these policies through the use of human and machine reviews as well as penalties for merchants if a violation of the policies is discovered. However, we do not control merchants or their business practices and cannot ensure their compliance with our policies.

If merchants on our platform engage in illegal or unethical business practices or are perceived to do so, we may receive negative publicity and our brand and reputation may be harmed.

Additionally, while we do not control merchants and cannot ensure their compliance with applicable law, we nevertheless frequently receive and respond to inquiries and demands from regulators and law-enforcement agencies around the globe, and we expect to continue to receive more inquiries and demands in the future. If our policies are violated by merchants, or if our policies and practices or responses to such conduct are perceived as or found to be inadequate by regulators or law-enforcement agencies, it could subject us to government inquiries, investigations, or enforcement actions, as well as potential civil or criminal liabilities, or requiring changes to our policies and practices with respect to illegal or unethical business practices that could lower our revenue, increase our costs, make our platform less user-friendly, or otherwise adversely impact our business. This has been the case in France, where regulators are trying to hold Wish accountable and responsible for the purportedly illegal or hazardous listings created by merchants; we are currently responding to and challenging these claims in French courts. Separately, during the initial outbreak of COVID-19, a small number of merchants created listings of personal protective equipment and other health-related products that regulators deemed to violate consumer protections related to pricing and advertising. Though these listings were posted by merchants in violation of our policies, Wish has received and may continue to receive inquiries and demands from regulators regarding these listings.

Our merchants are subject to regulation by the U.S. Consumer Product Safety Commission and similar state and international regulatory authorities in the United States and abroad, and their products sold on our platform could be subject to involuntary recalls, takedown notices, and other actions by these authorities. Concerns about product safety, including concerns about the safety of products manufactured in developing countries, could lead to recalls of selected products sold on our platform. Recall and government or user concerns about product safety could harm our reputation and reduce sales, either of which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Proposed laws in Europe, the United States, and other jurisdictions and/or novel interpretations or enforcement of existing law may change the scope of platform liability, and ongoing case law developments may unpredictably increase our liability as a platform for merchant activity or for activities adjacent to the marketplace, such as logistics, or otherwise constrain or impede our ability to do business in a given jurisdiction. In that event, we may be held directly or secondarily liable for the intellectual property infringement, product compliance deficiencies, consumer protection deficiencies, privacy and data protection incidents, or regulatory issues of our merchants, including potentially for their conduct over which we have no control or influence. Moreover, we may be subject to product liability claims where merchants lack sufficient assets or are not reachable, which could be costly to defend in the aggregate. Regardless of the validity of any claims made against us, we may incur significant costs and efforts to defend against or settle them. We expect to continue to receive inquiries or demands from regulators and law enforcement regarding intellectual property, product compliance, and product safety. This could lead to government investigations, inquiries, and/or the imposition of penalties, fines and/or criminal liability in certain jurisdictions and, consequently, would be costly, time consuming, and would adversely impact our business.

Merchants on our platform have in the past, and may in the future, engage in fictitious transactions or collaborate with third parties in order to artificially inflate their sales records and search results rankings. Such activity may frustrate other merchants by enabling the perpetrating merchants to be favored over legitimate merchants, may harm users by misleading them to believe that a merchant is more reliable or trustworthy than the merchant actually is, and may impact key performance metrics. Although we have implemented policies and practices to detect and penalize merchants who engage in fraudulent activities on our platform, there can be no assurance that such policies and practices will be effective in preventing fraudulent transactions. Any of these activities may adversely affect our brand, reputation, and business. If a governmental authority determines that we have aided and abetted the infringement or sale of counterfeit goods or if legal changes result in us potentially being liable for actions by merchants on our platform, we could face regulatory, civil, or criminal penalties. Successful claims by third-party rights owners could require us to pay substantial damages or refrain from permitting any further listing of the relevant items. These types of claims could force us to modify our business practices, which could lower our revenue, increase our costs, or make our platform less user friendly. Moreover, public perception that counterfeit or other unauthorized items are common in our platform, even if factually incorrect, could result in negative publicity and damage to our reputation and brand.

Our merchants rely on third-party carriers and transportation providers as part of the fulfillment process, and these third parties may fail to adequately serve our users and comply with shipping and related regulations, which could adversely affect our service offerings and results of operations.

We rely on merchants to properly and promptly prepare products ordered by our users for shipment and our logistics program relies on third-party carriers and logistics providers to deliver products as well as third parties to consolidate packages for shipping. Any failure by merchants to timely prepare such products for shipment or any delay by third-party carriers to deliver the products will have an adverse effect on the fulfillment of user orders, which could negatively affect the user experience and harm our business and results of operations. Any increase in shipping costs, any significant shipping difficulties, disruptions or delays, or any failure by merchants on our platform to deliver products in a timely manner or to otherwise adequately serve our users, could damage our reputation and brand, and may harm our business. For example, due to abrupt new VAT regulations in Colombia (and related evolving interpretations of the same by local regulatory enforcement agencies), the *de minimis* threshold exception to remitting VAT for certain low-value declared parcels was removed, subjecting any and all parcels (regardless of import value) to VAT payment obligations. Further, there was industry-wide confusion as to whether the exemption from VAT liability applied to items "shipped from" or "originating in" countries with which Colombia has a Free Trade Agreement (“FTA”). This caused certain parcels shipped by Wish merchants to be held up at Colombia customs, causing delays and increasing charges for consumers. Also, in the first quarter of 2018, PostNord, the postal service in Sweden, suspended delivery of packages coming from outside the European Union as it evaluated imposing processing fees and collection of taxes, which resulted in a decrease in sales in Sweden. In addition, during the initial outbreak of COVID-19, our cross-border logistics function was severely impacted in terms of both disrupted processing capabilities and increased costs, which resulted in a decrease in sales due to higher logistics costs and higher refund rates due to poor performance. Our merchants based in China also experienced supply interruptions and delivery delays during the initial outbreak of COVID-19 and have continued to experience such interruptions and delays, which may continue to have an adverse effect on our users’ experience on our platform.

Historically, our merchants in China have benefitted from lower shipping costs due to the Universal Postal Union Treaty ("UPU"). Certain expected changes to UPU postal rates that went into effect in July 2020 and other expected changes that will be implemented in the future are likely to increase the shipping rates our merchants incur to ship products from China. For example, Congress is currently considering a bill that would bar packages from non-market economies (currently only China) from qualifying for tariff-free entry into the United States under the existing de minimis statute. If this bill is enacted into law, it would make importing goods from China to the United States more complicated and expensive, which could adversely affect our business. The actions we have taken in our logistics program to mitigate these increased costs may not be successful over the long term. If there are increases in shipping costs, including rising oil and gas prices, the sales price of products on our platform could increase, which could reduce the volume of transaction activity on our platform to decrease and may consequently have a negative impact on our results of operations.

We generate a portion of our revenue from merchant advertising on our platform. A reduction in advertising spend by merchants could harm our business.

We have implemented new features on our platform, such as ProductBoost, which allow merchants to promote their listings to our users. In addition to generating revenue from merchants, these advertisements may also result in increased purchases by users. However, not all merchants on our platform may agree with us on the value of these new features and may not use ProductBoost, and some of our merchants could react negatively to these new features. During the initial outbreak of COVID-19, merchant advertising declined due to the shutdown of business activity in China. If we are unable to monetize existing and new features for merchants, it could have a significant impact on our business, financial condition, and prospects.

Our continued efforts to improve our logistics programs and enable faster and more reliable delivery in order to help grow our business and generate revenue may not be effective.

We have worked to improve our logistics programs and to streamline our processes in order to provide a more consistent and reliable experience for our users through programs such as Wish Express and Wish Local. However, we still rely on third-party carriers for delivery and we are still in the process of establishing reliable long-term agreements with such carriers both in the United States and worldwide. If we are not able to negotiate acceptable pricing, service level requirements, and other terms with these carriers, or these carriers experience capacity or performance problems or other issues, it could negatively impact our results of operations and our users' experience. For example, due to COVID-19 and related supply chain issues, global logistics has experienced longer delivery times.

We have also developed and experimented with different logistics offerings in order to monetize our logistics platform. This is a relatively new business initiative for us. If we are unable to consistently generate revenue from our logistics platform or offer logistics services that are appealing to merchants and users, or if changes in carrier policies and pricing, shortage of low-cost carriers, and fluctuation of oil and gas prices result in higher logistics costs, it could have a material impact on our business, financial condition, and prospects.

Building out our Wish Local program may be costly and time intensive and we may not receive the expected benefits.

In 2019, we introduced Wish Local, a program that develops partnerships with local brick-and-mortar stores that can serve as local pickup and delivery locations for users' orders. In addition, we are in the process of expanding the Wish Local program to partner with collection point network providers in some countries to provide additional local pickup and dropoff locations for user's orders. The process of reaching out to and entering into relationships with these retailers can be time intensive and costly because we must evaluate and approve each retailer individually prior to them becoming part of the Wish Local program. Therefore, growing Wish Local may be more expensive and time consuming than we have estimated. Also, users may not use the Wish Local program as much as we expect, which would delay or prevent any expected benefits. For example, users have curtailed their use of Wish Local due to health concerns regarding COVID-19, which has slowed the growth of this program.

Our terms of service require Wish Local retailers to meet certain service level requirements with respect to holding and delivering Wish orders to users. If these retailers do not comply with these service level requirements, our reputation may be harmed. Additionally, we may need to implement monitoring systems to confirm that the Wish Local retailers are complying with service level requirements and to prevent fraudulent activities by these retailers. Implementing these systems may prove to be costly and time intensive.

The market in which we operate is rapidly evolving and we face intense competition; if we do not compete effectively, our results of operations and financial condition could be harmed.

Our market is highly competitive and characterized by rapid changes in technology and consumer sentiment. Competition in our industry has intensified, and we expect this trend to continue as the list of our competitors grows. This competition, among other things, affects our ability to attract new users and engage our existing users.

We compete with ecommerce platforms and other retailers for merchants on our platform and merchants can list their goods on a number of ecommerce platforms, such as Amazon.com, Alibaba, Shein, and Shopify.

There are various factors that affect how merchants engage with our platform, including:

- the number and engagement of users on our platform;
- our fees;
- our brand awareness;
- our reputation;
- the quality of our services; and
- the functionality of our platform.

We also compete with retailers for the attention of users. A user has the choice of shopping with any online or offline retailer, whether large marketplaces, such as Amazon.com, Alibaba, Shein, and Shopify, as well as more traditional discount retailers, such as Walmart and Target, and discount retailers that offer heavily discounted and off-season merchandise, such as Dollar General and TJ Maxx, or local stores or other venues or marketplaces. Many of these competitors offer low-cost or free shipping, fast shipping times, favorable return policies, and other features that may be difficult or impossible for our merchants to match.

There are various factors that affect how users engage with our platform, including:

- our brand awareness and recognition;
- our reputation;
- the prices of goods sold on our platform;

- the functionality of our platform;
- ease of payment;
- shipping terms; and
- the breadth of the products sold on our platform.

Some of our competitors have, and potential competitors may have, longer operating histories, greater financial, technical, marketing, institutional and other resources, faster shipping times, lower-cost shipping, larger databases, greater name and brand recognition, or a larger base of users or merchants than we do. For example, Google or Facebook could enter the ecommerce space and they have significantly more resources and users than we do. They may devote greater resources to the development, marketing, and promotion of their services than we do, and they may offer lower pricing or free shipping to the users on their platforms. These factors may allow our competitors to derive greater revenue and profits from their existing user and merchant bases, acquire users at lower costs or respond more quickly than we can to new or emerging technologies and changes in trends and consumer shopping behavior. If we are unable to compete successfully, or if competing successfully requires us to expend greater resources, our financial condition and results of operations could be adversely affected.

We have a limited operating history at our current scale, which may make it difficult to evaluate our business and future prospects.

We began commercial operations in 2010 and have a limited history of generating revenue at our current scale. As a result of our relatively short operating history at our current scale, we have limited financial data that can be used to evaluate our business and future prospects. Any evaluation of our business and prospects must be considered in light of our limited operating history, which may not be indicative of future performance. Because of our limited operating history, we face increased risks, uncertainties, expenses, and difficulties, including the risks and uncertainties discussed in this section.

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

Since our inception in 2010, we have incurred net losses each year. We incurred net losses of $361 million, $745 million, and $129 million for the years ended December 31, 2021, 2020, and 2019, respectively. As of December 31, 2021, we had an accumulated deficit of approximately $2.5 billion. We may not achieve or maintain profitability in the future. Our operating expenses may continue to increase in the future as we increase our efforts to expand our user base, continue to invest in the research and development of our technologies and service offerings and continue to operate as a public company. These efforts may be more costly than we expect and we may not be able to increase our revenue to offset our operating expenses. Our revenue growth slowed for the year ended December 31, 2021 and may slow again, or our revenue may decline for a number of other possible reasons, including increased competition, a decrease in the growth or reduction in size of our overall market, or if we fail for any reason to capitalize on growth opportunities.

Our company is evolving, and we are in the process of executing on new business strategies and restructuring efforts; if we fail to successfully execute on these strategies, our business, financial condition, and operating results could be harmed.

Our business is undergoing significant changes and our business strategy is constantly evolving. Our success depends on our ability to adapt our business model to changing market conditions and consumer spending habits. For example, in 2021, we made a number of strategic decisions in an effort to improve our business operations and our marketplace offerings in response to the headwinds of reduced retention and new buyer conversion and a rise in digital advertising costs. Nevertheless, certain elements of this shift in strategy, or any future changes to our strategy that we may make could be disruptive to our business and our employees if we do not manage the changes properly. Furthermore, continuing changes in macroeconomic trends, shifting consumer priorities, and the COVID-19 pandemic may hamper and delay our efforts by, for example, making our assumptions regarding our strategies incorrect or subject to change or causing our strategies to not have the effect and outcomes that we anticipate.

We may not successfully execute or achieve the expected benefits of our restructuring and turnaround initiatives, which could adversely affect our business.

We recently announced a turnaround and restructuring strategy which focuses on narrowing our business focus, reducing our headcount and outside spend, reviewing our real estate footprint, and a number of other cost saving measures. These restructuring initiatives are intended to focus the business on operational efficiency and right-sizing our expenses for 2022 and beyond. Although we believe these initiatives address the needs of our business and its long-term objectives, our strategy is based on certain assumptions and forecasts, which are subject to risks and uncertainties, including whether we have accurately identified the issues, whether we targeted the appropriate cost saving measures, and whether our right-sizing efforts are executed at the appropriate scale and scope. Consequently, the implementation of these restructuring initiatives may not be successful in yielding the intended results. Moreover, implementation of these initiatives may be costly and disruptive to our business, with the intended impact falling short or resulting in an overcorrection. Our cost cutting initiatives may negatively affect employee morale, which could result in personnel losses beyond the planned workforce reduction, diminished productivity, loss of institutional knowledge, and difficulty attracting highly skilled employees. The intended results of our turnaround effort may also be impacted by negative publicity about the Company and/or our restructuring initiatives, resulting in reputational harm, diminished investor confidence, and consumer backlash. These new initiatives have and may continue to require a significant amount of executive management's time and focus, which may divert attention from other areas of our business. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations— February 2022 Restructuring Plan" and Notes to Consolidated Financial Statements, Note 12. Subsequent Events, "February 2022 Restructuring Plan," for further discussion of our restructuring plan.

Use of social media, emails, and text messages may adversely impact our reputation or subject us to fines or other penalties.

We use social media, emails, and text messages as part of our omnichannel approach to marketing. As laws and regulations rapidly evolve to govern the use of these channels, the failure by us, our employees or third parties acting on our behalf or at our direction to abide by applicable laws and regulations in the use of these channels could adversely affect our reputation or subject us to fines, other penalties, or lawsuits. Although we continue to update our practices as these laws change over time, we may be subject to lawsuits alleging our failure to comply with such laws. In addition, our employees or third parties acting on our behalf or at our direction may knowingly or inadvertently use social media, including through advertisements, in ways that could lead to the loss or infringement of intellectual property, as well as the public disclosure of proprietary, confidential, or sensitive personal information of our business, employees, users, merchants, or others. Any such inappropriate use of social media, emails, and text messages could also cause reputational damage.

Moreover, changes in advertising and tracking policies of mobile device operating systems and platforms (e.g., Apple and Android) may limit or prevent the collection and use of certain data elements for certain purposes, such as ad targeting, and the use of such data elements may subject us to fines or other penalties.

Our users may engage with us online through social media platforms, including Facebook, Instagram, and Twitter, by providing feedback and public commentary about all aspects of our business. Information concerning us or our merchants, whether accurate or not, may be posted on social media platforms at any time and may have a disproportionately adverse impact on our brand, reputation, or business. The harm may be immediate without affording us an opportunity for redress or correction and could have a material adverse effect on our business, results of operations, financial condition, and prospects.

We are subject to payment-related risks.

Our users can pay for purchases using a variety of methods, including through credit cards or Buy Now, Pay Later solutions through various third-party payment providers, and we pay our merchants through a variety of methods. If these service providers do not perform adequately or if our relationships with these service providers were to terminate, our users' ability to place orders, and our merchants' ability to receive orders or payment could be adversely affected and our business could be harmed. For example, in 2014, PayPal temporarily suspended processing payments on our platform as a result of concerns related to products listed on our platform. If a third-party payment provider suspends service or has significant outages in the future and we do not have alternative payment providers in place or are unable to provide our own solution, our business could be harmed. Likewise, if our third-party payment providers experience a security breach or fraud attack, our merchants and users could be adversely impacted. In addition, if our third-party providers increase the fees they charge us, our operating expenses could increase. If we respond by increasing the fees we charge to our merchants, some merchants may increase the price of their products, stop listing new items for sale or even close their accounts altogether.

The laws and regulations related to payments are complex, evolving, subject to change and vary across different jurisdictions in the United States and globally. Any failure or claim of our failure to comply, or any failure by our third-party payment processors to comply, could cost us substantial resources and could result in liabilities. Further, through our agreements with our third-party payment processors, we are indirectly subject to payment card association operating rules, and certification requirements, including the Payment Card Industry Data Security Standard and Visa Network Rules, which are subject to change. Failure to comply with these rules and certification requirements could impact our ability to meet our contractual obligations with our third-party payment processors and could result in potential fines. We are also subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. In addition, similar to a potential increase in costs from third-party providers described above, any increased costs associated with compliance with payment card association rules could lead to increased fees for our merchants, which may negatively impact our marketplaces.

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

We calculate and track performance metrics with internal tools, which are not independently verified by any third-party. While we believe our metrics are reasonable estimates of our user or merchant base for the applicable period of measurement, the methodologies used to measure these metrics require significant judgment and may be susceptible to algorithm or other technical errors. For example, user accounts are based on email addresses, and a user could use multiple email addresses to establish multiple accounts, and merchants in many instances will have multiple accounts. As a result, the data we report may not be accurate. Our internal tools and processes we use to identify multiple accounts or fraudulent accounts have a number of limitations, and our methodologies for tracking key metrics may change over time, which could result in unexpected changes to our metrics, including historical metrics. Our ability to recalculate our historical metrics may be impacted by data limitations or other factors that require us to apply different methodologies for such adjustments and we generally do not intend to update previously disclosed metrics for any such changes. Though we regularly review our processes for calculating metrics and may adjust our processes for calculating metrics to improve their accuracy, limitations or errors with respect to how we measure data (or the data that we measure) may affect our understanding of certain details of our business, which could affect our longer term strategies. If our performance metrics are not accurate representations of our business, user or merchant base, or traffic levels; if we discover material inaccuracies in our metrics; or if the metrics we rely on to track our performance do not provide an accurate measurement of our business, user or merchant base or traffic levels, we may not be able to effectively implement our business strategy, our reputation may be harmed, and our operating and financial results could be adversely affected.

Our merchants, platform partners, and investors rely on our key metrics as a representation of our performance. If these third parties do not perceive our user metrics to be accurate representations of our user base or user engagement, or if we discover material inaccuracies in our user metrics, our reputation may be harmed and merchants may be less willing to sell on our platform, which could negatively affect our business, financial condition, or results of operations.

We must develop new offerings to respond to our users' and merchants' changing needs.

Our industry is characterized by rapidly changing technology, new service and product introductions, and changing user and merchant demands.

Our users and merchants may not be satisfied with our new platform offerings or perceive that the new offerings do not respond to their needs. Developing new offerings is complex, and the timetable for commercial release is difficult to predict and may vary from our historical experience. As a result, the introduction of new offerings may occur after anticipated or announced release dates. In addition, new offerings could require us to comply with additional governmental regulations. Our new offerings also may bring us more directly into competition with companies that are better established or have greater resources than we do.

If we do not continue to cost-effectively develop new offerings that satisfy our users or merchants, then our competitive position and growth prospects may be harmed. In addition, new offerings may have lower margins than existing offerings and our revenue may not grow enough as a result of the new offerings to offset the cost of developing them.

If we fail to maintain, expand, and diversify our relationships with merchants, our revenue and results of operations will be harmed.

We rely on our merchants to offer products that appeal to our existing and potential users at attractive prices. Our ability to provide popular products on our platform at attractive prices depends on our ability to develop mutually beneficial relationships with our merchants. For example, we rely on our merchants, most of whom are based in China, to make available sufficient inventory and fulfill large volumes of orders in an efficient and timely manner to ensure a positive user experience. Merchants can leave our platform at any time, so we may experience merchant attrition in the ordinary course of business resulting from several factors, such as losses to competitors, perception that marketing on our platform is ineffective, reduction in our or merchants' marketing budgets, and the penalties we impose on merchants for failing to comply with our policies. We have had, and may continue to have, disputes with merchants with respect to their compliance with our delivery requirements, quality control policies and measures, and the penalties imposed by us for violation of these policies or measures, which may cause them to be dissatisfied with our platform or to legally challenge the enforceability of our terms. If we experience significant merchant attrition, or if we are unable to attract new and geographically-diverse merchants, our revenue and results of operations may be materially and adversely affected. For example, during the initial outbreak of COVID-19, many of our merchants based in China were adversely impacted, which had a negative impact on the supply of inventory on our marketplace and our merchants based in China continue to be adversely impacted. In addition, our agreements with merchants also typically do not restrict them from establishing or maintaining business relationships with our competitors. Furthermore, Congress is currently considering a bill that would bar packages from non-market economies (currently only China) from qualifying for tariff-free entry into the United States under the existing de minimis statute. If this bill is enacted into law, it would make importing goods from China to the United States more complicated and expensive, which could adversely affect our business.

Failure to deal effectively with fraudulent activities on our platform would increase our loss rate and harm our business, and could severely diminish merchant and user confidence in and use of our services.

We have in the past incurred and may in the future incur losses from various types of fraud, including stolen credit card numbers, claims that a user did not authorize a purchase, merchant fraud, and users who have closed bank accounts or have insufficient funds in open bank accounts to satisfy payments. We face risks with respect to fraudulent activities on our platform and periodically receive complaints from users who may not have received the products that they had contracted to purchase. In some jurisdictions, users may also have the right to cancel a sale made by a merchant within a specified time period and for any reason. Although we have implemented measures to detect and reduce the occurrence of fraudulent activities, combat bad user experiences, and increase user satisfaction, including evaluating merchants on the basis of their transaction history and restricting or suspending their activity, there can be no assurance that these measures will be effective in combating fraudulent transactions or improving overall satisfaction among merchants, users, and other participants. Additional measures to address fraud could negatively affect the attractiveness of our services to users or merchants, resulting in a reduction in our ability to attract new users or continue to engage current users, damage to our reputation, or a diminution in the value of our brand.

Additionally, under current credit card practices, we are liable for fraudulent credit card transactions because we do not obtain a cardholder’s signature, which results in chargebacks made to our users that we are not able to collect from our merchants. We do not currently carry insurance against this risk. We face the risk of significant losses from this type of fraud as our net sales increase and as we continue to expand globally. Our failure to adequately control fraudulent credit card transactions could damage our reputation and brand and substantially harm our business, results of operations, financial condition, and prospects.

We also accept payments for many of our sales through credit and debit card transactions, which are handled through third-party payment processors. As a result, we are subject to a number of risks related to credit and debit card payments, including that we pay interchange and other fees, which may increase over time and could require us to absorb or pass along an increase in our costs and expenses. In addition, as part of payment processing, our users’ credit and debit card information is transmitted to our third-party credit card payment processors. We may in the future become subject to lawsuits or other proceedings for purportedly fraudulent transactions arising out of the actual or alleged theft of our users’ credit or debit card information if the security of our third-party credit card payment processors is breached. We and our third-party credit card payment processors are also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we or our third-party credit card payment processors fail to comply with these rules or requirements, we may be subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our users in addition to the consequences that could arise from such action or inaction violating applicable privacy, data protection, data security and other laws as outlined above, and there may be an adverse impact on our business, results of operations, financial condition, and prospects.

The COVID-19 pandemic may continue to adversely affect our business and results of operations.

In March 2020, the World Health Organization declared COVID-19 to be a pandemic. In an effort to contain and mitigate the spread of COVID-19, many countries, including the United States, imposed and continue to impose unprecedented restrictions on travel and business operations, and there have been business closures and a substantial reduction in economic activity in countries that have had significant outbreaks of COVID-19.

Our operations and performance depend significantly on global and regional economic conditions, and the outbreak of COVID-19 has had a significant negative effect on global and regional economies. Further, the ability of our merchants to offer products and make available sufficient inventory in an efficient manner may be adversely affected by the health impacts, travel restrictions, required social distancing, and other governmental mandates due to COVID-19, which could negatively impact our users' experience and cause our revenue and reputation to decline. Additionally, due to the continuing economic impacts caused by COVID-19, consumer discretionary spending has been adversely affected, which may cause the demand for the products available on our platform to be reduced and our revenue to decline.

We are conducting business with substantial restrictions, such as remote working and limited employee travel, among other modifications. While our business occurs over an online platform, which allows us to support our merchants and users virtually, we cannot be certain that our ability to service our merchants and users will not be adversely affected by COVID-19. We also continue to see disruption in the supply chain that is affecting delivery times.

At the beginning of the COVD-19 pandemic, we benefited from greater mobile usage and less competition from physical retail as a result of shelter-in-place mandates. We also benefited from increased user spending due to U.S. government stimulus programs.

The extent to which the COVID-19 pandemic may continue to impact our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration of the pandemic, travel restrictions, changes to consumer ecommerce activity in response to evolving governmental mandates that impact brick-and-mortar stores, supply chain and logistical challenges, global unemployment rates, shifting priorities of regulatory agencies in response to the pandemic, the development and distribution of vaccines, and the effectiveness of actions taken in the United States and other countries to prevent, contain, and treat the disease and its variants. The pandemic may have the effect of heightening or exacerbating many of the other risks described in this "Risk Factors" section. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations—Impact of the COVID-19 Pandemic" for a further discussion of the impact of the COVID-19 pandemic on our business.

Our pricing strategies may not meet users' price expectations or result in net income (loss), and laws and regulations could negatively impact the effectiveness of our model.

Our pricing strategies have had, and may continue to have, a significant impact on our revenue and net income (loss). In addition to offering discounted prices and shipping as a means of attracting users and encouraging repeat purchases, we use dynamic pricing, where pricing varies depending on factors such as user location and demand, which is intended to optimize revenue and volume and allows us to offer a variety of promotions and discounts. Such offers and discounts, however, may reduce our revenue and margins. In the future, laws applicable to data protection, consumer protection, and artificial intelligence may change in a manner that limits our ability to employ dynamic pricing. In addition, our competitors' pricing and marketing strategies are beyond our control and can significantly affect the results of our pricing strategies. If our pricing strategies, which may evolve over time, fail to meet our users' price expectations or fail to result in increased margins, or if we are unable to compete effectively with our competitors if they engage in aggressive pricing strategies or other competitive activities, it could have a material adverse effect on our business.

Our refund policies may adversely affect our results of operations.

We have adopted user-friendly refund policies that make it convenient and easy for users to receive a refund after completing purchases. These policies are designed to improve users' shopping experience and promote user loyalty, which in turn help us acquire and engage our existing users. However, these policies also subject us to additional costs and expenses which we may not recoup through increased revenue. We may also be required by law to adopt new or amend existing refund policies from time to time. These policies also make us more susceptible to misuse and if our refund policy is misused by a significant number of users, our costs may increase significantly, and our results of operations may be materially and adversely affected. If we revise these policies to reduce our costs and expenses, our users may be dissatisfied, which may result in loss of existing users or failure to acquire new users at a desirable pace or cost, which may materially and adversely affect our results of operations.

Our ability to recruit and retain employees is important to our success.

Our future performance depends on our employees, including key engineering and product development personnel. Competition for key personnel is intense, especially in the San Francisco Bay area where our corporate headquarters are located, and we may be unable to successfully attract, integrate, or retain sufficiently qualified key personnel. In making employment decisions, particularly in the Internet and high-technology industries, job candidates often consider the value of the equity awards they would receive in connection with their employment and fluctuations in our stock price may make it more difficult to attract, retain, and motivate employees.

Our forecasts of market opportunity and market growth may prove to be inaccurate, and, even if these forecasts materialize, we cannot assure you our business will grow at similar rates, if at all.

Estimates of market opportunity and forecasts of market growth are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate, including due to the impacts from COVID-19. Any estimates of the size of the markets that we may be able to address and any forecasts relating to the expected growth in ecommerce and other markets are subject to many assumptions and may prove to be inaccurate. These markets may not grow at the rates that we forecast. We may not grow our business at similar rates, or at all. Our growth is subject to many factors, including our success in implementing our business strategy, which is subject to many risks and uncertainties. Accordingly, any estimates of market opportunity and forecasts of market growth, including any in this report, should not be taken as indicative of our future growth.

We rely on consumer discretionary spending and may be adversely affected by economic downturns and other macroeconomic conditions or trends.

Macroeconomic conditions may adversely affect our business. If general economic conditions deteriorate globally or in specific markets where we operate, consumer discretionary spending may decline and demand for products available in our platform may be reduced. A decrease in consumer discretionary spending would cause sales in our platform to decline and adversely impact our business. If the Company's costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through increases in revenue as increases in core inflation rates may also affect consumers' willingness to make discretionary purchases on our platforms. The Company's inability or failure to do so could harm the Company's business, financial condition, and results of operations. As the world moves into new phases of the pandemic, with new variants emerging, and inflation on the rise, macroeconomic conditions may continue to trend downward for a more prolonged period than expected.

We face risks relating to the inventory we purchase ourselves.

We directly purchase, on a very limited basis, some of the products that we sell on our platform. We assume the inventory damage, theft, and obsolescence risks, as well as product safety and price erosion risks for products that we purchase directly. These risks could become more significant in the future if we increase the amount of inventory that we purchase. These risks could also become more significant depending on the types of product we hold in our inventory, such as products that are subject to seasonality, changes in consumer preferences, rapid technological change, obsolescence, and price erosion. If we choose to carry significant levels of inventory in the future, any one of these inventory risks could adversely affect our operating results.

Unfavorable changes or failure by us to comply with evolving internet and ecommerce regulations could substantially harm our business and operating results.

We are subject to general business regulations and laws as well as regulations and laws specifically governing the internet and ecommerce. These regulations and laws may involve taxes, privacy and data security, consumer protection, the ability to collect and/or share necessary information that allows us to conduct business on the internet, marketing communications and advertising, content protection, electronic contracts, or gift cards. Furthermore, the regulatory landscape impacting internet and ecommerce businesses is constantly evolving. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation, a loss in business and proceedings, or actions against us by governmental entities or others, which could impact our operating results.

Our business could suffer if we are unsuccessful in making, integrating, and maintaining any future acquisitions and investments.

We may acquire businesses or technologies in the future. Integrating an acquired business or technology is difficult and can be risky. These potential and completed transactions create risks such as:

- disruption of our ongoing business, including loss of management focus on existing businesses;
- the difficulty of integrating new businesses and technologies into our infrastructure; and
- the risks associated with assuming liabilities related to the activities of the acquired business before and after the acquisition, including liabilities for violations of laws and regulations, commercial disputes, cyberattacks, taxes, and other matters.

Moreover, acquisitions may divert management’s time and focus from operating our business. Acquisitions also may require us to spend a substantial portion of our available cash, issue stock, incur debt or other liabilities, amortize expenses related to intangible assets, or incur write-offs of goodwill or other assets. Finally, acquisitions could be viewed negatively by analysts, investors, merchants, or our users.

We may be involved in litigation matters or other legal proceedings that are expensive and time consuming.

We may become involved in litigation matters, including class action lawsuits, relating to intellectual property, product liability, and consumer practices, whether for our own products or those offered by merchants, as well as other commercial disputes. Any lawsuit to which we are a party, with or without merit, may result in an unfavorable judgment. We also may decide to settle lawsuits on unfavorable terms. Any such negative outcome could result in payments of substantial damages or fines, damage to our reputation, loss of rights, or adverse changes to our offerings or business practices. Any of these results could adversely affect our business. In addition, defending claims is costly and can impose a significant burden on our management.

Additionally, the market price of our Class A common stock has been and may continue to be volatile. As a result, we have been named in lawsuits, and may be subject to both ongoing litigation and other requests related to our stock price/performance and/or Board performance and independence. In 2021, we were named as defendants in various securities litigations: (1) In May 2021, four putative class action lawsuits were filed in U.S. federal court against the Company, its directors, certain of its officers and the underwriters named in its initial public offering ("IPO") registration statement alleging violations of securities laws based on statements made in its registration statement on Form S-1 filed with the SEC in connection with its IPO and seeking monetary damages ("IPO cases"). One of these four cases was dismissed, leaving three pending cases against the Company, which have since been related and consolidated before one judge. The lead case is *Hoang* v. ContextLogic, inc., and (2) in August 2021, a shareholder derivative action purportedly brought on behalf of the Company, *Patel v. Szulczewski*, was filed in the U.S. federal court alleging that the Company's directors and officers made or caused the Company to make false and/or misleading statements about the Company's business operations and financial prospects in various public filings. This matter is stayed pending certain motion practice in the IPO cases. We are also subject to other securities litigation, a derivative action *Aviv v. Szulczewski*, discussed elsewhere herein. We may continue to be the target of securities litigations, and/or may receive other civil and regulator inquiries and requests, in the future. Securities litigation or inquiries or investigations against us could result in substantial costs and divert our management's attention from other business concerns, which could adversely affect our business.

From time to time, we are subject to investigations, demands, litigation and other proceedings involving consumer protection, product safety, and data protection authorities or other regulatory agencies, including, in particular, in Denmark, France, Hungary, Italy, the Netherlands, and the United States. These proceedings can result in civil and/or criminal penalties, large fines, other penalties, and/or remediation efforts and/or injunctive relief that could limit or restrict our ability to do business either in a given jurisdiction within a product class. For example, in France we are facing (1) civil litigation over product safety and merchant listings which the regulator deems to be unsafe or of poor quality; and (2) charges from the French authorities relating to the previous policies enabling merchants to utilize strike-through pricing, previous practices regarding non-translation of product listings on the Wish app and website, and allegations relating to anti-counterfeiting practices and policies. Separately, at the initial outbreak of COVID-19, consumer protection authorities demanded rapid and decisive changes in the way that we screen and handle product listings that potentially violate various laws, including emergency price caps on certain items. Implementing these requests or defending against any associated fines could prove expensive and time consuming and negatively affect our results of operations and financial condition. While we may dispute the charges or cases, novel interpretations of the law or enforcement efforts could subject us to litigation and/or time consuming and costly remediation measures or otherwise impair business operations in a jurisdiction.

We have identified material weaknesses in our internal control over financial reporting and may identify additional material weaknesses in the future or otherwise fail to maintain an effective system of internal controls, which may result in material misstatements of our consolidated financial statements or cause us to fail to meet our periodic reporting obligations.

During the preparation and the audit of our consolidated financial statements for the year ended December 31, 2021, we and our independent registered public accounting firm identified material weaknesses in our internal control over financial reporting. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis. In addition, given our reliance on information technology ("IT") systems to synthesize both financial and nonfinancial information, any material weaknesses in our IT controls may result in errors in not only our consolidated financial statements but our nonfinancial metrics as well.

The material weaknesses that we identified occurred because (i) the processes and controls over our IT systems relevant to the preparation of our consolidated financial statements were inadequate and (ii) the current processes in place were insufficient to allow us to complete the testing and assessment of the design and operating effectiveness of internal controls over financial reporting in a timely manner.

We cannot guarantee that our efforts will remediate these deficiencies in internal control over financial reporting or that additional material weaknesses in our internal control over financial reporting will not be identified in the future. Our failure to implement and maintain effective internal control over financial reporting could result in errors in our consolidated financial statements that could result in a restatement of our financial statements and could cause us to fail to meet our reporting obligations, any of which could diminish investor confidence and cause a decline in the price of our Class A common stock. See Item 9A. “Controls and Procedures” for further discussions of the identified material weaknesses.

Our management is required to evaluate the effectiveness of our disclosure controls and internal control over financial reporting. If we are unable to maintain effective disclosure controls and internal control over financial reporting, investors may lose confidence in the accuracy of our financial reports.

As a public company, we are required to maintain internal control over financial reporting and to report any material weaknesses in such internal control. Section 404 of the Sarbanes-Oxley Act requires that we evaluate and determine the effectiveness of our internal control over financial reporting. Additionally, our independent registered public accounting firm is required to deliver an attestation report on the effectiveness of our internal control over financial reporting. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, and financial compliance costs, make some activities more difficult, time-consuming, costly, and place significant strain on our personnel, systems, and resources.

We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed in the reports that we will file with the SEC is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. While we continue to improve our internal control over financial reporting by hiring additional accounting, engineering, and business intelligence personnel and implementing process level and management review controls to identify and address emerging risks, we cannot guarantee that these changes will remediate future deficiencies or that additional material weaknesses in our internal control over financial reporting will not be identified in the future.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended, and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. If any of these new or improved controls and systems do not perform as expected, we may experience further deficiencies in our controls.

Our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business, some of which may arise from our restructuring and turnaround initiatives. We and our independent registered public accounting firm identified weaknesses in our internal control over financial reporting and additional weaknesses may be discovered in the future. Any failure to develop or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations, cause us to fail to meet our reporting obligations, and adversely affect the results of periodic management evaluations and our independent registered public accounting firm’s attestation reports required by the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could diminish investor confidence, negatively affect the price of our Class A common stock, and could result in our delisting on the Nasdaq. As noted previously, see Item 9A. “Controls and Procedures” for further discussions of the identified material weaknesses.

Risks Related to our International Operations

Economic tension between the United States and China, or between other countries, may intensify and the United States, China, or other countries may adopt drastic measures in the future that impact our business.

Our merchants source a large percentage of the products we list on our platform from China and other countries outside the United States and Europe. Additionally, most of our merchants, and some of our operations, are located in China, making the price and availability of products on our platform susceptible to international trade risks and other international economic conditions.

If the U.S. government or other governments impose tariffs or other economic measures that directly or indirectly increase the price of products it imports and that we list on our platform, the increased prices could have a material adverse effect on our financial results and business. The effects of the imposed and proposed tariffs are uncertain because of the dynamic nature of governmental action, relations and responses. Further escalation of trade tensions between the United States and its trading partners, especially China, could result in long-term changes to global trade, including retaliatory trade restrictions that restrict the international flow of products. For example, Congress is currently considering a bill that would bar packages from non-market economies (currently only China) from qualifying for tariff-free entry into the United States under the existing de minimis statute. If this bill is enacted into law, it would make importing goods from China to the United States more complicated and expensive, which could adversely affect our business. We cannot predict what actions may ultimately be taken with respect to tariffs or trade relations between the United States and China or other countries, what products may be subject to such actions, or what actions may be taken by the other countries in retaliation. Any alterations to our business strategy or operations made in order to adapt to or comply with any such changes would be time-consuming and expensive, and certain of our competitors may be better suited to withstand or react to these changes.

Additionally, certain jurisdictions may attempt to restrict the operation and access of certain China-based companies, such as TikTok, WeChat and Alipay in the United States. In response, government authorities in China, or elsewhere, may seek to restrict access and operation of U.S. companies. Most of our merchants and some of our operations are located in China; if our operations or our merchant’s activities were restricted in China, our platform, our business, financial condition, and results of operations would be adversely affected.

We are not able to predict future economic policy of the United States, China, or of any foreign countries in which we operate. The adoption and expansion of restrictions, including restrictions on access to apps and other platforms, cross-border data transfers, tariffs, or other governmental action related to economic policies, has the potential to adversely impact our business, operational results and financial position.

Certain aspects of our business relating to the provision of financial services are subject to government regulation and oversight.

Many jurisdictions in which we operate have laws that govern financial services activities. Regulators in certain jurisdictions may determine that certain aspects of our business are subject to these laws and could require us to obtain licenses to continue to operate in such jurisdictions. For example, if we are deemed to be a money transmitter as defined by applicable regulation, we could be subject to certain laws, rules and regulations enforced by multiple authorities and governing bodies in the United States and abroad. If we are found to be a money transmitter or lender under any applicable regulation and we are not in compliance with such regulations, we may be subject to fines or other penalties in one or more jurisdictions levied by federal or state or local regulators, including state Attorneys General, as well as those levied by foreign regulators. In addition to fines, penalties for failing to comply with applicable rules and regulations could include criminal and civil proceedings or other enforcement actions. We could also be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny.

One of our subsidiaries, ContextLogic B.V., received a payments institution license in 2021 from its regulatory authority, De Nederlandsche Bank. This license permits ContextLogic B.V. to operate as a payment service provider (including acquiring and executing payment transactions, as referred to in the Revised Payment Services Directive ("2015/2366/EU") in the Netherlands. In addition, ContextLogic B.V. can offer its payment services in all other countries of the European Economic Area ("EEA") on the basis of a European passport. As a regulated financial institution, ContextLogic B.V. is in compliance and will continue to comply with financial services regulations, including those relating to anti-money laundering, combating the financing of terrorism, and sanctioned or prohibited persons.

We continue to evaluate our options for seeking additional licenses and/or subsidiaries in several other jurisdictions to optimize our payment solutions, interchange fees, and to support the future growth of our business. We could be denied such licenses, have existing licenses revoked, or be required to make significant changes to our business operations before being granted such licenses. If we are denied licenses or such licenses are revoked, we may be forced to cease or limit business operations in certain jurisdictions, including in the EEA, and even if we are able to obtain such licenses, we could be subject to fines or other enforcement action, or stripped of such licenses, if we are found to violate the requirements of such licenses. Such regulatory actions, or the need to obtain regulatory approvals, could impose significant costs and involve substantial delay in payments we make in certain local markets, any of which could adversely affect our business, financial condition, or operating results.

In addition, laws related to money transmission and online payments are evolving, and changes in such laws could affect our ability to provide payment processing on our platform in the same form and on the same terms as we have historically, or at all. As we evolve our business or make changes to our business structure, we may be subject to additional laws or requirements related to money transmission, lending, online payments and financial regulation. These laws govern, among other things, money transmission, prepaid access instruments, lending, electronic funds transfers, anti-money laundering, combating the financing of terrorism, banking, systematic integrity risk assessments, cyber security of payment processes, sanctions and import and export restrictions. Our business operations may not always comply with these financial laws and regulations. Historical or future non-compliance with these laws or regulations could result in significant criminal and civil lawsuits, penalties, forfeiture of significant assets or other enforcement actions. Costs associated with fines and enforcement actions, as well as reputational harm, changes in compliance requirements or limits on our ability to expand our product offerings, could harm our business.

Further, our payment system is susceptible to illegal and improper uses, including money laundering, terrorist financing, fraud and payments to sanctioned parties. We have invested and will need to continue to invest substantial resources to comply with applicable financial services legislation, including anti-money laundering, combating the financing of terrorism, and sanctions laws. Government authorities may seek to bring legal action against us if we fail to prevent or detect that our payment system is used for improper or illegal purposes or if our enterprise risk management or controls are not adequately assessed, updated, or implemented, and any such action could result in financial or reputational harm to our business.

Additionally, some of our merchants use applications, such as WeChat, for transmitting payments and communicating with us. If any of these payment applications were limited or banned by governmental authorities, certain payments could be delayed or our communications with merchants could be adversely impacted.

Certain aspects of our business are subject to global trade customs regulations and government oversight.

We are also within the scope of certain customs enquiries and subject to international trade law enforcement, that could require us to incur an increase in costs and/or impacting the supply and delivery-times of products from merchants to consumers, potentially causing us to experience damage in reputation and/or restricting our rate of global growth.

Our business is conducted worldwide, with goods imported from and exported to a substantial number of countries. The vast majority of products sold on our platform are shipped internationally. We are subject to numerous regulations, including customs and international trade laws that govern the importation, exportation, and sale of goods. For example, due to abrupt new VAT regulations in Colombia (and related evolving interpretations of the same by local regulatory enforcement agencies), the de minimis threshold exception to remitting VAT for certain low-value declared parcels was removed, subjecting any and all parcels (regardless of import value) to VAT payment obligations. Further, there was industry-wide confusion as to whether the exemption from VAT liability applied to items "shipped from" or "originating in" countries with which Colombia has a Free Trade Agreement (“FTA”). This caused certain parcels shipped by Wish merchants to be held up at Colombia customs, causing delays and increasing charges for consumers. Also, in the first quarter of 2018, PostNord, the postal service in Sweden, suspended delivery of packages coming from outside the European Union as it evaluated imposing processing fees and collection of taxes, which resulted in a decrease in sales in Sweden. In addition, during the initial outbreak of COVID-19, our cross-border logistics function was severely impacted in terms of both disrupted processing capabilities and increased costs, which resulted in a decrease in sales due to higher logistics costs and higher refund rates due to poor performance.

In addition, we face risks associated with trade protection laws, policies and measures and other regulatory requirements affecting trade and investment, including loss or modification of exemptions for taxes and tariffs, imposition of new tariffs and duties, and import and export licensing requirements in the countries in which we operate. If these laws or regulations were to change or were violated by our management, employees or merchants, we could experience delays in shipments of our goods, be subject to fines or penalties, or suffer reputational harm, which could reduce demand for our services and negatively impact our results of operations.

Legal requirements are frequently changed and subject to interpretation, and we are unable to predict the ultimate cost of compliance with these requirements or their effects on our operations. We may be required to make significant expenditures to comply with existing or future laws and regulations, which may increase our costs and materially limit our ability to operate our business. In addition, changes to legal requirements can create delays in the introduction and sale of our products and services, or in some cases, prevent the export or import or our products and services to certain countries, governments, or persons altogether.

We rely on the free flow of goods through open and operational ports worldwide. Labor disputes or other disruptions at ports create significant risks for our business, particularly if work slowdowns, lockouts, strikes, or other disruptions occur. Any of these factors could result in reduced sales or canceled orders, which may limit our growth and damage our reputation and may have a material adverse effect on our business, results of operations, financial condition, and prospects.

We may see a significant loss of revenue in France or from users in France as a result of French regulator enforcement actions.

In November 2021, France’s Directorate General for Competition, Consumer Affairs and Repression of Fraud (“DGCCRF”) issued an injunction delisting the Wish “App” from Google Play and the Apple App Store, and blocking Wish from appearing in Google, Bing and Qwant search results on the premise that unsafe products or products of poor quality are available for purchase on Wish. The DGCCRF is relying on an untested interpretation and enforcement of Europe’s Market Surveillance Regulation (“MSR”) to support its position that Wish is responsible as a distributor for products sold by merchants on the platform, and regarding the role of Wish in platform liability and immunity. In addition to the delisting and blocking, the injunction could also expose Wish to fines and penalties. As far as we know, this is a case of first impression in Europe; we are the first e-commerce company that we are aware of in the EU that has faced any such delisting/blocking, and the first of its kind in France. We took immediate measures to challenge the injunction, and to suspend and lift it. We are in the process of the legal challenge.

In December 2021, the French Administrative Court upheld the delisting injunction, but in so doing noted that the delisting is not intended to be, and should not be, permanent. We promptly appealed and that challenge is currently making its way through the appeals process in the French domestic courts. Concurrently, we are also working on and towards a timeline for the lifting of the delisting injunction.

Meanwhile, the injunction has had significant effects on our revenues from France as we are unable to acquire new users on the App, old users are precluded from upgrading or updating their app, and mobile or web users are unable to find us or navigate to us from the main search engines in France. In addition, we have ceased ad spend in France as a direct and proximate result of the injunction as there is no return on such an investment nor would we recoup any revenue from ad spending. We anticipate that in 2022 we may lose as much as 80-85% of our marketplace revenue in France as a result of the injunction if the delisting injunction is not ended, lifted or otherwise overruled.

This injunction and the legal proceedings challenging it could also subject the Company to substantial costs, divert resources and the attention of management from the Company’s business, and harm the Company’s business and financial results. We may also be subject to additional civil and criminal litigation and/or penalties from the DGCCRF relating to any purported or perceived moderation of the platform and/or merchant activity on the platform.

The injunction may also expose us to risk in the EU generally, should other regulators take a similar approach or interpretation to the MSR, and we may be the subject of additional requests for information, document requests or information in the EU.

Separately, in late December 2021, authorities in France charged ContextLogic with legal violations relating to the Company’s former policy permitting merchants to use strikethrough pricing in France, the Company’s previous failure to translate into French listings and product details on the Company’s app and website, and the Company’s anti-counterfeiting policies and practices. The Company disputes the charges and is prepared to defend itself at the hearing in 2022. Any adverse outcome could result in payment of substantial fines, payments to allegedly impacted consumer groups, harm to our reputation, loss of rights, or adverse changes to our offerings or business practices in France. Any of these results could adversely affect our business. In addition, defending claims may be costly and may impose a significant burden on our management.

Our international operations are subject to increased risks.

There are inherent risks in doing business internationally, including:

- expenses associated with localizing our products and services and user data, including offering our users and merchants the ability to transact business in the local currency and language, and adapting our platform to local preferences;
- challenges to enforceability in some foreign jurisdictions of so-called “clickwrap” contracts with our customers, merchants and Wish Local retailers;
- trade barriers and changes in trade regulations;
- difficulties in developing, staffing, and simultaneously managing a large number of varying foreign operations as a result of distance, language, and cultural differences;
- stringent local labor laws and regulations;
- credit risk and higher levels of payment fraud;
- laws or regulations related to the import or export of goods alleged to violate third-party intellectual property rights;
- political or social unrest, economic instability, repression, or human rights issues;
- geopolitical events, including natural disasters, public health issues, acts of war, and terrorism;

- compliance with U.S. laws such as the Foreign Corrupt Practices Act and foreign laws prohibiting corruption, U.S. and foreign economic and trade sanctions laws, and U.S. and foreign laws designed to combat money laundering and the financing of terrorist activities;
- antitrust and competition regulations;
- potentially adverse tax developments and consequences;
- economic uncertainties relating to sovereign and other debt;
- different, uncertain, or more stringent user protection, data protection, data collection, privacy, payments, advertising, pricing, and other laws;
- limitations by governmental authorities on transmission of privacy information and other data between countries, whether from the United States or other jurisdictions;
- restrictions on sales or distribution of certain products or services and uncertainty regarding liability for products, services, content, including uncertainty as a result of less internet-friendly legal systems, local laws, lack of legal precedent, and varying rules, regulations, and practices;
- risks related to other government regulation or required compliance with local laws;
- national or regional differences in macroeconomic growth rates; and
- local licensing and reporting obligations.

Violations of the complex foreign and U.S. laws and regulations that apply to our international operations may result in litigation, fines, criminal actions, or sanctions against us, our officers, or our employees; restrictions on the operations of our business; and damage to our reputation. Although we have implemented policies and procedures designed to promote compliance with these laws, there can be no assurance that our employees, contractors, or agents will not violate our policies. These risks inherent in our international operations and expansion increase our costs of doing business internationally and could harm our business.

We face exposure to foreign currency exchange rate fluctuations.

Our user pricing and payments are denominated in the local currencies of the users, primarily in U.S. dollars and Euros, and we make a majority of our payments in Renminbi (“RMB”) to the merchants in China for products sold on the Wish platform, which creates exposure to currency rate fluctuations. Additionally, our operating expenses are denominated in the currencies of the countries in which our operations are located, and may be subject to fluctuations due to changes in foreign currency exchange rates, particularly changes in RMB. As part of our currency hedging strategy, we use financial instruments such as forward contracts to hedge our foreign currency exposure in order to reduce the frequency that we need to adjust local currency pricing as well as reduce the short-term impact of foreign currency rate fluctuations on our operating results.

Any factors that reduce cross-border trade or make such trade more difficult could harm our business.

Cross-border trade is an important source of revenue for us. The shipping of goods across national borders is often more expensive and complicated than domestic shipping. Customs and duty procedures and reviews, including duty-free thresholds in various key markets, the interaction of national postal systems, and security related governmental processes at international borders, may increase costs, discourage cross-border purchases, delay transit, and create shipping uncertainties. Any factors that increase the costs of cross-border trade or restrict, delay, or make cross-border trade more difficult or impractical, including any delays or other factors caused by the current conflict between Russia and Ukraine arising from the invasion of Ukraine by Russia, would lower our revenue and profits and could harm our business.

Changes in China's economic, political or social conditions or government policies could have a material adverse effect on our business and operations.

Most of our merchants, and some of our operations, are located in China. Accordingly, our business, financial condition, results of operations, and prospects may be influenced to a significant degree by political, economic and social conditions in China generally. The Chinese economy differs from the economies of most developed countries in many respects, including the level of government involvement, level of development, and growth rate. The Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

Uncertainties with respect to the People's Republic of China's ("PRC") legal system and changes in laws and regulations in China could adversely affect us.

Our operations in China are governed by PRC laws and regulations. Our Chinese subsidiaries are subject to laws and regulations applicable to foreign investment in China. The PRC legal system is a civil law system based on written statutes. Unlike the common law system, prior court decisions under the civil law system may be cited for reference but have limited precedential value. In addition, any new or changes in PRC laws and regulations related to foreign investment in China could affect the business environment and our ability to operate our business in China.

From time to time, we may have to resort to administrative and court proceedings to enforce our legal rights. Any administrative and court proceedings in China may be protracted, resulting in substantial costs and diversion of resources and management attention. Since PRC administrative and court authorities have significant discretion in interpreting and implementing statutory provisions and contractual terms, it may be more difficult to evaluate the outcome of administrative and court proceedings and the level of legal protection we enjoy than in more developed legal systems. These uncertainties may impede our ability to enforce the contracts we have entered into and could materially and adversely affect our business and results of operations.

Furthermore, the PRC legal system is based in part on government policies and internal rules, some of which are not published on a timely basis or at all and may have retroactive effect. As a result, we may not be aware of our violation of any of these policies and rules until sometime after the violation. Such unpredictability towards our contractual, property and procedural rights could adversely affect our business and impede our ability to continue our operations.

We may be adversely affected by the complexity, uncertainties and changes in PRC regulation of internet-related businesses and companies, and any lack of requisite approvals, licenses or permits applicable to our business may have a material adverse effect on our business and results of operations.

The Chinese government extensively regulates the internet industry, including foreign ownership of, and the licensing and permit requirements pertaining to, companies in the internet industry. These internet-related laws and regulations are relatively new and evolving, and their interpretation and enforcement involve significant uncertainties. As a result, in certain circumstances it may be difficult to determine what actions or omissions may be deemed to be in violation of applicable laws and regulations.

Because our business may be subject to governmental supervision and regulation by the relevant Chinese governmental authorities in many aspects of the operation of online retailing, we may be required to hold a number of licenses and permits in connection with our business operation. New laws and regulations may be adopted from time to time to require additional licenses and permits other than those we currently have. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to online retail businesses. If the Chinese government considers that we were operating without the proper approvals, licenses or permits, or promulgates new laws and regulations that require additional approvals or licenses or impose additional restrictions on the operation of any part of our business, it has the power, among other actions, to levy fines, confiscate our income, revoke our business licenses, or require us to discontinue our relevant business or impose restrictions on the affected portion of our business. Any of these or other regulatory actions by the Chinese governmental authorities, including issuance of official notices, change of policies, promulgation of regulations and imposition of sanctions, may adversely affect our business and have a material and adverse effect on our results of operations.

Risks Related to Network and Infrastructure

Any significant disruption in service on our platform or in our computer systems, some of which are currently hosted by third-party providers, could damage our reputation and result in a loss of users, which would harm our business and results of operations.

Our brand, reputation and ability to deliver a positive user experience depends upon the reliability of our infrastructure. We have experienced interruptions in these systems in the past, including server failures that temporarily slowed down or interfered with the performance of our websites and apps, or particular features of our websites and apps, and we may experience interruptions in the future. For example, in June 2020, we experienced a full platform outage for more than one hour due to the release of a software update that did not follow proper internal protocols. We have since updated our processes for following such protocols. Interruptions, whether due to system failures, human errors, computer viruses, physical or electronic break-ins, denial-of-service attacks, and capacity limitations, could prevent or inhibit the ability of merchants to access, or users from completing purchases on, our websites and apps. Volume of traffic and activity on our platform spikes on certain days, and any such interruption would be particularly problematic if it were to occur at such a high-volume time. Problems with the reliability of our systems could prevent us from earning revenue and could harm our reputation. Damage to our reputation, any resulting loss of user confidence and the cost of remedying these problems could negatively affect our business, results of operations, financial condition, and prospects.

We either lease or own our servers and have service agreements with data center providers. Our systems and operations are vulnerable to damage or interruption from fire, flood, power loss, telecommunications failure, terrorist attacks, acts of war, electronic and physical break-ins, computer viruses, earthquakes, and similar events. The occurrence of any of the foregoing events could result in damage to our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for losses that may occur. Our systems are not completely redundant, so a system failure at one site could result in reduced platform functionality for our users, and a total failure of our systems could cause our websites or apps to be inaccessible by some or all of our users. A significant portion of our data storage, data processing and other computing services and systems is hosted by Amazon Web Services ("AWS"). AWS provides us with computing and storage capacity pursuant to an agreement that continues until terminated by either party. Problems with our third-party service providers, including AWS, or with their network providers or with the systems allocating capacity among their users, including us, could adversely affect our users' experience. Our third-party service providers could decide to close their facilities without adequate notice. Any financial difficulties, such as bankruptcy or reorganization, faced by our third-party service providers or any of the service providers with whom they contract may have negative effects on our business, the nature and extent of which are difficult to predict. If our third-party service providers are unable to keep up with our needs for capacity, this could have an adverse effect on our business. In the event that our agreement with AWS, or other third-party service providers, is terminated, or we add additional cloud infrastructure service providers, we may experience significant costs or downtime in connection with the transfer to, or the addition of, new cloud infrastructure service providers. Any of the above circumstances or events may harm our reputation and brand, reduce the availability or usage of our platform, lead to a significant short-term loss of revenue, increase our costs, and impair our ability to attract new users or merchants, any of which could adversely affect our business, financial condition, and results of operations.

Our failure or the failure of third parties to protect our sites, networks and systems against security breaches, or otherwise to protect our confidential information, could damage our reputation and brand and substantially harm our business and operating results.

We collect, maintain, transmit, and store data about our users, merchants and others, including personally identifiable information and personal data, as well as other confidential information.

We also engage third parties that store, process, and transmit these types of information on our behalf. We rely on technology licensed from third parties in an effort to securely transmit confidential and sensitive information, including credit card numbers. Advances in computer capabilities, new technological discoveries, or other developments may result in the whole or partial failure of this technology to protect transaction data or other confidential and sensitive information from being breached or compromised. In addition, ecommerce websites are often attacked through compromised credentials, including those obtained through phishing, credential stuffing, and password spraying. Our security measures, and those of our third-party service providers, may not detect or prevent all attempts to breach our systems, viruses, malicious software, break-ins, phishing attacks, accidental actions or omissions to act that create vulnerabilities, social engineering, security breaches, or other attacks and similar disruptions that may jeopardize the security of information stored in or transmitted by our websites, networks and systems or that we or such third parties otherwise maintain, including payment card systems, which may subject us to fines or higher transaction fees or limit or terminate our access to certain payment methods. We and such third parties may not be able to anticipate or prevent all types of attacks, and we may not detect such attacks until after they have already been launched. Further, techniques used to obtain unauthorized access to or sabotage systems change frequently and may not be known until launched against us or our third-party service providers. In addition, security breaches can also occur as a result of non-technical issues, including intentional or inadvertent actions by our employees or by third parties. These risks may increase over time as the complexity and number of technical systems and applications we use also increases.

Cyber security incidents or breaches of our security measures or those of our third-party service providers or cyber security incidents could result in unauthorized access to our websites, networks and systems; unauthorized access to and misappropriation of our data, including user information, personally identifiable information, or other confidential or proprietary information of ours or of third parties; viruses, worms, spyware, or other malware being served from our websites, networks, or systems; deletion or modification of content or the display of unauthorized content on our sites; interruption, disruption, or malfunction of operations; costs relating to breach remediation, deployment of additional personnel and protection technologies, response to governmental investigations and media inquiries and coverage; engagement of third-party experts and consultants; litigation, regulatory action and other potential liabilities. Further, due to the political uncertainty involving Russia and Ukraine, there is an increased likelihood that escalation of tensions could result in cyber attacks that could either directly or indirectly impact our operations. Social engineering, phishing, malware, and similar attacks and threats of denial-of-service attacks could have a material adverse effect on our operations. Additionally, from time to time, our merchants' and users' accounts have been subject to unauthorized access by third parties, including through illicit purchase of usernames and passwords by bad actors. If any of these breaches of security should occur, our reputation and brand could be damaged, our business may suffer, we could be required to expend significant capital and other resources to alleviate problems caused by such breaches, and we could be exposed to a risk of loss, litigation or regulatory action and possible liability. We cannot guarantee that recovery protocols and backup systems will be sufficient to prevent data loss. Actual or anticipated attacks may cause us to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants. In addition, any party who is able to illicitly obtain a user or merchant password could access the user or merchant's transaction data or personal information, resulting in the perception that our systems are insecure.

Any compromise or breach of our security measures, or those of our third-party service providers, could violate applicable privacy, data protection, data security, network and information systems security and other laws and cause significant legal and financial exposure (including costs for technical teams to investigate and remediate such incidents), adverse publicity and a loss of confidence in our security measures, which could have a material adverse effect on our business, results of operations, financial condition, and prospects. We devote significant resources to protect against security breaches and we may need to devote more resources in the future to address problems caused by breaches, including notifying affected users and responding to any resulting litigation, which in turn, diverts resources from the growth and expansion of our business.

We are subject to governmental regulation and other legal obligations related to privacy, data protection, information security, and consumer protection. If we are unable to comply with these, we may be subject to governmental enforcement actions, litigation, fines and penalties, or adverse publicity.

We collect personally identifiable information and other data from users and prospective users. We use this information to provide services and relevant products to our users, to support, expand and improve our business, and to tailor our marketing and advertising efforts. We may also share users' personal data with certain third parties as authorized by the user or as described in our privacy policy.

As a result, we are subject to governmental regulation and other legal obligations related to the protection of confidential and sensitive data (including personally identifiable information and personal data), privacy, information security and consumer protection in certain countries where we do business and there has been and will continue to be a significant increase globally in such laws that restrict or control the use of personal data.

In Europe, where the data privacy and information security regime underwent a significant change in 2018, the legal environment related to personal data continues to evolve and companies like us that process personal data from large numbers of individuals are subject to increasing regulatory scrutiny. The General Data Protection Regulation ("GDPR") implemented more stringent operational requirements for our use of personal data. These more stringent requirements include expanded disclosures to tell our users about how we may use their personal data, increased controls on profiling users and increased rights for users to access, control and delete their personal data. In addition, there are mandatory data breach notification requirements and significantly increased penalties of the greater of €20 million or 4% of global turnover for the preceding financial year.

Although there are legal mechanisms to allow for the transfer of personal data from the United Kingdom, EEA and Switzerland to the United States, uncertainty about compliance with such data protection laws remains and such mechanisms may not be available or applicable with respect to the personal data processing activities necessary to research, develop and market our products and services. For example, legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the EEA to the United States could result in further limitations on the ability to transfer personal data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers, such as the EU-U.S. and Swiss-U.S. Privacy Shield Frameworks. Specifically, on July 16, 2020, the Court of Justice of the European Union invalidated Decision 2016/1250 on the adequacy of the protection provided by the EU-U.S. Privacy Shield Framework ("Schrems II" decision). To the extent that we or our service providers were to rely on the EU-U.S. Privacy Shield Framework, we may not be able to do so in the future, which could increase our costs and limit our ability to process personal data from the European Union. The Schrems II decision also cast doubt on the ability to use one of the primary alternatives to the Privacy Shield, namely, the European Commission's Standard Contractual Clauses, to lawfully transfer personal data from Europe to the United States and most other countries. In November 2020, the European Commission released a draft of revised Standard Contractual Clauses, and, in January 2021, the European Data Protection Board and the European Data Protection Supervisor issued a joint opinion regarding these revised Standard Contractual Clauses. These revised Standard Contractual Clauses and related developments, opinions, and guidance from European regulators may significantly increase our liability under, and compliance costs related to, cross-border data transfers and the GDPR, and may impact our ability to operate and deliver services in the European Economic Area.

Following its exit from the European Union in January 2020, the United Kingdom implemented legislation referred to as the "UK-GDPR" which substantially aligns with requirements and penalties under the EU GDPR. We may face similar costs, risks, and operational impacts in complying with the UK-GDPR as we face in complying with the EU GDPR.

In recent years, U.S. and European lawmakers and regulators have expressed concern over the use of third-party cookies and similar technologies for online behavioral advertising, and laws in this area are also under reform. In the European Union, current national laws that implement the ePrivacy Directive will be replaced by an EU regulation known as the ePrivacy Regulation. The draft ePrivacy Regulation retains existing informed consent conditions and also imposes the strict opt-in marketing rules on direct marketing that is "presented" on a web page rather than sent by email, alters rules on third-party cookies and similar technology and significantly increases penalties for breach of the rules. Regulation of cookies and similar technologies may lead to broader restrictions on our marketing and personalization activities and may negatively impact the effectiveness of our marketing. Such regulations may also increase regulatory scrutiny and increase potential civil liability under data protection or consumer protection laws. The ePrivacy Regulations draft also advocates the development of browsers that block cookies by default. These developments could impair our ability to collect user information, including personal data and usage information, that helps us provide more targeted advertising to our current and prospective users, which could adversely affect our business, given our use of cookies and similar technologies to target our marketing and personalize the user experience. We may incur liabilities, expenses, costs, and other operational losses under GDPR and applicable EU Member States and the U.K. privacy laws in connection with any measures we take to comply with them.

As interpretation of both the ePrivacy Regulation and GDPR develop, we could incur substantial costs to comply with these regulations. The changes could require significant systems changes, limit the effectiveness of our marketing activities, adversely affect our margins, increase costs and subject us to additional liabilities.

In the United States, federal and various state governments have adopted or are considering, laws, guidelines or rules for the collection, distribution, use and storage of information collected from or about users or their devices. For example, California passed the California Consumer Privacy Act (the "CCPA"), which became effective on January 1, 2020 and introduced substantial changes to privacy law for businesses that collect personal information from California residents. The CCPA creates individual privacy rights for California consumers and increases the privacy and security obligations of entities handling certain personal information. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. And on November 3, 2020, California passed the California Privacy Rights Act (the "CPRA"). The CPRA, which will not be fully in effect until January 1, 2023, amends and expands the CCPA, including the introduction of sensitive personal information as a new regulated dataset in California that is subject to new disclosure and purpose limitation requirements. Other states may decide to adopt similar laws in the future. Additionally, the U.S. Federal Trade Commission and many state attorneys general are applying federal and state consumer protection laws, to impose standards for the online collection, use and dissemination of data. Furthermore, these obligations may be interpreted and applied inconsistently from one jurisdiction to another and may conflict with other requirements or our practices.

In September 2021 and November 2021, the People's Republic of China made effective its new Data Security Law and Personal Information Protection Law, respectively. While there are many aspects of these laws that are still yet-to-be-defined, they impose complex and far-reaching requirements related to cybersecurity and the processing of personal data, both within China and extraterritorially. Potential penalties under the Personal Information Protection Law are severe, at up to the greater of 5% of global revenue or $7.7 million. The precise scope and impact of these laws is still unclear but they could significantly increase our compliance costs, cause us to suffer monetary penalties, or otherwise adversely impact our business and operations.

Many data protection regimes apply based on where a user is located, and as we expand our platform and new laws are enacted or existing laws change, we may be subject to new laws, regulations or standards or new interpretations of existing laws, regulations or standards, including those in the areas of data security, data privacy and regulation of email providers and those that require localization of certain data, which could require us to incur additional costs and restrict our business operations. Any failure or perceived failure by us to comply with rapidly evolving privacy or security laws policies (including our own stated privacy policies), legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of personally identifiable information or other user data may result in governmental enforcement actions, litigation (including user class actions), fines and penalties or adverse publicity and could cause our users to lose trust in us, which could have a material adverse effect on our business, results of operations, financial condition, and prospects.

A failure to comply with current laws, rules and regulations or changes to such laws, rules and regulations and other legal uncertainties may adversely affect our business, financial performance, results of operations or business growth.

Our business and financial performance could be adversely affected by unfavorable changes in or interpretations of existing laws, rules, and regulations or the promulgation of new laws, rules, and regulations applicable to us and our business, including those relating to the internet and ecommerce, internet advertising and price display, consumer protection, anti-corruption, economic and trade sanctions, tax, payments, banking, data security, network and information systems security, data protection and privacy. As a result, regulatory authorities could prevent or temporarily suspend us from carrying on some or all of our activities or otherwise penalize us if our practices were found not to comply with applicable regulatory or licensing requirements or any binding interpretation of such requirements. Unfavorable changes or interpretations could decrease demand for our services, limit marketing methods and capabilities, affect our margins, increase costs or subject us to additional liabilities. For example, as a result of the initial outbreak of COVID-19, consumer protection authorities demanded rapid and decisive changes in the way that Wish screens and handles product listings that potentially violate various laws, including emergency price caps on certain items. We believe we have legal grounds to satisfy current requests or prevail against associated fines and penalties, and we intend to vigorously defend such fines and penalties.

Additionally, there are, and will likely continue to be, an increasing number of laws and regulations pertaining to the internet and ecommerce that may relate to liability for information retrieved from or transmitted over the internet, display of certain taxes and fees, online editorial and user-generated content, user privacy, data security, network and information systems security, behavioral targeting and online advertising, taxation, liability for third-party activities, quality of services and consumer protection. For example, the European Digital Services Act (DSA) which is expected to take effect later in 2022 through 2023, intends to impose new legal obligations on online marketplaces operating in Europe in terms of both verifying and ensuring the accuracy of the information, safety, and authenticity of products posted by third-party merchants. The DSA also updates the responsibilities and liabilities of digital online services, such as the rules on illegal content, notice-and-takedown, and online targeted advertising, bringing new powers to fine in-scope eligible companies up to 6% of their global annual turnover. Some open questions in the industry still remain as to what impact the pending DSA's proactive monitoring and content moderation obligations will have on online marketplace platforms' existing liability safe harbor protections available currently under the European Union's already-in-existence eCommerce Directive (ECD). In addition, the European Union’s Market Surveillance Regulation, which took effect in July 2021, placed new obligations on online marketplaces that perform certain “fulfilment service provider” activities in Europe and was designed to reduce the availability of non-compliant products in Europe when offered by sellers outside of the region that either had or did not have an appointed authorized product compliance representative in Europe. Denmark has passed a law placing new burdens on marketplaces and giving its regulators the right to request fines and shutdowns where marketplaces are consistently unsuccessful in screening products that are unsafe or unlawful. Furthermore, the growth and development of ecommerce may prompt calls for more stringent consumer protection laws and more aggressive enforcement efforts, which may impose additional burdens on online businesses generally.

Likewise, the Securities and Exchange Commission (the “SEC”), the U.S. Department of Justice, the U.S. Treasury Department’s Office of Foreign Assets Controls, the U.S. Department of State, as well as other foreign regulatory authorities continue to enforce economic and trade regulations and anti-corruption laws, across industries. U.S. trade sanctions relate to transactions with designated foreign countries and territories, including Cuba, Iran, North Korea, Syria and the Crimea region of Ukraine, as well as specifically targeted individuals and entities that are identified on United States’ and other blacklists, and those owned by them or those acting on their behalf. Further, In February 2022, following Russia’s invasion of Ukraine, the U.S. and other countries announced sanctions against Russia. The U.S. and other countries could impose wider sanctions and take other actions should the conflict further escalate. While it is difficult to anticipate the impact the sanctions announced to date may have on the Company, any further sanctions imposed or actions taken by the U.S. or other countries, and any retaliatory measures by Russia in response, could have an adverse effect on our business.

Anti-corruption laws, including the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, generally prohibit direct or indirect corrupt payments to government officials and, under certain laws, to private persons to obtain or retain business or an improper business advantage. Although we have policies and procedures in place designed to promote compliance with these laws and regulations, our employees, partners, or agents could take actions in contravention of our policies and procedures or violate applicable laws or regulations. In the event our controls should fail, or we are found to be not in compliance for other reasons, we could be subject to monetary damages, civil and criminal monetary penalties, withdrawal of business licenses or permits, litigation and damage to our reputation and the value of our brand.

Additionally, the law relating to liability of online service providers is currently unsettled. Lawmakers and governmental agencies have in the past and could in the future require changes in the way our business is conducted, including with explicit obligations to inspect and screen content and products or implicit obligations that might stem from increased legal liability for online service providers. Unfavorable regulations, laws, decisions, or interpretations by government or regulatory authorities applying those laws and regulations, or inquiries, investigations, or enforcement actions threatened or initiated by them, could cause us to incur substantial costs, expose us to unanticipated civil and criminal liability or penalties (including substantial monetary fines), increase our cost of doing business, require us to change our business practices in a manner materially adverse to our business, damage our reputation, impede our growth, or otherwise have a material effect on our operations.

Risk Related to Our Intellectual Property

We may be unable to protect our intellectual property adequately.

Our intellectual property is an essential asset of our business, and our success is dependent, in part, upon protecting our intellectual property. To establish and protect our intellectual property rights, we rely on a combination of trade secret, copyright, trademark and, to a lesser extent, patent laws, as well as confidentiality protection procedures and contractual provisions. The efforts we have taken to protect our intellectual property may not be sufficient or effective. We generally do not elect to register our copyrights, relying instead on the laws protecting unregistered intellectual property, which may not be sufficient. We rely on both registered and unregistered trademarks, which may not always be comprehensive in scope. In addition, our copyrights and trademarks, whether or not registered, and patents may be held invalid or unenforceable if challenged and may be of limited territorial reach. Moreover, effective trademark, copyright, patent and trade secret protection may not be available or commercially feasible in every country in which we conduct business. Further, intellectual property law, including statutory and case law, particularly in the United States, is constantly developing, and any changes in the law could make it harder for us to enforce our rights. While we have obtained or applied for patent protection with respect to some of our intellectual property, we generally do not rely on patents as a principal means of protecting intellectual property. We make business decisions about when to seek patent protection for a particular technology and when to rely upon trade secret protection, and the approach we select may ultimately prove to be inadequate. To the extent we do seek patent protection, any U.S. or other patents issued to us may not be sufficiently broad to protect our proprietary technologies.

We may be subject to claims that items listed on our platform are counterfeit, infringing or illegal, which may harm our business.

We frequently receive communications alleging that items listed on our platform infringe third-party copyrights, trademarks, or other intellectual property rights. We have intellectual property complaint and take-down procedures in place to address these communications, and we believe such procedures are important to promote confidence in our platform and provide users reassurance in the products they are purchasing. We follow these procedures to review complaints and relevant facts to determine the appropriate action, which may include removal of the item from our platform and, in certain cases, prohibiting merchants from participating in our platform who repeatedly violate our policies.

Our procedures may not effectively reduce or eliminate our liability. In particular, we may be subject to civil or criminal liability for activities carried out by merchants on our platform, especially outside the United States where laws may offer less protection for intermediaries and platforms than the United States. Under current U.S. copyright law, we may benefit from statutory safe harbor provisions that protect us from copyright liability for content posted on our platform by our merchants and users. However, trademark and patent laws do not include similar statutory provisions, and liability for these forms of intellectual property is often determined by court decisions. These safe harbors and court rulings may change unfavorably. In that event, we may be held secondarily liable for the intellectual property infringement of merchants on our platform. We may also be directly liable for the inventory we purchase ourselves that we sell on our platform.

In addition, allegations of infringement of intellectual property rights, including but not limited to counterfeit items, have resulted in actual litigation from time to time by rights owners against merchants. These and similar suits have resulted in the freezing of merchant accounts or the shutdown of merchant storefronts on our platform, which can adversely impact revenue in the short-term, and may require us to spend substantial resources to comply with court orders. We may also incur costs responding to subpoenas from governmental authorities regarding illegal or counterfeit products listed for sale on our platform. In addition, we may receive media attention relating to the listing or sale of illegal or counterfeit goods, which could damage our reputation, diminish the value of our brand, and make users and merchants reluctant to use our platform.

Regardless of the validity of any claims made against us, we may incur significant costs and efforts to defend against or settle them.

Under our standard form agreements, we require our merchants to indemnify us for any losses we suffer or any costs that we incur due to any products sold by these merchants. However, we may not be able to successfully enforce our contractual rights and may need to initiate costly and lengthy legal proceedings to protect our rights.

We may be subject to intellectual property claims, which are extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies in the future.

Companies in the internet and technology industries are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. We periodically receive communications that claim we have infringed, misappropriated or misused others' intellectual property rights. To the extent we gain greater public recognition, we may face a higher risk of being the subject of intellectual property claims. Third parties may have intellectual property rights that cover significant aspects of our technologies or business methods and prevent us from expanding our offerings. Any intellectual property claim against us, with or without merit, could be time consuming and expensive to settle or litigate and could divert the attention of our management. Litigation regarding intellectual property rights is inherently uncertain due to the complex issues involved, and we may not be successful in defending ourselves in such matters.

In addition, some of our competitors have extensive portfolios of issued patents. In a patent infringement claim against us, we may assert, as a defense, that we do not infringe the relevant patent claims, that the patent is invalid, or both. The strength of our defenses will depend on the patents asserted, the interpretation of these patents, and our ability to invalidate the asserted patents. However, we could be unsuccessful in advancing non-infringement and/or invalidity arguments in our defense. In the United States, issued patents enjoy a presumption of validity, and the party challenging the validity of a patent claim must present clear and convincing evidence of invalidity, which is a high burden of proof. Conversely, the patent owner need only prove infringement by a preponderance of the evidence, which Is a lower burden of proof. We may be unaware of the intellectual property rights that others may claim cover some or all of our technology or services. Because patent applications can take years to issue and are often afforded confidentiality for some period of time, there may currently be pending applications, unknown to us, that later result in issued patents that could cover one or more of our products.

Many potential litigants, including some of our competitors and patent holding companies, have the ability to dedicate substantial resources to enforcing their intellectual property rights. Moreover, our patents may provide little or no deterrence in litigation involving patent holding companies or other adverse patent owners that have no relevant product revenue. Any claims successfully brought against us could subject us to significant liability for damages and we may be required to stop using technology or other intellectual property alleged to be in violation of a third-party's rights in jurisdictions where we do business. We also might be required to enter into costly settlement agreements or seek a license for third-party intellectual property. Even if a license is available, we could be required to pay significant royalties or submit to unreasonable terms, which would increase our operating expenses. We may also be required to develop alternative non-infringing technology, which could require significant time and expense. If we cannot license or develop technology for any allegedly infringing aspect of our business, we would be forced to limit our service and may be unable to compete effectively. Any of these results could harm our business.

Our software is highly complex and may contain undetected errors.

The software and code underlying our platform is highly interconnected and complex and may contain undetected errors or vulnerabilities, some of which may only be discovered after the code has been released. We typically release software code daily and this practice may result in the more frequent introduction of errors or vulnerabilities into the software underlying our platform, which can impact the user and merchant experience on our platform. Additionally, due to the interconnected nature of the software underlying our platform, updates to certain parts of our code, including changes to our website or mobile app or third-party APIs on which our website and mobile app rely, could have an unintended impact on other sections of our code, which may result in errors or vulnerabilities to our platform. Any errors or vulnerabilities discovered in our code after release could result in damage to our reputation, loss of our merchants or users, loss of revenue, or liability for damages, any of which could adversely affect our growth prospects and our business.

Our use of open source software may pose particular risks to our proprietary software and systems.

We use open source software in our proprietary software and systems and will use open source software in the future. The licenses applicable to our use of open source software may require that source code that is developed using open source software be made available to the public and that any modifications or derivative works to certain open source software continue to be licensed under open source licenses. From time to time, we may face claims from third parties claiming infringement of their intellectual property rights, or demanding the release or license of the open source software or derivative works that we developed using such software (which could include our proprietary source code) or otherwise seeking to enforce the terms of the applicable open source license. These claims could result in litigation and could require us to purchase a costly license, publicly release the affected portions of our source code, be limited in or cease using the implicated software unless and until we can re-engineer such software to avoid infringement or change the use of, or remove, the implicated open source software. Our use of open source software may also present additional security risks because the source code for open source software is publicly available, which may make it easier for hackers and other third parties to determine how to breach our website and systems that rely on open source software. Any of these risks could be difficult to eliminate or manage, and, if not addressed, could have a material adverse effect on our business, results of operations, financial condition, and prospects.

Risks Related to Our Taxes and Financial Position

Our business and our merchants and users may be subject to sales and other taxes and these taxes may negatively impact our revenue and growth.

The application of indirect taxes, such as sales and use tax, value-added tax, provincial taxes, goods and services tax, business tax and gross receipt tax to our business and to our merchants is a complex and evolving issue. In addition, governments are increasingly looking for ways to increase revenue, which has resulted in discussions about new legislative action to increase tax revenue, including through indirect taxes.

Significant judgment and expertise is required to evaluate applicable tax obligations. As a result, amounts recognized may be subject to adjustments by the relevant tax authorities. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business or to the businesses of our merchants. One or more states, the federal government or other countries may seek to impose additional reporting, recordkeeping or indirect tax collection obligations on businesses like ours that facilitate ecommerce.

State and local taxing authorities in the United States have identified ecommerce platforms as a means to calculate, collect and remit indirect taxes for transactions taking place over the internet. U.S. states began enacting related legislation with effective dates in early 2018 and in June 2018, the U.S. Supreme Court held in South Dakota v. Wayfair that a U.S. state may require an ecommerce platform to collect sales taxes imposed by the state in which the buyer is located, even if the retailer has no physical presence in that state, thus permitting a wider enforcement of such sales tax collection requirements. All U.S. states have since followed suit in enacting similar legislation and proposed legislation is in process in the few remaining states.

Outside of the United States, the application of value added tax or other indirect taxes on ecommerce providers continues to evolve. An increasing number of jurisdictions are legislating or have adopted laws that impose new taxes, including revenue-based taxes that target ecommerce and the remote selling of goods. These laws include new obligations to collect sales, consumption, value added, or similar taxes on ecommerce platform and remote sellers, or other requirements that may result in liability for third-party obligations. As a result of Brexit, the U.K. began imposing value added tax on ecommerce platform effective January 2021, and the European Union abolished its low value goods exemption effective July 2021 and require online marketplace facilitators to collect and remit value added tax. Our business could be adversely affected by additional taxes that focus on marketplace service revenue.

Additionally, existing and new tax laws and legislation could require us or our merchants to incur substantial costs in order to comply, including costs associated with legal advice, tax calculation, collection, remittance and audit requirements, which could make selling in such markets less attractive and could adversely affect our business. Further, these laws can be applied prospectively or retroactively. Noncompliance with new laws may result in fines or penalties. It is possible we may not have sufficient notice to create and adopt processes to properly comply with new reporting or collection obligations by the effective date.

Our results of operations and cash flows could be adversely affected by additional taxes or increasing taxes of this nature imposed on us prospectively or retroactively, or additional taxes or penalties resulting from the failure to comply with any collection obligations or failure to provide information about our users, merchants or other third parties for tax reporting purposes to various government agencies.

We may experience fluctuations in various tax related obligations.

We are subject to various taxes in the United States and in many other jurisdictions. We record these taxes based on current tax payment calculations and estimates of tax liabilities, which may include estimates of probable settlements of tax audits. The determination of these liabilities requires estimation and significant judgment and the ultimate determination is uncertain. At any time, multiple tax years could be subject to audit by various taxing jurisdictions. As a result, we could be subject to higher than anticipated tax liabilities as well as ongoing variability in our quarterly tax rates related to potential audits and as exposures are re-evaluated. While we have estimated accruals that we believe are reasonable to cover potential exposures, the reserves may ultimately not be sufficient and additional cash outflows may result. Fluctuations in our tax obligations could adversely affect our business.

We may not be able to utilize a significant portion of our net operating loss carryforwards, and other tax attributes, which could adversely affect our profitability.

As of December 31, 2021, we had federal net operating loss carryforwards ("NOLs") available to reduce future taxable income, if any, of $886 million that begin to expire in 2030 and continue to expire through 2037 and $1.3 billion that have an unlimited carryover period. As of December 31, 2021, we had state NOLs available to reduce future taxable income, if any, of $4.3 billion that begin to expire in 2026 and continue to expire through 2041 and $1.3 billion that have an unlimited carryover period. Under legislation enacted in 2017, informally titled the Tax Cuts and Jobs Act (the "Tax Act"), as modified by the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), unused U.S. federal NOLs generated in tax years beginning after December 31, 2017, will not expire and may be carried forward indefinitely, but the deductibility of such federal NOLs in tax years beginning after December 31, 2021, is limited to 80% of taxable income. It is uncertain if and to what extent various states will conform to the Tax Act or the CARES Act. In addition, the utilization of NOLs and other tax attributes to offset future taxable income or taxes may be subject to limitations under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), and similar state statutes as a result of ownership changes that have occurred or could occur in the future. Additionally, portions of these NOLs could expire unused and be unavailable to offset future income tax liabilities. In addition, at the state level, there may be periods during which the use of net operating losses is suspended or otherwise limited. For example, California recently imposed limits on the usability of California state NOLs to offset taxable income in tax years beginning after 2019 and before 2023. As a result, even if we attain profitability, we may be unable to use a material portion of our NOLs and other tax attributes, which could adversely affect our future cash flows, which could adversely affect our profitability.

We may need additional capital, which may not be available to us on acceptable terms or at all.

We believe that our existing cash, cash equivalents and marketable securities, together with cash generated from our operations, will be enough to meet our anticipated cash needs for at least the next 12 months. However, we may require additional cash resources due to changes in business conditions or other developments, such as acquisitions or investments we may decide to pursue. Any debt financing that we may secure in the future could result in additional operating and financial covenants that would limit or restrict our ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. It is also possible that financing may not be available to us in amounts or on terms acceptable to us, if at all.

Risks Related to Our Class A Common Stock

The price of our Class A common stock has been and continues to be volatile. Declines in the price of our Class A common stock has resulted in and could subject us to future litigation.

Prior to our IPO in December 2020, there was no public market for our Class A common stock. If trading in our Class A common stock is not active, investors and other stockholders may not be able to sell their shares quickly, at the market price or at all. In addition, the market price of our Class A common stock has fluctuated and declined and may continue to fluctuate or decline substantially. Further, the trading prices of the securities of technology companies have historically been highly volatile. Accordingly, the price of our Class A common stock has been subject to wide fluctuations and could continue to be subject to wide fluctuations for many reasons, many of which are beyond our control, including those described in this "Risk Factors" section and others such as:

- variations in our operating results and other financial and operational metrics, including the key financial and operating metrics disclosed in this report, as well as how those results and metrics compare to analyst and investor expectations;
- speculation about our operating results in the absence of our own financial projections;

- failure of analysts to initiate or maintain coverage of our company, changes in their estimates of our operating results or changes in recommendations by analysts that follow our Class A common stock;
- announcements of new services or enhancements, strategic alliances or significant agreements or other developments by us or our competitors;
- announcements by us or our competitors of mergers or acquisitions or rumors of such transactions involving us or our competitors;
- changes in our senior management or other key personnel;
- disruptions in our platform due to hardware, software or network problems, security breaches or other issues;
- the strength of the global economy or the economy in the jurisdictions in which we operate, and market conditions in our industry and those affecting our merchants and users;
- trading activity by our principal stockholders and other market participants, in whom ownership of our Class A common stock may be concentrated following our IPO;
- changes in legal or regulatory requirements relating to our business;
- litigation or other claims against us;
- the conversion and subsequent sale of Class B common stock held by our founder
- the number of shares of our Class A common stock that are available for public trading; and
- any other factors discussed in this report.

In addition, if the market for technology stocks or the stock market in general experiences a loss of investor confidence, the price of our Class A common stock could decline for reasons unrelated to our business, results of operations or financial condition. The price of our Class A common stock might also decline in reaction to events that affect other companies, even if those events do not directly affect us. We have been named in lawsuits and may be subject to both ongoing litigation and other requests related to our stock price/performance and/or Board performance and independence. This could result in securities litigation. If we are the subject of additional securities class actions, it could result in substantial costs and could divert our management's attention and resources, which could adversely affect our business. Additionally, the price of our Class A common stock may be volatile and may decline regardless of our operating performance and you may lose all or part of your investment.

Our actual operating results may differ significantly from our outlook.

From time to time, we release outlook (or guidance) in our quarterly earnings conference calls, quarterly earnings releases, or otherwise, regarding our future financial performance that represents our management's estimates as of the date of release. This outlook, which includes forward-looking statements, is based on projections prepared by our management. This outlook is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants (AICPA) regarding projections or the SEC regarding forward-looking statements, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines the projections. Accordingly, no such person will express any opinion or any other form of assurance with respect to the projections.

Projections are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, industry, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. The principal reason that we release outlook is to provide a basis for our management to discuss our business expectations with analysts and investors. We do not accept any responsibility for any projections or reports published by any such third parties.

Outlook is necessarily speculative in nature, and it can be expected that some or all of the assumptions underlying the outlook furnished by us will not materialize or will vary significantly from actual results. Accordingly, our outlook is only an estimate of what management believes is realizable as of the date of release. Actual results may vary and the variations may be material. We expressly disclaim any obligations to update or revise any outlook, whether as a result of new information, future events or otherwise, except as required by law. In light of the foregoing, investors are urged to put the outlook in context and not place undue reliance on it.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this “Risk Factors” section in this Form 10-K could result in the actual operating results being different from our outlook, and the differences may be adverse and material.

Our directors, executive officers and principal stockholders beneficially own a substantial percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.

Our directors, executive officers, greater than 5% stockholders and their respective affiliates held in the aggregate approximately 70% of the voting power of our outstanding capital stock as of December 31, 2021. In addition, Piotr Szulczewski, our founder and member of the Board was able to exercise voting rights with respect to an aggregate of approximately 63 million shares of our capital stock, which represented approximately 66% of the voting power of our outstanding capital stock as of December 31, 2021. Therefore, these stockholders will continue to have the ability to influence us through their ownership position. For example, our CEO and these stockholders would be able to control elections of directors, amendments of our charter documents or approval of any merger, sale of assets or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our capital stock that other stockholders may feel are in their best interests.

The dual class structure of our common stock has the effect of concentrating voting control with certain stockholders, in particular, our former Chief Executive Officer, which will limit investors’ ability to influence the outcome of important transactions, including a change in control.

Our Class B common stock has 20 votes per share, and our Class A common stock has one vote per share. Stockholders who held shares of Class B common stock, including our executive officers, employees, and directors and their affiliates, together held approximately 70% of the voting power of our outstanding common stock as of December 31, 2021. This includes shares subject to proxies held by Mr. Szulczewski, which represented approximately 66% of the voting power of our outstanding capital stock as of December 31, 2021. Because of the 20-to-one voting ratio between our Class B and Class A common stock, the holders of our Class B common stock collectively control a majority of the combined voting power of our common stock and therefore are able to control all matters submitted to our stockholders for approval so long as the shares of Class B common stock represent at least 5% of all outstanding shares of our Class A and Class B common stock. This concentrated control limits or precludes your ability to influence corporate matters for the foreseeable future.

Future transfers by holders of Class B common stock will generally result in those shares converting to Class A common stock, subject to limited exceptions. The conversion of Class B common stock to Class A common stock will have the effect, over time, of increasing the relative voting power of those holders of Class B common stock who retain their shares in the long term. If, for example, Mr. Szulczewski retains a significant portion of his holdings of Class B common stock for an extended period of time, he could, in the future, continue to control a majority of the combined voting power of our Class A common stock and Class B common stock.

In addition, in July 2017, FTSE Russell and Standard & Poor's announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400, and S&P SmallCap 600, which together make up the S&P Composite 1500. Under the announced policies, our multi-class capital structure would make us ineligible for inclusion in any of these indices, and as a result, mutual funds, exchange-traded funds, and other investment vehicles that attempt to passively track these indices will not be investing in our stock. It is as of yet unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included.

Future sales and issuances of our Class A common stock or rights to purchase Class A common stock could result in additional dilution to our stockholders and could cause the price of our Class A common stock to decline.

We may issue additional Class A common stock, convertible securities or other equity. We also expect to issue Class A common stock to our employees, directors and other service providers pursuant to our equity incentive plans and Class B common stock with respect to awards currently outstanding under our 2010 Stock Plan. Such issuances could be dilutive to investors and could cause the price of our Class A common stock to decline. New investors in such issuances could also receive rights senior to those of holders of our Class A common stock.

The price of our Class A common stock could decline if there are substantial sales of our Class A common stock, particularly sales by our directors, executive officers, employees, and significant stockholders, or when there is a large number of shares of our Class A common stock available for sale.

The market price of the shares of our Class A common stock could decline as a result of the sale of a substantial number of our shares of common stock in the public market or the perception in the market that the holders of a large number of shares intend to sell their shares.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of our company more difficult, could limit attempts to make changes in our management and could depress the price of our Class A common stock.

Provisions in our certificate of incorporation and bylaws may have the effect of delaying or preventing a change in control of our company or limiting changes in our management. Among other things, they provide:

- for a dual class common stock structure, which provides Mr. Szulczewski with the ability to control the outcome of matters requiring stockholder approval, even if he owns significantly less than a majority of the shares of our outstanding Class A and Class B common stock;
- at any time after our first annual meeting of stockholders when the outstanding shares of our Class B common stock represent less than 40% of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three-year terms;
- at any time after our first annual meeting of stockholders when the outstanding shares of our Class B common stock represent less than 40% of the combined voting power of our common stock, directors will be able to be removed only for cause and only by the affirmative vote of the holders of at least two-thirds of the voting power of our common stock. Vacancies on our board of directors will be able to be filled only by our board of directors and not by stockholders;
- certain amendments to our restated certificate of incorporation or bylaws will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock;
- authorization of the issuance of "blank check" preferred stock that our board of directors could use to implement a stockholder rights plan;

- at any time after our first annual meeting of stockholders when the outstanding shares of our Class B common stock represent less than 40% of the combined voting power of our common stock, our stockholders will only be able to take action at a meeting of stockholders and not by written consent;
- stockholders may not call special meetings of the stockholders and our restated certificate of incorporation provides that so long as our outstanding shares of Class B common stock represent 25% or more of our total voting power, any transaction that would result in a change in control of us will require the approval of a majority of our outstanding Class B common stock voting as a separate class;
- our board of directors is expressly authorized to amend or repeal any provision of our bylaws;
- that the forum for certain litigation against us must be Delaware or the U.S. federal district courts; and
- advance notice requirements for nominations for election to our board of directors or for proposing matters that can be acted upon by stockholders at annual stockholder meetings.

These provisions may delay or prevent attempts by our stockholders to replace members of our management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, Section 203 of the Delaware General Corporation Law (the “DGCL”) may delay or prevent a change in control of our company. Section 203 imposes certain restrictions on mergers, business combinations and other transactions between us and holders of 15% or more of our common stock. Anti-takeover provisions could depress the price of our common stock by acting to delay or prevent a change in control of our company.

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

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware and the federal district courts of the United States of America are the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty; (iii) any action arising pursuant to any provision of the DGCL, our certificate of incorporation or bylaws (as either may be amended from time to time); (iv) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or our bylaws; or (v) any action asserting a claim against us that is governed by the internal affairs doctrine.

This provision does not apply to suits brought to enforce a duty or liability created by the Exchange Act. Furthermore, Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all such Securities Act actions. Accordingly, both state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our certificate of incorporation further provides that the U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act. While the Delaware courts have determined that such choice of forum provisions are facially valid, a stockholder may nevertheless seek to bring a claim in a venue other than those designated in the exclusive forum provisions. In such instance, we would expect to vigorously assert the validity and enforceability of the exclusive forum provisions of our certificate of incorporation. This may require significant additional costs associated with resolving such action in other jurisdictions and there can be no assurance that the provisions will be enforced by a court in those other jurisdictions.

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

We do not intend to pay dividends on our capital stock, so any returns will be limited to increases in the value of our Class A common stock.

We have never declared or paid any cash dividends on our capital stock. We currently anticipate that we will retain future earnings for the operation and expansion of our business. Accordingly, we do not anticipate declaring or paying any cash dividends for the foreseeable future. In addition, the terms of our Revolving Credit Facility contain, and any future credit facility or financing we obtain may contain, terms prohibiting or limiting the amount of dividends that may be declared or paid on our common stock. Any return to stockholders will therefore be limited to increases in the price of our Class A common stock, if any.

General Risk Factors

Our quarterly and annual operating results may fluctuate, which could cause our stock price to decline.

Our quarterly and annual operating results may fluctuate for a variety of reasons, many of which are beyond our control. These reasons include those described in this “Risk Factors” section as well as the following:

- the amount and timing of our sales and marketing costs;
- our user acquisition strategies;
- traffic on our platform;
- selling prices on our platform and the percentage of revenue we retain from the sale of products;
- mix of products listed on our platform;
- fraud, including the sale of counterfeit goods, and refunds, including our response to these areas;
- continued impact from COVID-19, including the effects of phasing out of governmental measures, decreased online activity, and phasing out of government stimulus programs;
- the level of merchant advertising on our platform;
- disruptions in supply or shipment of products listed on our platform, especially from China where most of our merchants are currently located;
- the actions of app stores and advertising platforms such as Facebook and Google;
- seasonality;
- fluctuations in exchange rates;
- the amount and timing of our other operating expenses;
- the expiration of expiration of contractual lock-up agreements and market standoff agreements;
- the impact of competitive developments and our response to those developments;
- changes in carrier policies and pricing and resulting higher logistics costs;
- actual or perceived disruptions or defects in our platform, such as data security breaches or outages;
- changes in laws and regulations that impact our business;
- changes in tax laws in the jurisdictions in which we operate; and
- general political, economic, and market conditions, particularly those affecting our industry.

Fluctuations in our quarterly and annual operating results may cause those results to fall below the expectations of analysts or investors, which could cause the price of our Class A common stock to decline. Fluctuations in our results could also cause a number of other problems. For example, analysts or investors might change their models for valuing our Class A common stock, we could experience short-term liquidity issues, our ability to retain or attract key personnel may diminish, and other unanticipated issues may arise.

In addition, we believe that our quarterly and annual operating results may vary in the future and that period-to-period comparisons of our operating results may not be meaningful. For example, our historical growth may have overshadowed the seasonal effects on our historical operating results. These seasonal effects may become more pronounced over time, which could also cause our operating results to fluctuate. You should not rely on the results of one quarter or one year as an indication of future performance.

Seasonality may cause fluctuations in our operating results.

Our operating results are seasonal in nature because our transaction volume is affected by traditional retail selling periods that impact sales on our platform. Our historical growth may have reduced or outweighed seasonal effects on our past financial results. However, seasonal effects may become more pronounced over time, which could cause fluctuations in our financial results. For example, sales on our platform have historically peaked in the fall and user activity begins to slow down in December as it may be too late to place orders for holiday delivery. Additionally, we have historically experienced some slowdown in merchant activity in late January or early February due to our China-based merchants celebrating the Chinese New Year holiday.

Catastrophic events may disrupt our business.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce, and the global economy, and thus could harm our business. In the event of a major earthquake, hurricane or catastrophic event such as fire, power loss, telecommunications failure, cyber-attack, war, or terrorist attack, pandemic or epidemic, we may be unable to continue our operations and may endure reputational harm, delays in developing our platform and solutions breaches of data security and loss of critical data, all of which could harm our business, results of operations, and financial condition.

Additionally, we rely on our network and third-party infrastructure and applications, internal technology systems, and our websites for our development, marketing, operational support, hosted services, and marketing activities. If these systems were to fail or be negatively impacted as a result of a natural disaster or other event, our ability to deliver a positive user and merchant experience would be impaired.

As we grow our business, the need for business continuity planning and disaster recovery plans will grow in significance. If we are unable to develop adequate plans to ensure that our business functions continue to operate during and after a disaster, and successfully execute on those plans in the event of a disaster or emergency, our business and reputation would be harmed.

We may be subject to tax related controversies.

We may also be subject to tax controversies in the United States and in foreign jurisdictions that can result in tax assessments against us. Developments in an audit, investigation, or other tax controversy can have a material effect on our operating results or cash flows. We regularly assess the likelihood of an adverse outcome resulting from these proceedings to determine the adequacy of our tax accruals and while we believe our tax estimates are reasonable, the final outcome of audits, investigations, and any other tax controversies could be materially different from our historical tax accruals.

Operating as a public company requires us to incur substantial costs and requires substantial management attention. In addition, our management team has limited experience managing a public company and the requirements of being a public company may strain our resources, divert management's attention and affect our ability to attract and retain additional executive management and qualified board members.

As a public company, we incur substantial legal, accounting, and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934 as amended (the "Exchange Act"), the applicable requirements of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), the Dodd-Frank Wall Street Reform and Consumer Protection Act and the rules and regulations of the SEC. The rules and regulations of Nasdaq also apply to us. As part of the new requirements, we need to establish and maintain effective disclosure and financial controls and we have made changes to our corporate governance practices. We expect that compliance with these requirements will increase our legal and financial compliance costs and will make some activities more time-consuming or costly and increase demand on our systems and resources.

Many members of our management and other key personnel have little experience managing a public company and preparing public filings. In addition, as a public company, our management and other key personnel must divert attention from other business matters to devote substantial time to the reporting and other requirements of being a public company. In particular, we incur significant expense and devote substantial management effort to complying with the requirements of Section 404 of the Sarbanes-Oxley Act. We will need to continue to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

As a result of disclosure of information in this report and in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by stockholders and competitors. If such claims are successful, our business and operating results could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and operating results.

In addition, as a result of our disclosure obligations as a public company, we have reduced flexibility and are under pressure to focus on short-term results, which may adversely affect our ability to achieve long-term profitability.

If our estimates or judgments relating to our critical accounting policies prove to be incorrect or financial reporting standards or interpretations change, our operating results could be adversely affected.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates, judgments, and assumptions that affect the amounts reported in our consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations." The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities, and equity as of the date of the financial statements, and the amount of revenue and expenses, during the periods presented, that are not readily apparent from other sources. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to the fair value of financial instruments, useful lives of long-lived assets, fair value of common stock prior to IPO, fair value of derivative instruments, fair value of redeemable convertible preferred stock and related redeemable convertible preferred stock warrant and equity awards and other equity issuances prior to IPO, incremental borrowing rate applied to lease accounting, contingent liabilities, allowances for refunds and chargebacks and uncertain tax positions. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of industry or financial analysts and investors, resulting in a decline in the trading price of our Class A common stock.

If analysts do not publish research about our business or if they publish inaccurate or unfavorable research, our stock price and trading volume could decline.

The trading market for our Class A common stock will depend in part on the research and reports that analysts publish about our business. We do not have any control over these analysts. If one or more of the analysts who cover us downgrade our Class A common stock or publish inaccurate or unfavorable research about our business, the price of our Class A common stock would likely decline. If few analysts cover us, demand for our Class A common stock could decrease and our Class A common stock price and trading volume may decline. Similar results may occur if one or more of these analysts stop covering us in the future or fail to publish reports on us regularly.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

Our corporate headquarters occupies approximately 69,000 square feet in San Francisco, California under leases that expire in 2025. We also lease offices in California and Washington, as well as locations internationally, including in China and the Netherlands.

In February 2022, our Board of Directors approved a restructuring plan. As part of the restructuring, we are evaluating options to decrease our real estate footprint, which include subleasing and/or terminating parts of our facility leases located in San Francisco and San Jose, California and Toronto, Canada. See the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations— February 2022 Restructuring Plan" and Notes to Consolidated Financial Statements, Note 12. Subsequent Events, "February 2022 Restructuring Plan," for further discussion of our restructuring plan.

Item 3. Legal Proceedings.

The information set forth under the heading "Legal Contingencies and Proceedings" in Note 7, Commitments and Contingencies, in Notes to Consolidated Financial Statements in Item 8 of Part II of this Report, is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not applicable.

PART II

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

Market Price of Our Class A Common Stock

Our Class A common stock has been listed on the Nasdaq Global Select Market under the symbol “WISH”. Our Class B common stock is neither listed nor traded.

Holders of Record

As of December 31, 2021, we had 37 holders of record of our Class A common stock and 77 holders of record of our Class B common stock. Because many of our shares of Class A common stock are held in street name by brokers and other nominees on behalf of stockholders, we are unable to estimate the total number of beneficial owners of our Class A common stock represented by these holders of record.

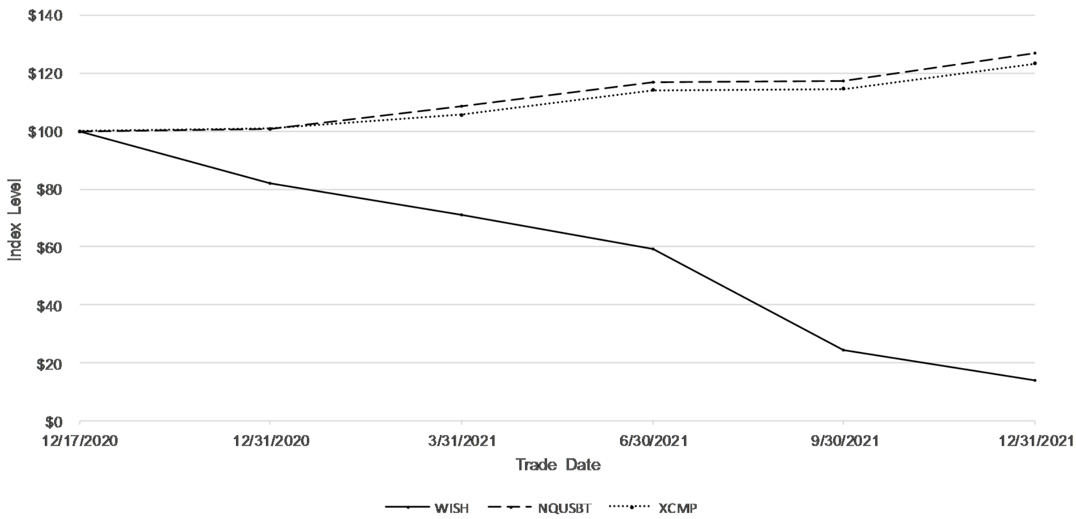
Dividend Policy

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain any future earnings and do not expect to pay any dividends in the foreseeable future. Any future determination to declare cash dividends will be made at the discretion of our board of directors, subject to applicable laws, and will depend on a number of factors, including our financial condition, results of operations, capital requirements, contractual restrictions, general business conditions, and other factors that our board of directors may deem relevant.

Stock Performance Graph

This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of ContextLogic, Inc. under the Securities Act, or the Exchange Act.

The following graph compares the cumulative total return to stockholders on our common stock relative to the cumulative total returns of the Nasdaq Composite Total Return Index (XCMP) and the Nasdaq US Benchmark Retail TR Index (NQUBST). An investment of $100 is assumed to have been made in our common stock and in each index on December 17, 2020, the date our Class A common stock began trading on the Nasdaq, and its relative performance is tracked through December 31, 2021. The returns shown are based on historical results and are not intended to suggest future performance.



Unregistered Sales of Equity Securities

None.

Issuer Purchases of Equity Securities

None.

Securities Authorized for Issuance Under Equity Compensation Plans

The information required by this item is incorporated herein by reference to our definitive proxy statement for our 2021 annual meeting of stockholders, which will be filed not later than 120 days after the end of our fiscal year ended December 31, 2021.

Item 6. [Reserved]

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, including statements that involve expectations, plans or intentions (such as those relating to future business, future results of operations or financial condition, new or planned features or services, management strategies or timing and other expectations regarding our business). You can identify these forward-looking statements by words such as "may," "will," "would," "should," "could," "expect," "anticipate," "believe," "estimate," "intend," "plan" and other similar expressions. These forward-looking statements involve risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties include, among others, those discussed in "Item 1A: Risk Factors" of this Annual Report on Form 10-K, as well as in our consolidated financial statements, related notes, and the other information appearing elsewhere in this report and our other filings with the Securities and Exchange Commission. We do not intend, and undertake no obligation, to update any of our forward-looking statements after the date of this report to reflect actual results or future events or circumstances. Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. You should read the following Management's Discussion and Analysis of Financial Condition and Results of Operations in conjunction with the special note regarding forward-looking statements, consolidated financial statements and the related notes included in this report. A discussion regarding our financial condition and results of operations for the year ended December 31, 2020 compared to the year ended December 31, 2019 is included under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020.

Financial Results for the Year Ended December 31, 2021

- Total revenue was $2.1 billion.
- Total costs of revenue and operating expenses were $2.5 billion, including stock-based compensation expense of $141 million.
- Loss from operations was $367 million.
- Net loss was $361 million.
- Cash and cash equivalents and marketable securities were $1.2 billion.

As of December 31, 2021, we had an accumulated deficit of $2.5 billion. We expect losses from operations to continue for the foreseeable future as we incur costs and expenses related to brand development, expansion of market share, and continued development of our mobile shopping marketplace infrastructure.

In 2021, we faced the headwinds of reduced retention and new buyer conversion and a rise in digital advertising costs. In response to rising digital advertising costs, which contributed to lower marketing efficiency, starting in the third quarter of 2021, we decided to significantly reduce our digital advertising expenditures as we focused our resources on other strategic initiatives. As discussed below under "Key Financial and Performance Metrics," our monthly active users ("MAUs") and last twelve months ("LTM") active buyers were negatively impacted by our decision to significantly reduce our digital advertising expenditures. Starting in the third quarter of 2021, in response to these headwinds, we commenced a number of initiatives that we believe will improve the user experience and increase retention, including (i) enhancing our product quality and selection, (ii) providing an unmatched fun and entertaining shopping experience, and (iii) improving the performance of the app. We believe our continued strategy to enhance users' experience in our marketplace and provide a more differentiated and engaging user experience will position us for long-term sustainable growth.

Impact of the COVID-19 Pandemic

As of the date of filing of this Annual Report, the outbreak of coronavirus disease 2019 ("COVID-19"), including recent and any future variants, has affected businesses worldwide, and continues to impact the major markets in which we operate. Our business, operations and financial condition and results have been and may continue to be impacted by the COVID-19 pandemic and a range of external factors related to the COVID-19 pandemic that are not within our control. The COVID-19 pandemic has resulted in significant governmental measures being implemented at various times and in various geographic areas over the course of the pandemic to control the spread of the virus. Our operations as well as the operations of our third-party merchants have been, and we expect will continue to be, disrupted by varying individual and governmental responses to COVID-19 around the world.

In addition, the COVID-19 pandemic has also disrupted the global supply chain, which may interfere with the delivery of our merchants' products to our users. Our MAUs, LTM Active Buyers and revenue may be negatively impacted due to a combination of reasons including: (i) macroeconomic factors such as worldwide retail businesses reopening; (ii) the disruption of the global supply chain; (iii) increased consumer spending on travel and other discretionary items; and, (iv) the waning impact of U.S. and other government economic stimulus programs.

February 2022 Restructuring Plan

In February 2022, our Board of Directors approved the February 2022 Restructuring Plan ("Restructuring Plan") to refocus our operations to support sustainable long-term growth, better align resources, and improve operational efficiencies. We expect the Restructuring Plan to be substantially implemented by the end of fiscal year 2022.

The Restructuring Plan includes i) reducing our headcount by approximately 15% (or approximately 190 positions), ii) exiting various facility leases, and iii) reducing and realigning vendor expenditures. In connection with the Restructuring Plan, we estimate that we will incur one-time charges of $3 million for employee severance and other personnel reduction costs and a maximum of $21 million consisting of costs to exit certain facility leases and related noncash impairments of lease assets and property and equipment. We anticipate that related severance payments will occur by the end of the second quarter of 2022. We expect to achieve an approximate range of $32 to $37 million in annualized cost savings as a result of the Restructuring Plan.

Initial Public Offering

In December 2020, we completed our IPO of Class A common stock, in which we sold 46 million shares. The shares were sold at an IPO price of $24.00 per share for net proceeds of $1.1 billion, after deducting underwriting discounts and commissions of approximately $52 million. We incurred offering costs, net of reimbursements, of approximately $6 million.

Our Financial Model

Our business benefits from powerful network effects, fueled by our data advantage and massive scale. As more users join Wish, attracted by our affordable value proposition and personalized shopping experiences, we are able to increase revenue potential for our merchants. The successes of our merchants attract more merchants and broaden the product selection on Wish's platform, which further improves user experiences. The growth in users and merchants generates more data, which, in turn, refines our algorithm and strengthens our data advantage. By focusing on users and merchants, we align their success with our own.

The economics of the Wish platform rely on cost-effectively adding new users, converting those users into buyers, and improving engagement and monetization of those buyers over time as well as acquiring new merchants and monetizing the end-to-end services that we provide to them.

Key Financial and Performance Metrics

In addition to the measures presented in our consolidated financial statements, we monitor the following key metrics and other financial information to measure our performance, identify trends affecting our business, and make strategic decisions.

	Year Ended December 31,		
	2021	2020	2019
		(in millions)	
MAU	74	107	90
LTM Active Buyers	38	64	62
Adjusted EBITDA	$ (199)	$ (217)	$ (127)
Adjusted EBITDA Margin	(10)%	(9)%	(7)%
Free Cash Flow	$ (953)	$ (2)	$ (71)

Monthly Active Users

We define MAUs as the number of unique users that visited the Wish platform, either on our mobile app, mobile web, or on a desktop, during the month. MAUs for a given reporting period equal the average of the MAUs for that period. An active user is identified by a unique email-address; a single person can have multiple user accounts via multiple email addresses. The change in MAUs in a reported period captures both the inflow of new users as well as the outflow of existing users who did not visit the platform in a given month. We view the number of MAUs as key driver of revenue growth as well as a key indicator of user engagement and brand awareness.

MAUs decreased approximately 31% from the year ended December 31, 2021 compared to the year ended December 31, 2020. We believe this decline was primarily driven by our decision to significantly reduce our digital advertising expenditures.

LTM Active Buyers

As of the last date of each reported period, we determine our number of unique LTM active buyers by counting the total number of individual users who have placed at least one order on the Wish platform, either on our mobile app, mobile web, or on a desktop, during the preceding 12 months. We, however, exclude from the computation those buyers whose order is canceled before the item is shipped and the purchase price is refunded. The number of Active Buyers is an indicator of our ability to attract and monetize a large user base to our platform and of our ability to convert visits into purchases. We believe that increasing our Active Buyers will be a significant driver to our future revenue growth.

LTM Active Buyers decreased approximately 31% from the year ended December 31, 2021 compared to the year ended December 31, 2020. We believe this decline was primarily driven by reduced digital advertising expenditures resulting in lower MAUs and conversion.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

We provide Adjusted EBITDA, a non-GAAP financial measure that represents our net income (loss) before interest and other income (expense), net (which includes foreign exchange gain or loss and gain or loss on one-time transactions recognized), income tax expense, and depreciation and amortization, adjusted to eliminate stock-based compensation expense, lease termination and impairment related expenses, and remeasurement of redeemable convertible preferred stock warrant liability, and to add back certain recurring other items. Additionally, we provide Adjusted EBITDA Margin, a non-GAAP financial measure that represents Adjusted EBITDA divided by revenue. Below is a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

We have included Adjusted EBITDA and Adjusted EBITDA Margin in this report because they are key measures used by our management and board of directors to understand and evaluate our operating performance and trends and how we are allocating internal resources, to prepare and approve our annual budget and to develop short- and long-term operating plans. We also believe that the exclusion of certain items in calculating Adjusted EBITDA can provide a useful measure for period-to-period comparisons of our business as it removes the impact of non-cash items and certain variable charges.

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

- although depreciation and amortization are non-cash charges, the assets being depreciated and amortized may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;
- Adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Adjusted EBITDA does not consider the impact of stock-based compensation and related charges;
- Adjusted EBITDA does not reflect tax payments that may represent a reduction in cash available to us; and
- other companies, including companies in our industry, may calculate Adjusted EBITDA differently, which reduces its usefulness as a comparative measure.

Because of these limitations, you should consider Adjusted EBITDA and Adjusted EBITDA Margin alongside other financial performance measures, including various cash flow metrics, net income (loss) and our other GAAP results.

The following table reflects the reconciliation of net loss to Adjusted EBITDA and net loss as a percentage of revenue to Adjusted EBITDA margin for each of the periods indicated:

	Year Ended December 31,		
	2021	2020	2019
	(in millions)		
Revenue	$ 2,085	$ 2,541	$ 1,901
Net loss	(361)	(745)	(129)
Net loss as a percentage of revenue	(17)%	(29)%	(7)%
Excluding:			
Interest and other expense (income), net	(16)	2	(19)
Provision for income taxes	10	2	1
Depreciation and amortization	9	12	10
Stock-based compensation expense(1)	141	390	2
Employer payroll taxes related to stock-based compensation expense	9	8	—
Remeasurement of redeemable convertible preferred stock warrant liability	—	110	3
Lease termination and impairment related expenses	6	—	—
Recurring other items	3	4	5
Adjusted EBITDA	(199)	(217)	$ (127)
Adjusted EBITDA margin	(10)%	(9)%	(7)%

(1) Prior to our IPO, we granted restricted stock units ("RSUs") that contain both service-based and liquidity-based vesting conditions to our executives and employees. Vesting of these RSUs is subject to continuous service with the Company and satisfaction of a liquidity condition. The service condition for these RSUs is satisfied over four to five years. The liquidity condition was satisfied upon the completion of our IPO in December 2020. As a result, we recognized in the fourth quarter of 2020 a cumulative stock-based compensation expense of approximately $379 million related to these RSUs for which both the service and liquidity vesting conditions were achieved as of December 31, 2020. Refer to Note 8 of the Notes to Consolidated Financial Statements in Item 8. Financial Statements and Supplementary Data for more information.

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

	Year Ended December 31,		
	2021	2020	2019
	(in millions)		
Cash provided by (used in):			
Operating activities	$ (951)	$ —	$ (60)
Investing activities	(3)	165	(40)
Financing activities	7	1,046	132

Free Cash Flow

We also provide Free Cash Flow, a non-GAAP financial measure that represents net cash provided by (used in) operating activities less purchases of property and equipment and development of internal-use software. We believe that Free Cash Flow is an important measure since we use third parties to host our services and therefore, we do not incur significant capital expenditures to support revenue generating activities.

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

- it is not a substitute for net cash provided by (used in) operating activities;
- other companies may calculate Free Cash Flow or similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a tool for comparison; and

- the utility of free cash flow is further limited as it does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for any given period.

Because of these limitations, you should consider Free Cash Flow alongside other financial performance measures, such as net cash provided by (used in) operating activities, net income (loss) and our other GAAP results.

The following table reflects the reconciliation of net cash provided by (used in) operating activities to Free Cash Flow for each of the periods indicated:

	Year Ended December 31,		
	2021	2020	2019
		(in millions)	
Cash used in operating activities	$ (951)	$ —	$ (60)
Less:			
Purchases of property and equipment and development of internal-use software	2	2	11
Free Cash Flow	$ (953)	$ (2)	$ (71)

See the “Liquidity and Capital Resources” section below for further discussion on our cash position and future liquidity, including quarterly Free Cash Flow for the year ended December 31, 2021.

Key Factors Affecting our Performance

We believe that our performance and future success depend on a number of factors that present significant opportunities for us but also pose risks and challenges, including those discussed below and in the section titled “Risk Factors.”

Buyer Lifetime Value and Buyer Acquisition Cost Efficiency

Our success relies in part on our ability to engage users and convert them to buyers, while simultaneously optimizing our efficiency and marketing spend and efforts. Failure to effectively engage users and convert them to buyers on a cost-effective basis would adversely affect our revenue growth and operating results.

We are intently focused on optimizing the lifetime value (“LTV”) of our buyers and we seek to improve the ratio of LTV to buyer acquisition cost (“BAC”) in an effort to optimize the efficiency of our marketing spend.

We define LTV per buyer as the cumulative gross profit over a period of time attributable to new buyers acquired during a particular year (a “cohort”) divided by the total number of new buyers acquired in that cohort. We define BAC as the total digital advertising expense targeting new installations of our app in a given period divided by the number of new buyers acquired during that same period.

We look at LTV per buyer to demonstrate the long-term value attributable to each buyer acquired. We see LTV of our buyers as an indicator of the success or challenges we have in engaging our buyers, and driving monetization on our platform over time.

Revenue from New Buyers and Existing Buyers

Our success also depends on our ability to increase engagement from existing buyers while simultaneously attracting and engaging new buyers. Therefore, we focus on increasing revenue from both new and existing buyers. If we are unable to increase engagement and revenue from existing buyers and attract new buyers to our platform, our revenue and results of operations will be negatively impacted.

Average Revenue per Active Buyer

Our success also relies on our ability to continue to improve our platform and maintain and increase engagement from our active buyers. Therefore, we use average revenue per active buyer in a given cohort as an indicator of the level of engagement, the success of our discovery-based and personalized user experience, the quality of our products listed, and the overall scale and growth of our business. If we are unable to improve our platform, including, among other things, creating a positive user experience, ensuring that quality products are listed for sale, and otherwise increasing or maintaining engagement, then average revenue per active buyer may decline, which could lead to decreased revenue, which would have an adverse effect on our results of operations.

Components of Results of Operations

Revenue

Our revenue consists of marketplace and logistics revenue.

Marketplace revenue

We provide a mix of marketplace services to our customers. We provide merchants access to our marketplace where merchants display and sell their products to users. We also provide ProductBoost services to help merchants promote their products within our marketplace. Marketplace revenue includes commission fees collected in connection with user purchases of the merchants' products. The commission fees vary depending on factors such as user location, demand, product type, and dynamic pricing. We recognize revenue when a user's order is processed and the related order information has been made available to the merchant. Commission fees are recognized net of estimated refunds and chargebacks. Marketplace revenue also includes ProductBoost fees for displaying a merchant's selected products in preferential locations within our marketplace. We recognize revenue when the merchants' selected products are displayed. We refer to our marketplace revenue, excluding ProductBoost revenue, as our core marketplace revenue.

Logistics revenue

Our logistics offering for merchants, introduced in 2018, is designed for direct end-to-end order shipments from a merchant's location to the user. Logistics services include transportation and delivery of the merchant's products to the user. Merchants are required to prepay for logistics services on a per order basis.

We recognize revenue over time as the merchant simultaneously receives and consumes the logistics services benefit as the services are performed. We use an output method of progress based on days in transit as it best depicts our progress toward complete satisfaction of the performance obligation.

Cost of Revenue and Operating Expenses

Cost of revenue

Cost of revenue includes colocation and data center charges, interchange and other fees for credit card processing services, fraud and chargeback prevention service charges, costs of refunds and chargebacks made to our users that we are not able to collect from our merchants, depreciation and amortization of property and equipment, shipping charges, tracking costs, warehouse fees, and employee-related costs, including salaries, benefits, and stock-based compensation expense for our infrastructure, merchant support, and logistics personnel. Cost of revenue also includes an allocation of general IT and facilities overhead expenses.

Sales and marketing

Our sales and marketing expenses are primarily driven by the cost of acquiring and engaging users by targeting social media and search engine digital advertisements, outsourced user support services, sponsorships and local marketing campaigns. Other drivers consist of employee-related costs, including salaries, benefits, and stock-based compensation, for our employees involved in marketing, user support, and business development functions. Sales and marketing spend also includes an allocation of general IT and facilities overhead expenses as well as business development expenses for attracting merchants and conducting ongoing merchant education. We expect our sales and marketing expenses to decrease as a percentage of our revenue over the long term, although our expenses may fluctuate from period to period due to the timing of expenses related to our sales and marketing campaigns.

Product development

Our product development expenses consist primarily of employee-related costs, including salaries, benefits, and stock-based compensation for our engineers and other employees involved in product development activities. Product development costs have historically been expensed as incurred. Product development costs also include the cost of IT used by the product development team as well as an allocation of general IT and facilities overhead expenses. We expect our product development expenses to continue to increase in absolute dollars for the foreseeable future as we continue to invest in the development of our marketplace and merchant offerings.

General and administrative

Our general and administrative expenses consist primarily of employee-related costs, including salaries, benefits, and stock-based compensation for our executives, finance, legal, information technology, human resources, and other administrative teams. General and administrative expenses also include outside consulting, legal, tax, and accounting services, and facilities and other supporting overhead costs. We expect our general and administrative expenses to continue to increase in absolute dollars for the foreseeable future as we continue to invest in our corporate infrastructure to support our revenue growth. Further, we expect to incur additional general and administrative expenses in connection with being a public company.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

Remeasurement of our redeemable convertible preferred stock warrant liability was as a result of the change to the underlying redeemable convertible preferred stock value at the end of each reporting period. After our IPO, we no longer incur expenses related to the change in fair value of our redeemable convertible preferred stock warrant liability as the related warrant was exercised upon our IPO and the redeemable convertible preferred warranty liability was reclassified to Class A common stock and additional paid-in capital as it is now considered permanent equity.

Interest and Other Income (expense), net

Interest and other income (expense), net consists primarily of interest income earned on our cash, cash equivalents and marketable securities, interest expense, foreign exchange gain or loss and gain or loss from our foreign currency forward contracts.

Income Tax

Income taxes consist primarily of income taxes in certain U.S. state and foreign jurisdictions in which we conduct business. As we have expanded our global operations, we have incurred an increase in foreign tax expense. We expect this trend to continue.

Results of Operations

The following tables show our results of operations for the periods presented and express the relationship of certain line items as a percentage of revenue for those periods. The period-to-period comparison of financial results is not necessarily indicative of future results.

	Year Ended December 31,		
	2021	2020	2019
	(in millions)		
Revenue	$ 2,085	$ 2,541	$ 1,901
Cost of revenue(1)	977	947	443
Gross profit	1,108	1,594	1,458
Operating expenses:			
Sales and marketing(1)	1,102	1,708	1,463
Product development(1)	208	222	74
General and administrative(1)	165	295	65
Total operating expenses	1,475	2,225	1,602
Loss from operations	(367)	(631)	(144)
Other income (expense), net			
Interest and other income (expense), net	16	(2)	19
Remeasurement of convertible preferred stock warrant liability	—	(110)	(3)
Loss before provision for income taxes	(351)	(743)	(128)
Provision for income taxes	10	2	1
Net loss	$ (361)	$ (745)	$ (129)

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

	Year Ended December 31,		
	2021	2020	2019
	(in millions)		
Cost of revenue	$ 20	$ 35	$ —
Sales and marketing	12	23	—
Product development	59	118	—
General and administrative	50	214	2
Total stock-based compensation	$ 141	$ 390	$ 2

The following table presents the components of our consolidated statements of operations as a percentage of revenue:

	Year Ended December 31,		
	2021	2020	2019
Revenue	100%	100%	100%
Cost of revenue	47%	37%	23%
Gross profit	53%	63%	77%
Operating expenses:			
Sales and marketing	53%	67%	77%
Product development	10%	9%	4%
General and administrative	8%	12%	3%
Total operating expenses	71%	88%	84%
Loss from operations	(18)%	(25)%	(8)%
Other income (expense), net:			
Interest and other income (expense), net	1%	—	1%
Remeasurement of convertible preferred stock warrant liability	—	(4)%	—
Loss before provision for income taxes	(17)%	(29)%	(7)%
Provision for income taxes	—	—	—
Net loss	(17)%	(29)%	(7)%

Comparison of the Years Ended December 31, 2021 and 2020

Revenue

	Year Ended December 31,		Change	
	2021	2020	$	%
		(in millions)		
Core marketplace revenue(1)	$ 1,177	$ 1,827	$ (650)	(36)%
ProductBoost revenue	165	200	(35)	(18)%
Marketplace revenue	1,342	2,027	(685)	(34)%
Logistics revenue	743	514	229	45%
Revenue	$ 2,085	$ 2,541	$ (456)	(18)%

(1) Core marketplace revenue for the year ended December 31, 2021 and 2020 included approximately $22 million and $7 million, respectively, net gains from our cash flow hedging program. We did not have a hedging program prior to 2020.

Revenue decreased $456 million, or 18%, to $2.1 billion for the year ended December 31, 2021 as compared to $2.5 billion for the year ended December 31, 2020. This decrease was attributable to decreased marketplace revenue partially offset by increased logistics revenue.

Marketplace revenue decreased $685 million, or 34% to $1.3 billion for the year ended December 31, 2021, as compared to $2.0 billion for the year ended December 31, 2020. The decrease was primarily due to lower order volumes associated with reduced MAUs and LTM active buyers during 2021 as opposed to growth in order volumes during 2020. The growth in 2020 was driven by a shift of global consumers to increase mobile purchases as a response to various government responses to the COVID-19 pandemic, including lockdowns, stay-at-home orders, and business closings. As these restrictions were lifted in 2021, macroeconomic factors such as worldwide retail business reopenings, waning impact of government stimulus programs, and reduced consumer discretionary spending on mobile purchases negatively impacted our MAUs and LTM Active buyers. In addition, starting from the third quarter of 2021, the Company significantly reduced digital advertising spend in order to focus on other strategic initiatives such as focusing on improving user retention and key core marketplace fundamentals.

Logistics revenue increased $229 million or 45% to $743 million for the year ended December 31, 2021, as compared to $514 million for the year ended December 31, 2020. This increase was primarily due to accelerated merchant adoption of our A+ program and other logistics offerings, in which Wish manages the majority of shipping-related activities for merchants.

Cost of Revenue and Gross Margin

	Year Ended December 31,		Change	
	2021	**2020**	**$**	**%**
		(in millions)		
Cost of revenue	$ 977	$ 947	$ 30	3%
Percentage of revenue	47%	37%		
Gross Margin	53%	63%		

Cost of revenue increased $30 million, or 3%, to $977 million for the year ended December 31, 2021, as compared to $947 million for the year ended December 31, 2020, primarily due to an increase in logistics revenue associated with higher volumes of logistics revenues. This increase was partially offset by shipping efficiencies due to an increased percentage of orders being combined across our logistics programs, and decreases in payment service provider fees and chargeback costs due to lower volume orders associated with reduced MAUs and LTM buyers during 2021. The increase was also partially offset by a net decrease in employee-related costs driven by a one-time $35 million cumulative stock-based compensation expense that we recognized in connection with the vesting of RSUs upon our IPO, and for our employees involved in infrastructure, merchant support, and logistics functions during the year ended December 31, 2020.

The gross margin decreased to 53% for the year ended December 31, 2021 from 63% for the year ended December 31, 2020, primarily due to a shift in revenue mix. We plan on revisiting our pricing strategy in the near future and expect our prices to become more competitive. In the near term, we should experience decreased marketplace revenue on current sales volume, but expect to see corresponding increases in order volumes over time. The reduced marketplace revenue per order, if materialized, is expected to reduce gross margin as a larger portion of our revenues and corresponding costs will be originating from our lower margin logistics services during the period of such pricing changes.

Sales and Marketing

	Year Ended December 31,		Change	
	2021	**2020**	**$**	**%**
		(in millions)		
Sales and marketing	$ 1,102	$ 1,708	$ (606)	(35)%
Percentage of revenue	53%	67%		

Sales and marketing expense decreased $606 million, or 35%, to $1.1 billion for the year ended December 31, 2021, compared to $1.7 billion for the year ended December 31, 2020, primarily due to our decision to reduce digital advertising expenditures in order to focus our resources on other strategic initiatives, and to a lesser extent, due to a net decrease in employee-related costs driven by a one-time $23 million cumulative stock-based compensation expense that we recognized in connection with the vesting of RSUs upon our IPO during the year ended December 31, 2020.

Product Development

	Year Ended December 31,		Change	
	2021	2020	$	%
		(in millions)		
Product development	$ 208	$ 222	$ (14)	(6)%
Percentage of revenue	10%	9%		

Product development expense decreased $14 million, or 6%, to $208 million for the year ended December 31, 2021, as compared to $222 million for the year ended December 31, 2020, primarily as a result of a decrease in stock-based compensation expense driven by a one-time $118 million cumulative expense that we recognized in connection with the vesting of RSUs upon our IPO, for our employees involved in product development activities during the year ended December 31, 2020. The decrease was partially offset by an increase in headcount during 2021 across our product development teams, and to a lesser extent, caused by an increase in expenses associated with data warehousing, processing and analytics during the year ended December 31, 2021.

General and Administrative

	Year Ended December 31,		Change	
	2021	2020	$	%
		(in millions)		
General and administrative	$ 165	$ 295	$ (130)	(44)%
Percentage of revenue	8%	12%		

General and administrative expense decreased $130 million, or 44%, to $165 million for the year ended December 31, 2021, as compared to $295 million for the year ended December 31, 2020, primarily related to a decrease in stock-based compensation expense driven by a one-time $214 million cumulative expense that we recognized in connection with the vesting of RSUs upon our IPO during the year ended December 31, 2020. The decrease was partially offset by increases in headcount during 2021, lease termination and impairment related expenses, and indirect taxes, as well as increases in insurance, audit and legal-related expenses associated with being a publicly listed company.

Interest and Other Income (Expense), net

	Year Ended December 31,		Change	
	2021	2020	$	%
		(in millions)		
Interest and other income (expense), net	$ 16	$ (2)	$ 18	N/A
Percentage of revenue	1%	—		

Interest and other income (expense), net increased $18 million, to $16 million income for the year ended December 31, 2021, as compared to $2 million net expense for the year ended December 31, 2020, primarily as a result of increased foreign exchange gains recognized through our foreign exchange hedging program during 2021 partially offset by a decrease in interest income due to lower interest rates.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

	Year Ended December 31,		Change	
	2021	2020	$	%
		(in millions)		
Remeasurement of redeemable convertible preferred stock warrant liability	$ —	$ (110)	$ 110	100%
Percentage of revenue	—	(4)%		

We recognized the $110 million expense during the year ended December 31, 2020, related to the change in fair value of the redeemable convertible preferred stock warrant liability. There was no remeasurement charge recognized during the year ended December 31, 2021 because immediately prior to the completion of our IPO in December 2020, the outstanding redeemable convertible preferred stock warrant was net exercised. The fair value of the warrant at the time of exercise was reclassified into the Company's Class A common stock and additional paid-in capital.

Provision for Income Taxes

	Year Ended December 31,		Change	
	2021	2020	$	%
		(in millions)		
Provision for income taxes	$ 10	$ 2	$ 8	400%
Percentage of revenue	—	—		

Provision for income taxes increased $8 million for the year ended December 31, 2021 compared to the year ended December 31, 2020. The change in provision for income taxes was due primarily to an increase of taxes for our international operations.

Liquidity and Capital Resources

As of December 31, 2021, we had cash, cash equivalents and marketable securities of $1.2 billion, a majority of which were held in cash deposits and money market funds and were held for working capital purposes. We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our anticipated cash needs for at least the next 12 months, though we may require additional financing or capital resources in the future.

Our material cash requirements include $252 million in accounts and merchants payable, $16 million remaining on a colocation and cloud services purchase commitment, and $27 million of facility lease obligations, of which $9 million is due within the next 12 months.

Sources of Liquidity

Prior to our IPO, we satisfied our liquidity needs primarily through the sale of redeemable convertible preferred stock and cash flows generated from operations. We raised a total of $1.5 billion from the sale of redeemable convertible preferred stock (including redeemable convertible preferred stock warrant exercises), net of costs and expenses associated with such financings, and net of repurchases. In December 2020, we completed our IPO of Class A common stock and received net proceeds of approximately $1.1 billion after deducting underwriting discounts and commissions of approximately $52 million, but before deducting offering costs, net of reimbursements, of approximately $6 million. As of December 31, 2021, we did not have any outstanding borrowings.

November 2020 Credit Facility

In November 2020, we entered into the Revolving Credit Facility which enables us to borrow up to $280 million. The Revolving Credit Facility contains an accordion option which, if exercised and provided we are able to secure additional lender commitments and satisfy certain other conditions, would allow us to increase the aggregate commitments by up to $100 million. As of December 31, 2021, we had not made any borrowings under the Revolving Credit Facility. Refer to Note 7 to our consolidated financial statements in Item 8 of Part II, “Financial Statements and Supplementary Data” for additional details related to the Revolving Credit Facility.

Cash Flows

	Year Ended December 31,		
	2021	2020	2019
		(in millions)	
Cash provided by (used in):			
Operating activities	$ (951)	$ —	$ (60)
Investing activities	(3)	165	(40)
Financing activities	7	1,046	132

Net Cash Used in Operating Activities

Our cash flows from operations are largely dependent on the amount of revenue we generate. Net cash provided by operating activities in each period presented has been influenced by changes in funds receivable, prepaid expenses, and other current and noncurrent assets, accounts payable, merchants payable, accrued and refund liabilities, lease liabilities, and other current and noncurrent liabilities.

Net cash used in our operating activities for the year ended December 31, 2021 was $951 million. This was primarily driven by our net loss of $361 million and $768 million unfavorable changes in our operating assets and liabilities, which was partially offset by non-cash expenses, such as stock-based compensation expense of $141 million. Unfavorable working capital movement was mainly driven by accounts payable, merchants payable and accrued and refund liabilities. Accounts payable decreased by $367 million primarily due to our decision to significantly reduce digital advertising expenditures and the timing of payments and shorter vendor payment terms. Earlier during the COVID-19 pandemic, we were able to negotiate favorable payment terms with certain key digital advertising partners (45 days and 60 days). The payment terms with these key digital advertising partners reverted back to 30 days when the favorable terms expired on December 31, 2020. Merchants payable decreased by $269 million primarily due to lower volumes driven by reduced digital advertising expenditures that resulted in lower MAUs and LTM Active Buyers.

We did not generate or use any cash in our operating activities for the year ended December 31, 2020, as our net loss of $745 million was partially offset by non-cash expenses, such as stock-based compensation expense of $390 million and remeasurement of the redeemable convertible preferred stock warrant liability of $110 million, which was further offset by favorable net working capital. Favorable working capital movement was mainly driven by accounts payable and accrued and refund liabilities due to increased operations.

Net Cash Provided by (Used in) Investing Activities

Our primary investing activities have consisted of investing excess cash balances in marketable securities and also have consisted of capital expenditures which are primarily purchases of property and equipment.

Net cash used by investing activities was $3 million for the year ended December 31, 2021. This was primarily due to $299 million in purchases of marketable securities and $2 million in capital expenditures, offset by sales and maturities in marketable securities of $298 million.

Net cash provided by investing activities was $165 million for the year ended December 31, 2020. This was primarily due to $433 million in maturities of marketable securities, offset by $266 million in purchases of marketable securities and capital expenditures of $2 million.

Net Cash Provided by Financing Activities

Net cash provided by our financing activities was $7 million for the year ended December 31, 2021. This was primarily due to proceeds originating from sales of shares through our employee equity incentive plans, partially offset by payment of taxes related settlement of RSUs.

Net cash provided by financing activities was $1 billion for the year ended December 31, 2020 primarily due to net proceeds from our IPO.

Quarterly Free Cash Flow

	Q1'21	Q2'21	Q3'21	Q4'21
		(in millions)		
Cash provided by (used in) operating activities	$ (354)	$ (204)	$ (344)	$ (49)
Less:				
Purchases of property and equipment and development of internal-use software	—	1	—	1
Free Cash Flow	$ (354)	$ (205)	$ (344)	$ (50)

Cash used in our operating activities and capital expenditures decreased to $50 million or 85% in the three months ended December 31, 2021 compared to $344 million in the three months ended September 30, 2021 mainly due to reduced digital advertising expenditures in order to focus our resources on other strategic initiatives such as improving user and merchant experience on our platforms. We expect that anticipated cost savings from our Restructuring Plan will contribute to lower operating cash usage in fiscal year 2022. See the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations— Non-GAAP Financial Measures—Free Cash Flow” for additional information about our Free Cash Flow metric.

Off Balance Sheet Arrangements

For the years ended December 31, 2021, 2020, and 2019, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contingencies

We are involved in claims, lawsuits, government investigations, and proceedings arising from the ordinary course of our business. We record a provision for a liability when we believe that it is both probable that a liability has been incurred, and the amount can be reasonably estimated. Significant judgment is required to determine both probability and the estimated amount. Such legal proceedings are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. Should any of these estimates and assumptions change or prove to be incorrect, it could have a material impact on our results of operations, financial position, and cash flows.

Critical Accounting Policies and Estimates

Our management's discussion and analysis of our financial condition and results of operations is based on our consolidated financial statements, which have been prepared in accordance with GAAP. The preparation of these consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. Our actual results could differ from these estimates.

We believe that the assumptions and estimates associated with revenue recognition, operating lease obligations, impairment of long-lived assets, stock-based compensation and income taxes have the greatest potential impact on our consolidated financial statements. Therefore, we consider these to be our critical accounting policies and estimates. For further information on all of our significant accounting policies, see Note 2 to our consolidated financial statements.

Revenue Recognition

We generate revenue from marketplace and logistics services provided to our customers. Revenue is recognized as we transfer control of promised goods or services to our customers, in an amount that reflects consideration we expect to be entitled to in exchange for those goods or services. We consider both the merchant and the user to be customers. We evaluate whether it is appropriate to recognize revenue on a gross or net basis based upon our evaluation of whether we obtain control of the specified goods or services by considering if we are primarily responsible for fulfillment of the promise, have inventory risk and have latitude in establishing pricing and selecting suppliers, among other factors. Based on these factors, marketplace revenue is generally recognized on a net basis and logistics revenue is generally recognized on a gross basis. Revenue excludes any amounts collected on behalf of third parties, including indirect taxes.

Marketplace Revenue

We provide a mix of marketplace services to our customers. We provide users access to our marketplace where merchants display and sell their products to users. We also provide ProductBoost services to help merchants promote their products within our marketplace.

Marketplace revenue includes commission fees collected in connection with user purchases of the merchants' products. The commission fees vary depending on factors such as user location, demand, product type, and dynamic pricing. We recognize revenue when a user's order is processed and the related order information has been made available to the merchant. Commission fees are recognized net of estimated refunds and chargebacks. Marketplace revenue also includes ProductBoost revenue for displaying a merchant's selected products in preferential locations within our marketplace. We recognize revenue when the merchants' selected products are displayed. We refer to our marketplace revenue, excluding ProductBoost revenue, as our core marketplace revenue.

Logistics Revenue

Our logistics offering for merchants, introduced in 2018, is designed for direct end-to-end single order shipment from a merchant's location to the user. Logistics services include transportation and delivery of the merchant's products to the user. Merchants are required to prepay for logistics services on a per order basis.

We recognize revenue over time as the merchant simultaneously receives and consumes the logistics services benefit as the services are performed. We use an output method of progress based on days in transit as it best depicts our progress toward complete satisfaction of the performance obligation.

Deferred Revenue

Deferred revenue consists of amounts received, primarily related to unsatisfied performance obligations of logistics services, at the end of the period. Due to the short-term duration of contracts, all of the performance obligations will be satisfied in the following reporting period.

Refunds and Chargebacks

Refunds and chargebacks are associated with marketplace revenue. Returns are not material to our business. Estimated refunds and chargebacks are recognized on the consolidated balance sheets as refunds liability. The merchants' share of the refunds are recognized as a reduction to the amount due to merchants. The revenue recognized on transactions subject to refunds and chargebacks is reversed. We estimate future refunds and chargebacks using a model that incorporates historical experience and considering recent business trends and market activity.

Incentive Discount Offers

We provide incentive discount offers to our users to encourage purchases of goods through our marketplace. Such offers include current discount offers of a certain percentage off current purchases, and inducement offers, such as set percentage offers off future purchases subject to a minimum current purchase. We generally record the related discounts taken as a reduction of revenue when the offer is redeemed. We also offer free products to encourage users to make purchases on our marketplace. The resulting discount is recognized as a reduction of revenue when the offer for free product is redeemed.

Wish Cash Liability

We issue Wish Cash to end-users who opt to receive it for their refundable transactions. We also offer Wish Cash as part of our various referral and incentive programs. We accrue a liability for issued Wish Cash which is reduced when Wish Cash is redeemed by our users. Based on historical experience, we analyze the Wish Cash liability considering usage patterns to determine the probability of redemption. While we will continue to honor all Wish Cash presented for payment, management may determine the likelihood of redemption to be remote for Wish Cash balances due to, among other things, long periods of inactivity. In these circumstances, to the extent management determines there is no requirement for remitting Wish Cash balances to government agencies under unclaimed property laws, the portion of Wish Cash balances not expected to be redeemed are recognized in Core Marketplace revenue.

Operating Lease Obligations

We lease facilities and data center colocations in multiple locations under non-cancelable lease agreements through 2025. We determine if an arrangement is a lease at inception. For leases where we are the lessee, right of use ("ROU") assets represent our right to use the underlying asset for the term of the lease and the lease liabilities represent an obligation to make lease payments arising from the lease. Certain lease agreements contain tenant improvement allowances, rent holidays and rent escalation provisions, all of which are considered in determining the ROU assets and lease liabilities. We begin recognizing rent expense when the lessor makes the underlying asset available for use by us. Lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. Lease renewal periods are considered on a lease-by-lease basis in determining the lease term. The interest rate we use to determine the present value of future lease payments is our incremental borrowing rate, which is the estimated rate we would be required to pay for a collateralized borrowing equal to the total lease payments over the term of the lease. We estimate our incremental borrowing rate based on an analysis of publicly-traded debt securities of companies with credit and financial profiles similar to our own. The ROU asset is determined based on the lease liability initially established and adjusted for any prepaid lease payments and any lease incentives received. The lease term to calculate the ROU asset and related lease liability includes options to extend or terminate the lease when it is reasonably certain that we will exercise the option. Certain leases contain variable costs, such as common area maintenance, real estate taxes, or other costs. Variable lease costs are expensed as incurred on the consolidated statements of operations.

Impairment of Long-Lived Assets

We review long-lived assets, including intangible and ROU assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, an impairment loss would be recognized based on the excess of the carrying amount of the asset above the fair value of the asset.

Stock-Based Compensation

We measure and recognize compensation expense for all stock-based awards, including RSUs, performance-based units ("PSUs"), and purchase rights issued to employees under our employee stock purchase plan ("ESPP"), based on the estimated fair value of the awards on the grant date. We use the Black-Scholes option pricing model to estimate the fair value of ESPP purchase rights and the Monte Carlo Simulation model to estimate the fair value of PSUs. The fair value of RSUs is based on the fair value of our Class A common stock on the date of the grant. The fair value of service-based RSUs is recognized as an expense on a straight-line basis over the requisite service period, which is generally four years. For stock-based awards granted to employees with a performance condition, we recognize stock-based compensation expense under the accelerated attribution method over the requisite service period. The fair value of the ESPP purchase rights is recognized as an expense on a straight-line basis over the offering period.

The vesting requirements of RSUs that we granted to employees prior to our IPO in December 2020 consisted of both a service and a liquidity condition. The service condition for these awards is satisfied over four or five years. The liquidity condition was satisfied upon our IPO. Refer to Note 10 to our consolidated financial statements in Item 8 of Part II, "Financial Statements and Supplementary Data" for the cumulative expense that we recognized for the year ended December 31, 2020 related to these RSUs.

We account for forfeitures as they occur.

Our use of the Black-Scholes option-pricing and Monte-Carlo Simulation models require the input of highly subjective assumptions, including the fair value of the underlying common stock, expected term of the option, expected volatility of the price of our common stock, risk-free interest rates, and the expected dividend yield of our common stock. The assumptions used in these valuation models represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment. If factors change and different assumptions are used, our stock-based compensation expense could be materially different in the future.

Income Taxes

We account for income taxes using the asset and liability method, under which deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between consolidated financial statement carrying amounts and the tax basis of assets and liabilities and net operating loss and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

We determine whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, no amount of benefit attributable to the position is recognized. The tax benefit to be recognized for any tax position that meets the more likely than not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency.

It is our policy to include penalties and interest expense related to income taxes as a component of interest and other income (expense), net as necessary.

Recent Accounting Pronouncements

Refer to Note 2 to our consolidated financial statements in Item 8 of Part II, "Financial Statements and Supplementary Data" for accounting pronouncements recently adopted and recent accounting pronouncements not yet adopted as of December 31, 2021.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

We have operations both within the United States and internationally, and we are exposed to market risks in the ordinary course of our business, including the effects of interest rate changes and foreign currency fluctuations. Information relating to quantitative and qualitative disclosures about these market risks is described below.

Interest Rate Sensitivity

Cash, cash equivalents and marketable securities as of December 31, 2021 and were held primarily in cash deposits and money market funds. The fair value of our cash, cash equivalents, and investments would not be significantly affected by either an increase or decrease in interest rates due mainly to the short-term nature of these instruments. A 100 basis point increase or decrease in our current interest rates would have increased or decreased our interest income by $12 million for the year ended December 31, 2021.

Foreign Currency Risk

We transact business in various foreign countries and are, therefore, subject to risk of foreign currency exchange rate fluctuations. We have established a foreign currency risk management policy to provide processes and procedures for managing this risk. We use natural hedging techniques first to net off existing foreign currency exposures. For the remaining exposure, we may enter into short term foreign currency derivative contracts, including forward contracts to hedge exposures associated with monetary assets and liabilities, mainly merchants payable, and cash flows denominated in non-functional currencies.

The credit risk of our foreign exchange derivative contracts is minimized since contracts are not concentrated with any one financial institution and all contracts are only placed with large financial institutions. The gains and losses on foreign currency derivative contracts generally offset the losses and gains on the assets, liabilities and transactions hedged. The fair value of foreign exchange derivative contracts is reported in the consolidated balance sheets. The majority of these foreign exchange contracts expire in less than three months and all expire within one year. Refer to Note 5 to our consolidated financial statements in Item 8 of Part II, “Financial Statements and Supplementary Data” for more information related to our derivative financial instruments.

Based on our overall currency rate exposures as of December 31, 2021, including the derivative financial instruments intended to hedge the nonfunctional currency-denominated monetary assets, liabilities and cash flows, and other factors, a 10% appreciation or depreciation of the U.S. dollar from its cross-functional rates would not be expected, in the aggregate, to have a material effect on our financial position, results of operations and cash flows in the near-term.

Inflation Risk

As of the date of filing of this Annual Report, we do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If the Company’s costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through increases in revenue as increases in core inflation rates may also affect consumers’ willingness to make discretionary purchases on our platforms. The Company’s inability or failure to do so could harm the Company’s business, financial condition, and results of operations.

Item 8. Financial Statements and Supplementary Data.

CONTEXTLOGIC INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

	Page
Reports of Independent Registered Public Accounting Firm (PCAOB ID: 42)	81
Consolidated Financial Statements	
Consolidated Balance Sheets	85
Consolidated Statements of Operations	86
Consolidated Statements of Comprehensive Loss	87
Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)	88
Consolidated Statements of Cash Flows	89
Notes to Consolidated Financial Statements	90

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of ContextLogic Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of ContextLogic Inc. (the Company) as of December 31, 2021 and 2020, the related consolidated statements of operations, comprehensive loss**,** redeemable convertible preferred stock and stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 14, 2022 expressed an adverse opinion thereon.

Basis for Opinion

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

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

Critical Audit Matter

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

Core Marketplace Revenue

Description of the Matter	As described in Note 2 to the consolidated financial statements, the Company generates its core marketplace revenue by providing a mix of marketplace services to merchants. Core marketplace revenue primarily consists of commission fees collected in connection with user purchases. These fees vary depending on user location, demand, product type and dynamic pricing. For the year ended December 31, 2021, the Company's core marketplace revenue was $1.2 billion. Auditing the Company's core marketplace revenue, funds receivable and merchants payable balances was challenging because the core marketplace revenue recognition process utilizes multiple, complex, proprietary systems and tools as well as manual procedures for the initiation, processing and recording of transactions which includes a high volume of individually low monetary value transactions.
How We Addressed the Matter in Our Audit	To test the core marketplace revenue, our audit procedures included, among others, reconciling the core marketplace revenue recognized to cash receipts as well as testing the accuracy and completeness of the core marketplace revenue transaction data by initiating purchases on the marketplace and reconciling the details of the purchases to the Company's system records. Additionally, we recalculated the core marketplace revenue and merchants payable balances using source data, compared our independent calculations to the Company's recorded amounts, evaluated any material differences, and performed data and other analytical procedures to assess trends in the core marketplace revenue over time and evaluated any significant deviations from expectations.

Material Weaknesses in Internal Control Over Financial Reporting

Description of the Matter	As discussed in Management's Report on Internal Control Over Financial Reporting, the Company identified material weaknesses across multiple components of the Internal Control – Integrated Framework (2013) issued by COSO. These material weaknesses impact the Company's controls over IT systems and business processes and affect substantially all financial statement account balances and disclosures; and result in a critical audit matter that required us to increase the extent of our audit effort, including the need to modify the nature and extent of audit evidence obtained.
How We Addressed the Matter in Our Audit	As a result of the material weaknesses, in performing our audit procedures we lowered the threshold for investigating differences between recorded amounts and independent expectations developed by us that we would have otherwise used, and increased the number of selections we would have otherwise made if the Company's controls were designed and operating effectively. In addition, we utilized original source documents for audit evidence, rather than relying on system reports or other information generated by the Company's IT systems.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

San Francisco, California

March 14, 2022

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of ContextLogic Inc.

Opinion on Internal Control Over Financial Reporting

We have audited ContextLogic Inc.'s internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, because of the effect of the material weaknesses described below on the achievement of the objectives of the control criteria, ContextLogic Inc. (the Company) has not maintained effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified and included in management's assessment.

> The Company did not design and maintain effective controls over information technology general controls (ITGCs) for information systems and applications that are relevant to the preparation of the consolidated financial statements. Specifically, the Company did not design and maintain: (i) sufficient user access controls to ensure appropriate segregation of duties and adequately restrict user and privileged access to financial applications, programs and data to appropriate Company personnel; (ii) program change management controls to ensure that information technology (IT) program and data changes affecting financial information technology applications and underlying accounting records are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that critical batch and interface jobs are monitored, privileges are appropriately granted, and data backups are authorized and monitored. Business process controls (automated and manual) that are dependent on the ineffective ITGCs, or that rely on data produced from systems impacted by the ineffective ITGCs, are also deemed ineffective.

> The Company did not fully implement components of the COSO framework, including elements of the control environment, information and communication, control activities and monitoring activities components, relating to: (i) providing sufficient management oversight and ownership over the internal control evaluation process; (ii) hiring and training sufficient competent personnel to support the Company's internal control objectives; (iii) performing timely monitoring to ascertain whether the components of internal control are present and functioning effectively; (iv) communicating deficiencies in a timely manner to those parties responsible for taking corrective action; and (v) retaining sufficient documentation of control activities and evidence supporting the operating effectiveness of the controls. As such, management concluded that it did not have an adequate process in place to complete its assessment of the design and operating effectiveness of internal control over financial reporting in a timely manner.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the 2021 consolidated financial statements of the Company. These material weaknesses were considered in determining the nature, timing and extent of audit tests applied in our audit of the 2021 consolidated financial statements, and this report does not affect our report dated March 14, 2022, which expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

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

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

/s/ Ernst & Young LLP

San Francisco, California

March 14, 2022

CONTEXTLOGIC INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except par value)

	As of December 31,	
	2021	**2020**
Assets		
Current assets:		
Cash and cash equivalents	$ 1,009	$ 1,965
Marketable securities	150	164
Funds receivable	17	83
Prepaid expenses and other current assets	48	102
Total current assets	1,224	2,314
Property and equipment, net	17	25
Right-of-use assets	18	43
Marketable securities	17	4
Other assets	7	11
Total assets	$ 1,283	$ 2,397
Liabilities and Stockholders’ Equity		
Current liabilities:		
Accounts payable	$ 67	$ 434
Merchants payable	185	454
Refunds liability	23	77
Accrued liabilities	174	367
Total current liabilities	449	1,332
Lease liabilities, non-current	16	38
Total liabilities	465	1,370
Commitments and contingencies (Note 7)		
Stockholders’ equity:		
Preferred stock, $0.0001 par value: 100 shares authorized as of December 31, 2021 and 2020; No shares issued and outstanding as of December 31, 2021 and 2020	—	—
Common stock, $0.0001 par value:3,500 (3,000 Class A, 500 Class B) shares authorized as of December 31, 2021 and 2020; 658 (593 Class A, 65 Class B) shares and 587 (478 Class A, 109 Class B) shares issued and outstanding as of December 31, 2021 and 2020, respectively	—	—
Additional paid-in capital	3,360	3,210
Accumulated other comprehensive income	3	1
Accumulated deficit	(2,545)	(2,184)
Total stockholders’ equity	818	1,027
Total liabilities and stockholders’ equity	$ 1,283	$ 2,397

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

CONTEXTLOGIC INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(in millions, except per share data)

	Year Ended December 31, 2021	2020	2019
Revenue	$ 2,085	$ 2,541	$ 1,901
Cost of revenue	977	947	443
Gross profit	1,108	1,594	1,458
Operating expenses:			
Sales and marketing	1,102	1,708	1,463
Product development	208	222	74
General and administrative	165	295	65
Total operating expenses	1,475	2,225	1,602
Loss from operations	(367)	(631)	(144)
Other income (expense), net:			
Interest and other income (expense), net	16	(2)	19
Remeasurement of redeemable convertible preferred stock warrant liability	—	(110)	(3)
Loss before provision for income taxes	(351)	(743)	(128)
Provision for income taxes	10	2	1
Net loss	(361)	(745)	(129)
Deemed dividend to redeemable convertible preferred stockholders	—	—	(7)
Net loss attributable to common stockholders	$ (361)	$ (745)	$ (136)
Net loss per share attributable to common stockholders, basic and diluted	$ (0.57)	$ (5.87)	$ (1.31)
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	629	127	104

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

CONTEXTLOGIC INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in millions)

	Year Ended December 31,		
	2021	**2020**	**2019**
Net loss	$ (361)	$ (745)	$ (129)
Other comprehensive income:			
Net unrealized holding gains on derivatives	—	2	—
Foreign currency translation adjustment	2	(1)	—
Other comprehensive income	2	1	—
Comprehensive loss	$ (359)	$ (744)	$ (129)

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

CONTEXTLOGIC INC.
CONSOLIDATED STATEMENTS OF REDEEMABLE CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)
(In millions, except per share amounts)

	Redeemable Convertible Preferred Stock		Common Stock			Accumulated Other		Total
	Shares	Amount	Shares	Amount	Additional Paid-in Capital	Comprehensive Income	Accumulated Deficit	Stockholders'Equity (Deficit)
					(in millions)			
Balances as of December 31, 2018	413	$ 1,376	104	$ —	$ —	$ —	$ (1,287)	$ (1,287)
Issuance of Series H redeemable convertible preferred stock for cash, at $16.9573 per share, net of issuance costs	10	160	—	—	—	—	—	—
Issuance of common stock upon exercise of options for cash	—	—	1	—	—	—	—	—
Repurchase of Series A redeemable convertible preferred stock	(1)	—	—	—	(3)	—	(4)	(7)
Issuance of common stock for services	—	—	—	—	3	—	—	3
Repurchase of common stock	—	—	(2)	—	(2)	—	(19)	(21)
Stock-based compensation	—	—	—	—	2	—	—	2
Net loss	—	—	—	—	—	—	(129)	(129)
Balances as of December 31, 2019	422	$ 1,536	103	$ —	$ —	$ —	$ (1,439)	$ (1,439)
Conversion of redeemable convertible preferred stock into common stock upon IPO	(422)	(1,536)	422	—	1,536	—	—	1,536
Issuance of common stock upon IPO, net of issuance costs	—	—	46	—	1,046	—	—	1,046
Issuance of common stock upon exercise of redeemable convertible preferred stock warrant	—	—	10	—	237	—	—	237
Issuance of additional common stock in connection with the conversion of Series H redeemable convertible preferred stock	—	—	1	—	—	—	—	—
Issuance of common stock upon exercise of options for cash	—	—	5	—	2	—	—	2
Repurchase of common stock	—	—	—	—	(1)	—	—	(1)
Stock-based compensation	—	—	—	—	390	—	—	390
Other comprehensive income, net	—	—	—	—	—	1	—	1
Net loss	—	—	—	—	—	—	(745)	(745)
Balances as of December 31, 2020	—	$ —	587	$ —	$ 3,210	$ 1	$ (2,184)	$ 1,027
Issuance of common stock upon exercise of options for cash	—	—	29	—	6	—	—	6
Issuance of common stock upon settlement of restricted stock units	—	—	40	—	(5)	—	—	(5)
Net exercise of common stock warrant	—	—	1	—	—	—	—	—
Issuance of common stock through ESPP	—	—	1	—	7	—	—	7
Stock-based compensation	—	—	—	—	142	—	—	142
Other comprehensive income, net	—	—	—	—	—	2	—	2
Net loss	—	—	—	—	—	—	(361)	(361)
Balances as of December 31, 2021	—	$ —	658	$ —	$ 3,360	$ 3	$ (2,545)	$ 818

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

CONTEXTLOGIC INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Year Ended December 31,		
	2021	2020	2019
Cash flows from operating activities:			
Net loss	$ (361)	$ (745)	$ (129)
Adjustments to reconcile net loss to net cash used in operating activities:			
Noncash inventory write downs	13	—	—
Depreciation and amortization	9	12	10
Noncash lease expense	11	10	9
Stock-based compensation expense	141	390	2
Remeasurement of redeemable convertible preferred stock warrant liability	—	110	3
Other	4	(2)	(3)
Changes in operating assets and liabilities:			
Funds receivable	66	12	(2)
Prepaid expenses, other current and noncurrent assets	54	(2)	(65)
Accounts payable	(367)	263	40
Merchants payable	(269)	(166)	(33)
Accrued and refund liabilities	(213)	115	94
Lease liabilities	(11)	(10)	(10)
Other current and noncurrent liabilities	(28)	13	24
Net cash used in operating activities	(951)	—	(60)
Cash flows from investing activities:			
Purchases of property and equipment and development of internal-use software	(2)	(2)	(11)
Purchases of marketable securities	(299)	(266)	(485)
Sales of marketable securities	50	—	53
Maturities of marketable securities	248	433	403
Net cash provided by (used in) investing activities	(3)	165	(40)
Cash flows from financing activities:			
Proceeds from issuance of common stock through employee equity incentive plans	13	—	—
Proceeds from initial public offering, net of underwriting discounts and commissions	—	1,052	—
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	—	160
Payments to repurchase common and redeemable convertible preferred stock	—	(1)	(28)
Payments of taxes related to RSU settlement	(5)	—	—
Payment of deferred offering costs and other financing activities	(1)	(5)	—
Net cash provided by financing activities	7	1,046	132
Net increase (decrease) in cash, cash equivalents and restricted cash	(947)	1,211	32
Cash, cash equivalents and restricted cash at beginning of period	1,965	754	722
Cash, cash equivalents and restricted cash at end of period	$ 1,018	$ 1,965	$ 754
Reconciliation of cash, cash equivalents, and restricted cash to the consolidated balance sheets:			
Cash and cash equivalents	$ 1,009	$ 1,965	$ 744
Restricted cash included within prepaid expenses and other current assets in the consolidated balance sheets	9	—	10
Total cash, cash equivalents and restricted cash	$ 1,018	$ 1,965	$ 754
Supplemental cash flow disclosures:			
Cash paid for income taxes, net of refunds	$ 10	$ 1	$ —
Supplemental noncash investing activities:			
Stock-based compensation capitalized in development of internal-use software	$ 1	$ —	$ —
Supplemental noncash financing activities:			
Conversion of redeemable convertible preferred stock to common stock	$ —	$ 1,536	$ —
Reclassification of redeemable convertible preferred stock warrant liability to additional paid-in capital	$ —	$ 237	$ —
Offering costs included in accounts payable	$ —	$ 1	$ —
Issuance of common stock for services	$ —	$ —	$ 3

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

1. DESCRIPTION OF BUSINESS

ContextLogic Inc. (“Wish” or the “Company”) is a mobile ecommerce company that provides a shopping experience that is mobile-first and discovery-based, which connects merchants’ products to users based on user preferences. The Company generates revenue from marketplace and logistics services provided to merchants.

The Company was incorporated in the state of Delaware in June 2010 and is headquartered in San Francisco, California, with operations in Canada, China and the Netherlands.

Initial Public Offering

In December 2020, the Company completed its initial public offering (“IPO”) of Class A common stock, in which it sold 46 million shares. The shares were sold at an IPO price of $24 per share for net proceeds of approximately $1.1 billion, after deducting underwriting discounts and commissions of approximately $52 million. Additionally, the Company incurred approximately $6 million of offering costs, net of reimbursements. Upon closing of the Company’s IPO, all outstanding shares of its convertible preferred stock automatically converted into 422 million shares of Class A common stock on a one-to-one basis. The Company also issued 10 million shares of Class A common stock upon the exercise of a redeemable convertible preferred stock warrant and approximately 1 million additional shares of Class A common stock in connection with the conversion of Series H redeemable convertible preferred stock into Class A common stock. Following the IPO, the Company has two classes of authorized common stock, Class A common stock, which entitles holders to one vote per share, and Class B common stock which entitles holders to 20 votes per share.

Stock Split

On December 4, 2020, the Company effected a 10-for-1 stock split of its capital stock. All share and per share information have been retroactively adjusted to reflect the stock split for all periods presented.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”). The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates form the basis for judgments the Company makes about the carrying values of its assets and liabilities that are not readily apparent from other sources. These estimates include, but are not limited to, fair value of financial instruments, useful lives of long-lived assets, fair value of common stock prior to IPO, fair value of derivative instruments, fair value of redeemable convertible preferred stock and related redeemable convertible preferred stock warrant and equity awards and other equity issuances prior to IPO, incremental borrowing rate applied to lease accounting, contingent liabilities, allowances for refunds and chargebacks and uncertain tax positions. As of December 31, 2021, the effects of the ongoing COVID-19 pandemic on the Company’s business, results of operations, and financial condition continue to evolve. As a result, many of the Company’s estimates and assumptions required increased judgment and these estimates may change materially in future periods.

Segments

The Company manages its operations and allocates resources as a single operating segment. Further, the Company manages, monitors and reports its financials as a single reporting segment. The Company's chief operating decision-maker ("CODM") is its Chief Executive Officer who makes operating decisions, assesses financial performance and allocates resources based on consolidated financial information. As such, the Company has determined that it operates in one reportable segment.

Revenue Recognition

The Company generates revenue from marketplace and logistics services provided to its customers. Revenue is recognized as the Company transfers control of promised goods or services to its customers in an amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. The Company considers both the merchant and the user to be customers. The Company evaluates whether it is appropriate to recognize revenue on a gross or net basis based upon its evaluation of whether the Company obtains control of the specified goods or services by considering if it is primarily responsible for fulfillment of the promise, has inventory risk and has latitude in establishing pricing and selecting suppliers, among other factors. Based on these factors, marketplace revenue is generally recognized on a net basis and logistics revenue is generally recognized on a gross basis. Revenue excludes any amounts collected on behalf of third parties, including indirect taxes.

The following table shows the disaggregated revenue for the applicable periods:

	Year Ended December 31,		
	2021	**2020**	**2019**
		(in millions)	
Core marketplace revenue	$ 1,177	$ 1,827	$ 1,473
ProductBoost revenue	165	200	291
Marketplace revenue	1,342	2,027	1,764
Logistics revenue	743	514	137
Revenue	$ 2,085	$ 2,541	$ 1,901

Refer to Note 11 – Geographic Information for the disaggregated revenue by geographical location.

Marketplace Revenue

The Company provides a mix of marketplace services to its customers. The Company provides merchants access to its marketplace where merchants display and sell their products to users. The Company also provides ProductBoost services to help merchants promote their products within the Company's marketplace.

Marketplace revenue includes commission fees collected in connection with user purchases of the merchants' products. The commission fees vary depending on factors such as user location, demand, product type, and dynamic pricing. The Company recognizes revenue when a user's order is processed and the related order information has been made available to the merchant. Commission fees are recognized net of estimated refunds and chargebacks. Marketplace revenue also includes ProductBoost revenue for displaying a merchant's selected products in preferential locations within the Company's marketplace. The Company recognizes revenue when the merchants' selected products are displayed. The Company refers to its marketplace revenue, excluding ProductBoost revenue, as its core marketplace revenue.

Logistics Revenue

The Company's logistics offering for merchants is designed for direct end-to-end single order shipment from a merchant's location to the user. Logistics services include transportation and delivery of the merchant's products to the user. Merchants are required to prepay for logistics services on a per order basis.

The Company recognizes revenue over time as the merchant simultaneously receives and consumes the logistics services benefit as the logistics services are performed. The Company uses an output method of progress based on days in transit as it best depicts the Company's progress toward complete satisfaction of the performance obligation.

Deferred Revenue

Deferred revenue consists of amounts received primarily related to unsatisfied performance obligations of logistics services and marketplace services for shipments in-transit at the end of the period where the Company is the principal. The deferred revenue balances as of December 31, 2021 and 2020 are disclosed in Note 4. Due to the short-term duration of contracts, all of the performance obligations will be satisfied in the following reporting period.

Refunds and Chargebacks

Refunds and chargebacks are associated with marketplace revenue. Returns are not material to the Company's business. Estimated refunds and chargebacks are recognized on the consolidated balance sheets as refunds liability. The merchant's share of the refunds is recognized as a reduction to the amount due to merchants. The revenue recognized on transactions subject to refunds and chargebacks is reversed. The Company estimates future refunds and chargebacks using a model that incorporates historical experience and considering recent business trends and market activity.

Incentive Discount Offers

The Company provides incentive discount offers to its users to encourage purchases of products through its marketplace. Such offers include current discount offers of a certain percentage off current purchases and inducement offers, such as set percentage offers off future purchases subject to a minimum current purchase. The Company generally records the related discounts taken as a reduction of revenue when the offer is redeemed. The Company also offers free products to encourage users to make purchases on its marketplace. The resulting discount is recognized as a reduction of revenue when the offer for free product is redeemed.

Wish Cash Liability

The Company issues Wish Cash to end-users who opt to receive it for their refundable transactions. The Company also offers Wish Cash as part of its various referral and incentive programs. The Company accrues a liability for issued Wish Cash which is reduced when Wish Cash is redeemed by its users. Based on historical experience, the Company analyzes the Wish Cash liability considering usage patterns to determine the probability of redemption. While the Company will continue to honor all Wish Cash presented for payment, management may determine the likelihood of redemption to be remote for Wish Cash balances due to, among other things, long periods of inactivity. In these circumstances, to the extent management determines there is no requirement for remitting Wish Cash balances to government agencies under unclaimed property laws, the portion of Wish Cash balances not expected to be redeemed are recognized in Core Marketplace revenue. Unredeemable Wish Cash was not material for the years ended December 31, 2021, 2020 and 2019.

Cost of Revenue

Cost of revenue includes colocation and data center charges, interchange and other fees for payment processing services, fraud and chargeback prevention service charges, costs of refunds and chargebacks made to users that the Company is not able to collect from merchants, depreciation and amortization of property and equipment, shipping charges, tracking costs, warehouse fees, and employee-related costs, including salaries, benefits, and stock-based compensation expense, for the Company's infrastructure, merchant support and logistics personnel. Cost of revenue also includes an allocation of general IT and facilities overhead expenses.

Advertising Expense

Advertising expenses are included in sales and marketing expenses within the consolidated statements of operations and are expensed as incurred. Advertising expenses were $1.0 billion, $1.6 billion and $1.4 billion for the years ended 2021, 2020 and 2019, respectively.

Software Development Costs

The Company capitalizes costs to develop its mobile application and website when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed, and the software will be used as intended. Costs incurred during the preliminary planning and evaluation stage of the project and during the post implementation operational stage, including maintenance, are expensed as incurred. Costs incurred for enhancements that are expected to result in additional functionality are capitalized and expensed over the estimated useful life of the upgrades on a per project basis.

Due to the iterative process by which the Company performs upgrades and the relatively short duration of its development projects, development costs meeting capitalization criteria generally are not material. If internal-use software development costs are material, they are capitalized and included in property and equipment, net within the consolidated balance sheets.

Cash, Cash Equivalents and Restricted Cash

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. As of December 31, 2021 and 2020, cash and cash equivalents consisted of cash deposited with banks and money market funds for which their cost approximates their fair value. The Company held 83% and 92% of its cash and cash equivalents in the United States as of December 31, 2021 and 2020, respectively.

Restricted cash as of December 31, 2021 represents amounts held in collateral and cash accounts in a foundation entity dedicated to safeguarding funds of payment service users consisting of European Economic Area merchants, ensuring the funds remain separate from the Company's own funds. These funds are included within prepaid expenses and other current assets in the consolidated balance sheets.

Marketable Securities

Marketable securities consist of short-term and long-term debt securities classified as available-for-sale and have original maturities greater than 90 days. Marketable securities are carried at fair value based upon quoted market prices or pricing models for similar securities. Unrealized gains and losses on available-for-sale securities are excluded from earnings and are not material. Realized gains or losses on the sale of all such securities are reported in interest and other income (expense), net, and computed using the specific identification method. For declines in fair market value below the cost of an individual marketable security, the Company assesses whether the decline in value is other than temporary based on the length of time the fair market value has been below cost, the severity of the decline and the Company's intent and ability to hold or sell the investment. If an investment is impaired, the Company writes it down through earnings to its recoverable value and establishes that as a new cost basis for the investment.

Funds Receivable

The Company uses several third-party Payment Service Providers ("PSPs") to process user transactions on its marketplace. Transactions on the Company's marketplace are mainly credit and debit card-based transactions that convert to cash on a regular basis and are net settled against refunds and chargebacks, with little default risk. Funds receivable represents the amounts expected to be received from PSPs for purchases on the Company's marketplace and is recognized net of processing fees.

Concentrations of Risk

Credit Risk — Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, funds receivable and marketable securities. The Company's cash and cash equivalents are held on deposit with creditworthy institutions. Although the Company's deposits exceed federally insured limits, the Company has not experienced any losses in such accounts. The Company invests its excess cash in money market accounts, U.S. Treasury notes, U.S. Treasury bills, commercial paper, corporate bonds, and non-U.S. government securities. The Company is exposed to credit risk in the event of a default by the financial institutions holding its cash, cash equivalents and marketable securities for the amounts reflected on the consolidated balance sheets. The Company's investment policy limits investments to certain types of debt securities issued by the U.S. government, its agencies and institutions with investment-grade credit ratings and places restrictions on maturities and concentration by type and issuer.

The Company maintains certain bank accounts in China. The Company manages the counterparty risk associated with these funds through diversification with major financial institutions and monitors the concentration of this credit risk on a monthly basis. The total cash balance in these accounts represented approximately 15% and 7% of the Company's total cash and cash equivalents as of December 31, 2021 and 2020, respectively.

The Company's derivative financial instruments expose it to credit risk to the extent that the counterparties may be unable to meet the terms of the arrangement. The Company seeks to mitigate such risk by limiting its counterparties to, and by spreading the risk across, major financial institutions. In addition, the potential risk of loss with any one counterparty resulting from this type of credit risk is monitored on a monthly basis. The Company is not required to pledge, nor is it entitled to receive, collateral related to its foreign exchange derivative transactions.

The Company is exposed to credit risk in the event of a default by its PSPs. The Company does not generate revenue from PSPs. Significant changes in the Company's relationship with its PSPs could adversely affect users' ability to process transactions on the Company's marketplaces, thereby impacting the Company's operating results.

The following PSPs each represented 10% or more of the Company's funds receivable balance:

	December 31,	
	2021	**2020**
PSP 1	62%	56%
PSP 2	32%	27%

Services Risk — The Company serves all of its users using third-party data center and hosting providers. The Company has disaster recovery protocols at the third-party service providers. Even with these procedures for disaster recovery in place, access to the Company's service could be significantly interrupted, resulting in an adverse effect on its operating results and financial position. No significant interruptions of service were known to have occurred during the years ended December 31, 2021, 2020 and 2019.

Property and Equipment, Net

Property and equipment are stated at historical cost less accumulated depreciation. Depreciation and amortization are computed using the straight-line method over the estimated useful lives. Expenditures for repairs and maintenance are charged to expense as incurred.

The estimated useful lives of the Company's property and equipment are generally as follows:

Computers, equipment, software	3 years
Furniture and fixtures, servers, networking equipment	5 years
Leasehold improvements	Shorter of the estimated useful life or remaining lease term

Impairment of Long-Lived Assets

The Company reviews long-lived assets, including intangible and lease assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured first by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, an impairment loss would be recognized based on the excess of the carrying amount of the asset above the fair value of the asset.

Merchants Payable

Merchants payable represents the amount of funds due to merchants and is recognized net of commission fees earned by the Company for marketplace transactions and other fees due from merchants. Merchants payable is adjusted for actual and estimated refunds the Company is expected to recover from merchants. The Company remits funds to merchants on a regular basis.

Operating Lease Obligations

The Company determines if an arrangement is a lease at inception. For leases where the Company is the lessee, right-of-use ("ROU") assets represent the Company's right to use the underlying asset for the term of the lease and the lease liabilities represent an obligation to make lease payments arising from the lease. Certain lease agreements contain tenant improvement allowances, rent holidays and rent escalation provisions, all of which are considered in determining the ROU assets and lease liabilities. The Company begins recognizing rent expense when the lessor makes the underlying asset available for use by the Company. Lease liabilities are recognized at the lease commencement date based on the present value of the future lease payments over the lease term. Lease renewal periods are considered on a lease-by-lease basis in determining the lease term. The interest rate the Company uses to determine the present value of future lease payments is the Company's incremental borrowing rate because the rate implicit in the Company's leases is not readily determinable. The incremental borrowing rate is a hypothetical rate for collateralized borrowings in economic environments where the leased asset is located based on credit rating factors. The ROU asset is determined based on the lease liability initially established and adjusted for any prepaid lease payments and any lease incentives received. The lease term to calculate the ROU asset and related lease liability includes options to extend or terminate the lease when it is reasonably certain that the Company will exercise the option. Certain leases contain variable costs, such as common area maintenance, real estate taxes or other costs. Variable lease costs are expensed as incurred on the consolidated statements of operations and comprehensive loss.

Operating leases are included in the ROU assets, accrued liabilities and lease liabilities, non-current on the consolidated balance sheets. The Company has no finance leases.

Loss Contingencies

The Company is involved in various lawsuits, claims and proceedings that arise in the ordinary course of business. The Company records a liability for these when it believes it is probable that it has incurred a loss, and the Company can reasonably estimate the loss. If the Company determines that a material loss is reasonably possible and the loss or range of loss can be estimated, the Company discloses the possible loss in the notes to the consolidated financial statements. The Company regularly evaluates current information to determine whether it should adjust a recognized liability or recognize a new one. Significant judgment is required to determine both the probability and the estimated amount.

Redeemable Convertible Preferred Stock Warrant Liability

Prior to the Company's IPO in December 2020, the Company classified the redeemable convertible preferred stock warrant as a liability on the consolidated balance sheets and re-measured to fair value at each balance sheet date with the corresponding changes in fair value recognized in other income (expense), net. Immediately prior to the completion of the Company's IPO, the Company's outstanding redeemable convertible preferred stock warrant was net exercised and the fair value of the related liability at that time was reclassified into the Company's Class A common stock and additional paid-in capital because it is now considered as permanent equity.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based awards, including restricted stock units ("RSUs"), performance-based units ("PSUs"), and purchase rights issued to employees under its employee stock purchase plan ("ESPP"), based on the estimated fair value of the awards on the grant date. The Company uses the Black-Scholes option pricing model to estimate the fair value of ESPP purchase rights and the Monte Carlo Simulation model to estimate the fair value of a PSU. The fair value of RSUs is based on the market closing price for its Class A common stock as reported on the Nasdaq Global Select Market on the date of grant. The fair value of service-based RSUs is recognized as an expense on a straight-line basis over the requisite service period, which is generally four years. For stock-based awards granted to employees with a performance condition, the Company recognizes stock-based compensation expense under the accelerated attribution method over the requisite service period. The fair value of the ESPP purchase rights is recognized as an expense on a straight-line basis over the offering period.

The vesting requirements of RSUs that the Company granted to employees prior to its IPO in December 2020 consisted both of a service condition and a liquidity condition. The service condition for these awards is satisfied over four or five years. The liquidity condition was satisfied upon the Company's IPO. The Company recognizes stock-based compensation expense for these awards under the accelerated method. Refer to Note 8 for more details on stock-based compensation recognized for the year ended December 31, 2021 and 2020 related to these RSUs. The Company accounts for forfeitures as they occur.

Foreign Currency

The functional currency of the Company's foreign subsidiaries is the local currency for operating entities with employees and is the U.S. dollar for holding companies and pass-through entities. The assets and liabilities of its non-U.S. dollar functional currency subsidiaries are translated into U.S. dollars using exchange rates in effect at the end of each period. Revenue and expenses for its foreign subsidiaries are translated using rates that approximate those in effect during the period. Foreign currency translation adjustments are reflected in stockholders' equity (deficit) as a component of other comprehensive income (loss).

Transactions on the Company's marketplace occur in various foreign currencies that are processed by its PSPs. These transactions are collected on a regular basis and are converted to U.S. dollars or euros within the short period of time between the recognition of revenue and cash collection on a regular basis, which limits the Company's exposure to foreign currency risk.

Amounts payable to merchants are denominated primarily in Renminbi ("RMB") and other local currencies. 76% and 85% of the merchants payable amount was denominated in RMB as of December 31, 2021 and 2020, respectively.

Transaction gains and losses, including intercompany transactions denominated in a currency other than the functional currency of the entity involved are included in interest and other income (expense), net on the consolidated statements of operations. For the years ended December 31, 2021, 2020 and 2019, the Company recognized net losses resulting from foreign exchange transactions of approximately $15 million, $26 million and $9 million, respectively, and recognized $2 million cumulative translation gain and $1 million cumulative translation loss in 2021 and 2020, respectively. Cumulative translation gains and losses for the year ended December 31, 2019 were insignificant.

Derivative Instruments

The Company conducts business in certain foreign currencies throughout its worldwide operations, and various entities hold monetary assets or liabilities, earn revenues, or incur costs in currencies other than the entity's functional currency. As a result, the Company is exposed to foreign exchange gains or losses which impact the Company's operating results. As part of the Company's foreign currency risk mitigation strategy, starting in 2020, the Company has entered into foreign exchange forward contracts with up to twelve months in duration. In accordance with the accounting standards for derivatives and hedging activities, all derivative instruments are recognized at fair value on the Company's consolidated balance sheets and classified as either derivative assets or derivative liabilities. Derivatives in a gain position are reported as derivative assets, while derivatives in a loss position are reported as derivative liabilities. The Company's derivatives transactions are not collateralized and do not include collateralization agreements with counterparties.

Cash Flow Hedges

The Company's largest cash flow exposure is in RMB for payments made to merchants in China that use the Wish platform. The Company hedges these cash flow exposures to reduce the risk that its earnings and cash flows will be adversely affected by changes in exchange rates. The Company recognizes changes in fair value of these cash flow hedges of foreign currency denominated merchants payable in accumulated other comprehensive income in its consolidated balance sheets, until the Company settles its forecasted foreign currency denominated merchants payable. When the forecasted transaction affects earnings, the Company reclassifies the related gain or loss on the cash flow hedge to core marketplace revenue. All amounts in other comprehensive income at period end are expected to be reclassified to earnings within 12 months. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company reclassifies the gain or loss on the related cash flow hedge from accumulated other comprehensive income to core marketplace revenue. For the years ended December 31, 2021 and 2020, there were no net gains or losses recognized in core marketplace revenue relating to hedges of forecasted transactions that did not occur.

Non-Designated Hedges

The Company's derivatives not designated as hedging instruments consist of foreign currency forward contracts to reduce the impact of currency exchange rate movements on its monetary assets and liabilities. These foreign exchange contracts are carried at fair value with changes in fair value of these contracts recognized to other income (expense), net in the Company' consolidated statements of operations.

The Company does not use derivative financial instruments for speculative or trading purposes.

Fair Value Measurement

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. The Company defines fair value as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining fair value measurements for assets and liabilities, the Company considers the principal or most advantageous market in which it would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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

Level 2— Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3— Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

Income Taxes

The Company accounts for income taxes using the asset and liability method, under which deferred tax liabilities and assets are recognized for the expected future tax consequences of temporary differences between consolidated financial statement carrying amounts and the tax basis of assets and liabilities and net operating loss and tax credit carryforwards. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The Company determines whether it is more likely than not that a tax position will be sustained upon examination. If it is not more likely than not that a position will be sustained, no amount of benefit attributable to the position is recognized. The tax benefit to be recognized of any tax position that meets the more likely than not recognition threshold is calculated as the largest amount that is more than 50% likely of being realized upon resolution of the contingency.

It is the Company's policy to include penalties and interest expense related to income taxes as a component of interest and other income (expense), net as necessary.

Comprehensive Loss

Comprehensive loss is comprised of two components: net loss and other comprehensive income (loss). Other comprehensive income (loss) consists of unrealized holding gains or losses related to derivative instruments, foreign currency translation and unrealized gain or loss on marketable securities.

Accounting Pronouncements

The Company has reviewed recent accounting pronouncements and concluded they are either not applicable to the business or no material impact is expected on the consolidated financial statements as a result of future adoption.

3. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

The Company's financial instruments consist of cash equivalents, marketable securities, funds receivable, derivative instruments, accounts payable, accrued liabilities and merchants payable. Cash equivalents' carrying value approximates fair value at the balance sheet dates, due to the short period of time to maturity. Marketable securities and derivative instruments are recognized at fair value. Funds receivable, accounts payable, accrued liabilities and merchants payable carrying values approximate fair value due to the short time to the expected receipt or payment date.

Assets and liabilities recognized at fair value on a recurring basis in the consolidated balance sheets consisting of cash equivalents, marketable securities and derivative instruments are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets and liabilities subject to fair value measurements on a recurring basis and the level of inputs used in such measurements are as follows:

	December 31, 2021			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial assets:				
Cash equivalents:				
Money market funds	$ 13	$ 13	$ —	$ —
Marketable securities:				
U.S. Treasury bills	$ 53	$ —	$ 53	$ —
Commercial paper	39	—	39	—
Corporate bonds	57	—	57	—
Certificates of deposit	5	—	5	—
Non-U.S. government	13	—	13	—
Total marketable securities	$ 167	$ —	$ 167	$ —
Prepaid and other current assets:				
Derivative assets	$ 4	$ —	$ 4	$ —
Total financial assets	$ 184	$ 13	$ 171	$ —
Financial liabilities:				
Accrued liabilities:				
Derivative liabilities	$ 1	$ —	$ 1	$ —
Total financial liabilities	$ 1	$ —	$ 1	$ —

	December 31, 2020			
	Total	Level 1	Level 2	Level 3
	(in millions)			
Financial assets:				
Cash equivalents:				
Money market funds	$ 35	$ 35	$ —	$ —
U.S. Treasury bills	30	—	30	—
Commercial paper	9	—	9	—
Total cash equivalents	$ 74	$ 35	$ 39	$ —
Marketable securities:				
U.S. Treasury bills	$ 38	$ —	$ 38	$ —
Commercial paper	49	—	49	—
Corporate bonds	81	—	81	—
Total marketable securities	$ 168	$ —	$ 168	$ —
Prepaid and other current assets:				
Derivative assets	$ 3	$ —	$ 3	$ —
Total financial assets	$ 245	$ 35	$ 210	$ —
Financial liabilities:				
Accrued liabilities:				
Derivative liabilities	$ 4	$ —	$ 4	$ —
Total financial liabilities	$ 4	$ —	$ 4	$ —

The Company classifies cash equivalents and marketable securities within Level 1 or Level 2 because the Company uses quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value. The derivative asset and liability related to the Company's foreign currency derivative contracts are classified within Level 2 of the fair value hierarchy as the valuation inputs are based on quoted prices and market observable data of similar instruments in active markets, including currency spot and forward rates.

The following table summarizes the contractual maturities of the Company's marketable securities:

	December 31,			
	2021		2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in millions)			
Due within one year	$ 150	$ 150	$ 164	$ 164
Due after one year through five years	17	17	4	4
Total marketable securities	$ 167	$ 167	$ 168	$ 168

All of the Company's available-for-sale marketable securities are subject to a periodic evaluation for a credit loss allowance and impairment review. The Company did not identify any of its available-for-sale marketable securities requiring an allowance for credit loss or as other-than-temporarily impaired in any of the periods presented. Additionally, the unrealized net gain and net loss on available-for-sale marketable securities as of December 31, 2021 and 2020 were immaterial.

The following table sets forth a summary of the changes in the estimated fair value of the Company's Level 3 financial liabilities, consisting solely of redeemable convertible preferred stock warrant liability, which was measured at fair value on a recurring basis until its IPO:

	December 31, 2021	December 31, 2020
	(in millions)	
Balance at beginning of period	$ —	$ 127
Remeasurement of redeemable convertible preferred stock warrant liability	—	110
Reclassification of redeemable convertible preferred stock warrant upon the IPO	—	(237)
Balance at end of period	$ —	$ —

In August 2016, the Company issued a warrant to purchase 10 million shares of the Company's Series B redeemable convertible preferred stock ("Series B warrant") at an exercise price of $0.00001 per share. The Company accounted for the Series B warrant as a liability in the consolidated balance sheets until the Company's IPO at which time the warrant was exercised and converted to equity. The primary significant unobservable inputs used in the fair value measurement of the redeemable convertible preferred stock warrant liability was the fair value of the underlying Series B redeemable convertible preferred stock at the valuation date, which was $24.00 per share as of December 15, 2020 (immediately prior to the Company's IPO).

4. BALANCE SHEET COMPONENTS

Accrued Liabilities

Accrued liabilities consist of the following:

	December 31, 2021	December 31, 2020
	(in millions)	
Vendor services(1)	$ 43	$ 121
Deferred revenue(2)	9	37
Wish Cash liability(3)	20	48
Sales and indirect taxes payable	26	31
Other	76	130
Total accrued liabilities	$ 174	$ 367

(1) Vendor services decreased by $78 million or 64% primarily due to the Company's decision to significantly reduce digital advertising expenditures as well as lower logistics related costs arising from lower shipping volumes during the fourth quarter of 2021 compared to the fourth quarter of 2020.

(2) Deferred revenue decreased by $28 million or 76% primarily due to lower logistics volumes during the fourth quarter of 2021 compared to the fourth quarter of 2020.

(3) While the Company will continue to honor all Wish Cash presented for payment, it may determine the likelihood of redemption to be remote for certain Wish Cash liability balances due to, among other things, long periods of inactivity. In these circumstances, to the extent the Company determines there is no requirement for remitting Wish Cash balances to government agencies under unclaimed property laws, the portion of Wish Cash liability balances not expected to be redeemed are recognized in Core marketplace revenue. The Company recognized approximately $29 and $5 million of Wish Cash liability breakage in Core marketplace revenue during the years ended December 31, 2021 and 2020, respectively.

5. DERIVATIVE FINANCIAL INSTRUMENTS

Volume of Derivative Activity

Total gross notional amounts for outstanding derivatives (recognized at fair value) as of the end of period consist of the following:

	December 31, 2021	December 31, 2020
	(in millions)	
Cash flow hedges	$ 320	$ 600
Non-designated hedges	54	422
Total	$ 374	$ 1,022

Fair Value of Derivative Financial Instruments

	December 31, 2021		December 31, 2020	
	Assets(1)	Liabilities(2)	Assets(1)	Liabilities(2)
	(in millions)			
Derivative designated as hedging instruments				
Cash flow hedges	$ 2	$ —	$ 3	$ 2
Derivative not designated as hedging instruments				
Foreign currency forward contracts	$ 2	$ 1	$ —	$ 2
Total derivatives	$ 4	$ 1	$ 3	$ 4

(1) Derivative assets are included in prepaid and other current assets in the consolidated balance sheet.
(2) Derivative liabilities are included in accrued liabilities in the consolidated balance sheet.

Derivatives in Cash Flow Hedging Relationships

The changes in accumulated other comprehensive income resulting from cash flow hedging were as follows:

	December 31, 2021	December 31, 2020
	(in millions)	
Balance at the beginning of the period	$ 2	$ —
Other comprehensive income before reclassifications	22	9
Amounts recognized in core marketplace revenue and reclassified out of accumulated other comprehensive income	(22)	(7)
Balance at the end of the period	$ 2	$ 2

Derivatives Not Designated as Hedging Instruments

The net gains on the change in fair value of the Company's foreign exchange forward contracts not designated as hedging instruments were approximately $21 and $7 million for the years ended December 31, 2021 and 2020, respectively, and were recognized in other income (expense), net in the consolidated statements of operations.

6. OPERATING LEASES

The Company leases its facilities and data center colocations under operating leases with various expiration dates through 2025.

The components of the Company's lease costs were as follows:

	Year Ended December 31,		
	2021	2020	2019
	(in millions)		
Operating lease costs	$ 13	$ 13	$ 12
Short-term lease costs	—	1	1
Variable costs	2	1	1
Total	$ 15	$ 15	$ 14

As of December 31, 2021 and 2020, the Company's consolidated balance sheet included ROU assets in the amount of $18 million and $43 million, respectively, and lease liabilities in the amount of $9 million and $14 million in accrued liabilities, respectively, and $16 million and $38 million in lease liabilities, non-current, respectively.

During the third quarter of 2021, the Company adopted a hoteling model when it reopened its headquarters in San Francisco, California and as a result, it terminated certain office space. The Company also terminated office space in Los Angeles, California. As a result of these terminations, the Company derecognized the related ROU assets and lease liabilities. The Company recognized impairment and termination related charges of approximately $6 million which were included in general and administrative expenses in its consolidated statements of operations for the year ended December 31, 2021.

As of December 31, 2021 and 2020, the weighted-average remaining lease term was 3 years and 4 years, respectively, and the weighted-average discount rate used to determine the net present value of the lease liabilities was 6% for both periods.

Supplemental cash flow information for the Company's operating leases were as follows:

	Year Ended December 31,	
	2021	2020
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 15	$ 14
Right-of-use assets obtained in exchange for new lease liabilities	$ —	$ 12

The maturities of the Company's operating lease liabilities are as follows:

Year ending December 31,	December 31, 2021 (in millions)
2022	9
2023	8
2024	7
2025	3
Total lease payments	27
Less: imputed interest	(2)
Present value of lease liabilities	$ 25

7. COMMITMENTS AND CONTINGENCIES

Revolving Credit Facility

In November 2020, the Company entered into a five-year $280 million senior secured revolving credit facility (the "Revolving Credit Facility") to, among other things, permit the Company to increase its aggregate commitments by up to $100 million, if an accordion option is exercised and provided the Company is able to secure additional lender commitments and satisfy certain other conditions, and to enter into letters of credit from time to time, which reduces its borrowing capacity under the Revolving Credit Facility. Interest on any borrowings under the Revolving Credit Facility accrues at either adjusted LIBOR plus 1.50% or at an alternative base rate plus 0.50%, at the Company's election, and the Company is required to pay a commitment fee that accrues at 0.25% per annum on the unused portion of the aggregate commitments under the Revolving Credit Facility. The Company is required to pay a fee that accrues at 1.50% per annum on the average daily amount available to be drawn under any letters of credit outstanding under the Revolving Credit Facility.

The Revolving Credit Facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company's ability (and the ability of certain of the Company's subsidiaries) to incur indebtedness, grant liens, make certain fundamental changes and asset sales, make distributions to stockholders, make investments or engage in transactions with affiliates. It also contains a minimum liquidity financial covenant of $350 million, which includes unrestricted cash and any available borrowing capacity under the Revolving Credit Facility. The obligations under the Revolving Credit Facility are secured by liens on substantially all of the Company's domestic assets and are guaranteed by any material domestic subsidiaries, subject to customary exceptions. A standby letter of credit in the amount of approximately $7 million has been issued under the Revolving Credit Facility in conjunction with the lease of the Company's headquarters in San Francisco, California. As of December 31, 2021, the Company had not made any borrowings under the Revolving Credit Facility and it is currently in compliance with the related covenants. Fees incurred under the Revolving Credit Facility were insignificant for the years ended December 31, 2021 and 2020.

Purchase Obligations

Effective September 1, 2019, the Company entered into an amendment to a colocation and cloud services arrangement committing the Company to make payments of $120 million for services over 3 years. As of December 31, 2021, the remaining commitment under this amended agreement was approximately $16 million and is payable within the next year.

Legal Contingencies and Proceedings

Beginning in May 2021, four putative class action lawsuits were filed in the U.S. District Court for the Northern District of California against the Company, its directors, certain of its officers and the underwriters named in its IPO registration statement alleging violations of securities laws based on statements made in its registration statement on Form S-1 filed with the SEC in connection with its IPO and seeking monetary damages. One of these cases has since been dismissed by the plaintiff. The Company believes these lawsuits are without merit and it intends to vigorously defend them. Based on the preliminary nature of the proceedings in these cases, the outcome of these matters remains uncertain.

In August 2021, a shareholder derivative action purportedly brought on behalf of the Company, Patel v. Szulczewski, was filed in the U.S. District Court for the Northern District of California alleging that the Company's directors and officers made or caused the Company to make false and/or misleading statements about the Company's business operations and financial prospects in various public filings. Plaintiff asserts claims for breach of fiduciary duties, unjust enrichment, abuse of control, gross mismanagement, waste of corporate assets, violations of Section 14(a) of the Securities Exchange Act of 1934, and for contribution under Sections 10(b) and 21D of the Exchange Act and is seeking monetary damages.

In November 2021, a shareholder derivative action purportedly brought on behalf of the Company, Aviv v. Szulczewski, was filed in the U.S. District Court for the Northern District of California alleging that the Company's directors breached their fiduciary duties and caused the Company to make misstatements relating to a leased property that allegedly was used for commercial purposes in violation of zoning ordinances. Plaintiff asserts claims for breach of fiduciary duties, unjust enrichment, and violations of Section 14(a) of the Securities Exchange Act of 1934, and is seeking monetary damages and restitution. Given that this, and the above described matters, are in the early stages of the litigation process, it is unable to estimate the range of potential loss, if any, but the litigation could subject the Company to substantial costs, divert resources and the attention of management from our business, and harm the Company's business and financial results.

In November 2021, France's Directorate General for Competition, Consumer Affairs and Repression of Fraud issued an injunction delisting the Wish "App" from Google Play and the Apple App Store, and blocking Wish from appearing in Google, Bing and Qwant search results on the premise that unsafe products or products of poor quality are available for purchase on Wish. The injunction could expose Wish to civil and criminal penalties. We have taken immediate measures to challenge the injunction, and to suspend and lift it. In December 2021, the French Administrative Court upheld the injunction, but in so doing noted that the injunction is not, and should not be permanent. That decision is the subject of appeals currently pending in French Court. Meanwhile, we are also working on a timeline for the satisfaction and lifting of the injunction. We are in the process of the legal challenge, at an early stage, but the proceedings could subject the Company to substantial costs, divert resources, and harm the Company's business and financial results.

In December 2021, the Company became aware that authorities in France charged ContextLogic with legal violations relating to the Company's former practice and use of strikethrough pricing in France, the Company's previous failure to translate into French listings and product details on the Company's app and website, and the Company's anti-counterfeiting policies and practices. The Company disputes the charges and is preparing to defend itself at a hearing scheduled for June 2022. Any adverse outcome could result in payment of substantial fines, payments to allegedly impacted consumer groups, harm to our reputation, loss of rights, or adverse changes to our offerings or business practices in France. Any of these results could adversely affect our business. In addition, defending claims may be costly and may impose a significant burden on our management.

As of December 31, 2021, in the opinion of management, there were no other legal contingency matters that arose in the ordinary course of business, either individually or in aggregate, that would have a material adverse effect on the financial position, results of operations, or cash flows of the Company. Given the unpredictable nature of legal proceedings, the Company bases its estimate on the information available at the time of the assessment. As additional information becomes available, the Company reassesses the potential liability and may revise the estimate.

8. COMMON STOCK AND STOCK-BASED COMPENSATION

The Company has two classes of authorized common stock, Class A common stock and Class B common stock. As of December 31, 2021, the Company had 3 billion and 500 million shares of Class A and Class B authorized, respectively, each with a par value of $0.0001. As of December 31, 2021, the Company had 593 million shares of Class A common stock issued and outstanding and 65 million shares of Class B common stock issued and outstanding.

Holders of Class A common stock are entitled to one vote for each share of Class A common stock held on all matters submitted to a vote of stockholders. Holders of Class B common stock are entitled to 20 votes for each share of Class B common stock held on all matters submitted to a vote of stockholders. Except with respect to voting, the rights of the holders of Class A and Class B common stock are identical. Shares of Class B common stock are voluntarily convertible into shares of Class A common stock at the option of the holder and are automatically converted into shares of Class A common stock upon a sale or transfer, subject to certain exemptions. Class B shares of common stock are issued in connection with equity awards granted under the 2010 Equity Stock Plan (the “2010 Plan”). Class A shares of common stock are issued in connection with equity awards granted under the 2020 Equity Stock Plan (the “2020 Plan”) or shares purchased under the 2020 Employee Stock Purchase Plan (the “2020 ESPP”).

Related Party Transaction

In June 2019, the Company repurchased approximately 1 million shares of common stock from its Chief Executive Officer at $12.17 per share. The incremental value between the repurchase price and the fair value of the common stock at the time of the transaction resulted in stock-based compensation expense of $2 million for the year ended December 31, 2019.

2010 Equity Incentive Plan

In 2010, the Board of Directors approved the adoption of the 2010 Plan. As of December 31, 2020, there were 135 million equity awards outstanding under the 2010 Plan, including approximately 30 million shares of vested RSUs. These vested RSUs were released in 2021 upon the expiration of the 180-day lock-up period related to the Company’s IPO. The 2010 Plan provided for the grant of incentive and nonstatutory stock options and RSUs to employees, directors and consultants of the Company. As of December 31, 2021, all options granted under the Plan were fully vested. Employees generally forfeit their rights to exercise vested options after three months following their termination of employment or 6 or 12 months in the event of termination of services by reason of disability or death, respectively.

Under the 2010 Plan, the Company granted RSUs to employees, which generally expire 7 years from the date of grant and vest upon the achievement of both a service condition and a liquidity condition. The service condition for these awards is satisfied over four or five years. The liquidity condition was satisfied upon the occurrence of the Company’s IPO in December 2020.

The 2010 Plan was terminated in December 2020 in connection with the Company’s IPO but continues to govern the terms of outstanding awards under the 2010 Plan. No further equity awards will be granted under the 2010 Plan. With the establishment of the 2020 Plan as further discussed below, upon the expiration, forfeiture or cancellation of any shares of Class B common stock underlying outstanding stock-based awards granted under the 2010 Plan, an equal number of shares of Class A common stock will become available for grant under the 2020 Plan.

2020 Equity Incentive Plan

On November 19, 2020, the Company's Board of Directors adopted and approved the 2020 Plan. The 2020 Plan provides for the award of options, stock appreciation rights, restricted shares, and RSUs. The number of shares reserved for issuance under the 2020 Plan will be increased automatically on the first day of each fiscal year, commencing in 2022 and ending in 2030, by a number equal to the lesser of: (a) 5% of the shares of common stock outstanding on the last day of the prior fiscal year; or (b) the number of shares determined by the Board of Directors. As of December 31, 2021, 10 million shares under the 2020 Plan remained available for grant.

2020 Employee Stock Purchase Plan

On November 19, 2020, the Company's Board of Directors adopted and approved the 2020 ESPP, which became effective on the IPO Date. The 2020 ESPP reserve for issuance will increase automatically on the first day of each fiscal year, commencing in 2022 and ending in 2040, by a number equal to the lesser of: (a) approximately 8 million shares of common stock; (b) 1% of the shares of common stock outstanding on the last day of the prior fiscal year; or (c) the number of shares of common stock determined by the Company's Board of Directors. As of December 31, 2021, 6 million shares under the 2020 ESPP remained available for issuance.

The 2020 ESPP allows eligible employees to purchase shares of the Company's Class A common stock at a discount through payroll deductions of up to 15% of eligible compensation, subject to caps of $25,000 in any calendar year and 2,500 shares on any purchase date. The 2020 ESPP provides for 24-month offering periods, generally beginning in November and May of each year, and each offering period consists of four six-month purchase periods. During the year ended December 31, 2021, approximately 1 million shares of common stock were purchased under the ESPP for an aggregate amount of $7 million.

On each purchase date, participating employees will purchase Class A common stock at a price per share equal to 85% of the lesser of the fair market value of the Company's Class A common stock on (i) the first trading day of the applicable offering period and (2) the last trading day of each purchase period in the applicable offering period. If the stock price of the Company's Class A common stock on any purchase date in an offering period is lower than the stock price on the enrollment date of that offering period, the offering period will immediately reset after the purchase of shares on such purchase date and automatically roll into a new offering period (ESPP reset). During the year ended December 31, 2021, there was an ESPP reset at the end of both May and November purchase periods, resulting in an additional expense of approximately $10 million, which is being recognized on a straight-line basis through November 20, 2023.

Equity Award Activity

A summary of activity under the equity plans and related information is as follows:

	Options Outstanding			RSUs Outstanding
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Number of RSUs
	(in millions)			(in millions)
Balances at December 31, 2020	75	$ 0.234	3.2	30
Granted	—	$ —		37
Vested	—	$ —		(11)
Exercised	(29)	$ 0.209		—
Forfeited or cancelled	(1)	$ 0.032		(8)
Balances at December 31, 2021(1)	45	$ 0.254	2.5	48

(1) Outstanding RSUs as of December 31, 2021 include 11 million PSUs.

There were no options granted during the years ended December 31, 2021, 2020 and 2019. All options outstanding as of December 31, 2021 were fully vested. The aggregate intrinsic value of options exercised during the years ended December 31, 2021, 2020 and 2019 was $161 million, $76 million and $8 million, respectively. The intrinsic value is the difference between the estimated fair value of the Company's common stock at the date of exercise and the exercise price for in-the-money options. The weighted-average grant date fair value of RSUs (excluding PSUs) granted during the years ended December 31, 2021, 2020 and 2019 was $9.71, $16.99 and $11.55 per share, respectively. The total intrinsic value of RSUs which vested during the years ended December 31, 2021 and 2020 was $83 million and $714 million, respectively. No RSUs vested during the year ended December 31, 2019.The aggregate intrinsic value of options and RSUs outstanding as of December 31, 2021 was $129 million and $117 million, respectively. The aggregate intrinsic value of options and RSUs outstanding as of December 31, 2020 was $1.3 billion and $550 million, respectively.

Performance Stock Units

On December 2020, the Company's Board of Directors granted the Chief Executive Officer ("CEO") an equity incentive award in the form of performance-based units ("PSUs"), under the Company's 2010 Plan consisting of 10 million shares of the Company's Class B common stock, with a weighted average grant date fair value per unit of $7.76. The award vests only if the CEO satisfies a service-based vesting condition and a market condition. The award has a term ending on the seventh anniversary of the Company's IPO date. The award is eligible to vest based on the achievement of certain price targets of the Company's stock price over a performance period beginning six months after the IPO date. The CEO must also remain employed as the Company's CEO through the second anniversary of the IPO date and continue to serve through each subsequent stock price target achievement dates in order to vest in the award. The Company used a Monte Carlo simulation model to calculate the fair value of the PSUs on the grant date. The Monte Carlo simulation included the following assumptions, determined based on a term equal to the period of time from the grant date to the end of the performance period, approximately seven years: 42.28% stock price volatility, 0.67% risk-free rate and a 0% dividend yield. For the years ended December 31, 2021 and 2020, the Company recognized approximately $20 million and $1 million stock-based compensation expense related to these PSUs, respectively. As of December 31, 2021, 10 million PSUs remained outstanding and the Company will recognize the remaining $57 million of unrecognized stock-based compensation expense related to these PSUs over a weighted-average period of 3.1 years. At the start of February 2022, Piotr Szulczewski stepped down from his position as CEO of the Company. Due to his resignation prior to the second anniversary of the Company's IPO, Mr. Szulcewski is no longer eligible to vest in his PSU award, and as such, the PSUs were forfeited (see Note 12. Subsequent Events).

On May 2021, the Company's Board of Directors granted its Executive Chair an equity incentive award in the form of PSUs consisting of approximately 1 million shares of the Company's common stock, with a grant date fair value per unit of $9.94. The award vests only if the Executive Chair satisfies a service-based vesting condition and if the Company's stock satisfies a market condition. The award will be eligible to vest if the Company's average closing stock price over the 30-calendar day period immediately preceding May 15, 2023 (the "Performance Measurement Date") equals or exceeds a threshold of 149% of the Company's closing stock price of $12.07 on April 20, 2021, with a maximum level of vesting of 200% based on a maximum stock price achievement level of 298%. The Executive Chair must also remain employed as the Company's Executive Chair or another senior executive-level position through the Performance Measurement Date. The Company used a Monte Carlo simulation model to calculate the fair value of the PSUs on the grant date. The Monte Carlo simulation included the following assumptions, determined based on a term equal to the period of time from the grant date to the end of the performance period of two years: 75.00% stock price volatility, 0.16% risk-free rate and a 0% dividend yield. For the year ended December 31, 2021, the Company recognized approximately $3 million of expense, respectively, related to these PSUs. As of December 31, 2021, 1 million of these PSUs remained outstanding and the Company will recognize the remaining $5 million of unrecognized stock-based compensation expense related to these PSUs over a period of 1.4 years. In February 2022, Jacqueline Reses resigned from her position as Executive Chair and entered into a consulting agreement with the Company. As part of the consulting agreement, Ms. Reses' PSU award was modified to eliminate the market condition, with only continued service until the expiration of the consulting agreement being the sole vesting condition (see Note 12. Subsequent Events).

Stock-Based Compensation Expense

Total stock-based compensation expense included in the consolidated statements of operations is as follows:

	Year Ended December 31,		
	2021	2020	2019
		(in millions)	
Cost of revenue	$ 20	$ 35	$ —
Sales and marketing	12	23	—
Product development	59	118	—
General and administrative	50	214	2
Total stock-based compensation	$ 141	$ 390	$ 2

The Company recognized a cumulative stock-based compensation through December 31, 2020 of approximately $379 million related to RSUs for which both the service and liquidity vesting conditions were achieved pursuant to the completion of the Company's IPO in December 2020. Prior to the Company's IPO, no stock-based compensation was recognized related to these RSUs as the liquidity event vesting condition was not satisfied.

The Company will recognize the remaining $287 million and $62 million of unrecognized stock-based compensation expense over a weighted-average period of approximately 2.9 years and 3.0 years related to RSUs and PSUs, respectively.

The Company recognized $10 million in stock-based compensation expense for the sale of shares of common stock by an executive to a certain investor, for the year ended December 31, 2020. The amount reflects the excess of the sales price per share of common stock over the deemed fair value of the common stock. The expense was recognized within general and administrative expenses in the consolidated statements of operations. The Company did not sell any shares or receive any proceeds from this transaction.

9. INCOME TAXES

The components of loss (income) before provision for income taxes are as follows:

	Year Ended December 31,		
	2021	2020	2019
	(in millions)		
Domestic	$ 422	$ 757	$ 130
Foreign	(71)	(14)	(2)
Loss before provision for income taxes	$ 351	$ 743	$ 128

There has historically been no federal or state provision for income taxes because the Company has historically incurred operating losses and maintains a full valuation allowance against its net deferred tax assets. For the years ended December 31, 2021 and 2020, the Company recognized $10 million and $2 million tax provision, respectively, related primarily to foreign income taxes. For the year ended December 31, 2021 there was $10 million of current foreign tax expense and no deferred tax benefit while for the year ended December 31, 2020 there was $5 million of current foreign tax expense and $3 million of deferred tax benefit.

The difference between income taxes computed at the statutory federal income tax rate and the provision for income taxes is attributable to the following:

	Years Ended December 31,		
	2021	2020	2019
	(in millions)		
Federal benefit at statutory rate	$ (73)	$ (157)	$ (27)
Stock-based compensation	(68)	36	(1)
Foreign rate differential	(5)	(2)	—
Non-deductible warrant valuation	—	23	1
Other	—	—	1
Change in valuation allowance	156	102	27
Total provision for income taxes	$ 10	$ 2	$ 1

The tax provision differs from the benefit that would result from applying statutory rates to losses before income taxes primarily due to the valuation allowance provided on net deferred tax assets. Deferred income taxes reflect the net tax effects of (a) temporary differences between the tax basis of assets and liabilities and their carrying amounts for financial reporting purposes and (b) net operating losses and tax credit carryforwards.

Deferred tax assets and liabilities are as follows:

	December 31, 2021	December 31, 2020
	(in millions)	
Deferred tax assets:		
Net operating loss carryforwards	$ 466	$ 289
Lease liabilities	5	11
Reserves and accruals not currently deductible	62	50
Stock-based compensation	19	47
Total gross deferred tax assets	552	397
Less: valuation allowance	(546)	(384)
Total deferred tax assets, net of valuation allowance	6	13
Deferred tax liabilities:		
Property and equipment, including right-of-use assets	(3)	(8)
Other	—	(2)
Total gross deferred tax liabilities	(3)	(10)
Net deferred tax assets	$ 3	$ 3

The table below details the activity of the deferred tax asset valuation allowance:

	Balance at Beginning of Period	Additions	Deductions	Balance at End of Period
	(in millions)			
Year ended December 31, 2021				
Deferred tax assets valuation allowance	$ 384	$ 162	$ —	$ 546
Year ended December 31, 2020				
Deferred tax assets valuation allowance	$ 282	$ 102	$ —	$ 384

Due to a history of losses, the Company believes it is not more likely that not that its net deferred tax assets will be realized as of December 31, 2021 or 2020. Accordingly, the Company has established a full valuation allowance on its domestic net deferred tax assets. The Company's valuation allowance increased $162 million and $102 million during the years ended December 31, 2021 and 2020, respectively.

The Company intends to reinvest substantially all of its foreign subsidiary earnings, indefinitely outside of the U.S. Due to the one-time transition tax and the imposition of the GILTI provisions, all previously unremitted earnings will no longer be subject to U.S. Federal income tax; however, there could be foreign withholding taxes upon distribution of such unremitted earnings. It is not practical to estimate this liability at this time.

As of December 31, 2021, the Company had federal net operating loss carryforwards available to reduce future taxable income, if any, of $886 million that begin to expire in 2030 and continue to expire through 2037 and $1.3 billion that have an unlimited carryover period. As of December 31, 2021, the Company had state net operating loss carryforwards available to reduce future taxable income, if any, of $4.3 billion that begin to expire in 2026 and continue to expire through 2041 and $1.3 billion that have an unlimited carryover period.

Utilization of net operating loss carryforwards may be subject to future annual limitations due to the ownership change limitations provided by Section 382 of the Internal Revenue Code and similar state provisions.

A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	Years Ended December 31,		
	2021	2020	2019
	(in millions)		
Balance at January 1	$ —	$ —	$ —
Additions for tax positions of prior years	1	—	—
Balance at December 31	$ 1	$ —	$ —

If these benefits were subsequently recognized, $1 million would favorably impact the Company's effective tax rate. The Company had immaterial unrecognized tax benefits as of December 31, 2020 and 2019, fully offset by a valuation allowance. No interest or penalties were incurred during the years ended December 31, 2021, 2020 or 2019. The Company does not anticipate that the amount of unrecognized tax benefits will significantly change within the next twelve months.

The Company files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. The Company is not currently under examination by income tax authorities in federal, state or other jurisdictions. All tax returns will remain open for examination by the federal and state authorities for three and four years, respectively, from the date of utilization of any net operating loss or credits. Certain tax years are subject to foreign income tax examinations by tax authorities until the statute of limitations expire.

10. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

Prior to the Company's IPO, the Company followed the two-class method when computing net loss per share as the Company had shares of redeemable convertible preferred stock outstanding that met the definition of participating securities. These shares automatically converted into Class A common stock upon the Company's IPO. The two-class method determines net loss per share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The Company did not allocate net loss to redeemable convertible preferred stock because the holders of such shares are not contractually obligated to share in losses.

Basic net income (loss) per share is computed using the weighted average number of common shares outstanding during the period. Diluted net income (loss) per share is computed by giving effect to potentially dilutive common stock equivalents outstanding during the period, as their effect would be dilutive. Potentially dilutive common shares include participating securities and shares issuable upon the exercise of stock options, the exercise of common stock warrants, the vesting of RSUs and each purchase under the 2020 ESPP, under the treasury stock method.

In loss periods, basic net loss per share and diluted net loss per share are the same, as the effect of potential common shares is antidilutive and therefore excluded.

The rights, including the liquidation and dividend rights, of the holders of Class A and Class B common stock are identical, except with respect to voting. As the liquidation and dividend rights are identical, the Company's undistributed earnings or losses are allocated on a proportionate basis among the holders of both Class A and Class B common stock. As a result, the net income (loss) per share attributed to common stockholders will, therefore, be the same for both Class A and Class B common stock on an individual or combined basis.

The following table sets forth the computation of basic and diluted net loss per share attributable to common stockholders:

	Year Ended December 31,		
	2021	2020	2019
	(in millions, except per share data)		
Numerator:			
Net loss	$ (361)	$ (745)	$ (129)
Less: deemed dividend to convertible preferred stockholders	—	—	(7)
Net loss attributable to common stockholders	$ (361)	$ (745)	$ (136)
Denominator:			
Weighted-average shares used in computing net loss per share attributable to common stockholders, basic and diluted	629	127	104
Net loss per share attributable to common stockholders, basic and diluted	$ (0.57)	$ (5.87)	$ (1.31)

The following outstanding shares of potentially dilutive securities were excluded from the computation of diluted net loss per share because including them would have had an anti-dilutive effect:

	As of December 31,		
	2021	2020	2019
	(in millions)		
Redeemable convertible preferred stock, all series	—	—	422
Series B warrant	—	—	10
Warrant to purchase common stock	—	1	1
Common stock options outstanding	45	75	80
Unvested restricted stock units outstanding(1)	48	30	44
Employee stock purchase plan	4	—	—
Total	97	106	557

(1) Unvested RSUs outstanding as of December 31, 2021 and 2020 included 11 and 10 million of outstanding PSUs, respectively. No PSUs outstanding as of December 31, 2019.

11. GEOGRAPHICAL INFORMATION

The Company believes it is relevant to disclose geographical revenue information on both a demand basis, determined by the ship-to address of the user, and on a supply basis, determined by the location of the merchants' operations.

Core marketplace revenue by geographic area based on the ship-to address of the user is as follows:

	Year Ended December 31,					
	2021		2020		2019	
	(in millions)					
Europe	$ 542	46%	$ 833	46%	$ 716	49%
North America(1)	470	40%	735	40%	566	38%
South America	50	4%	90	5%	72	5%
Other	115	10%	169	9%	119	8%
Core marketplace revenue(2)	$ 1,177	100%	$ 1,827	100%	$ 1,473	100%

(1) United States accounted for $389 million, $614 million, $472 million of core marketplace revenue for the years ended December 31, 2021, 2020 and 2019, respectively.

(2) Core marketplace revenue for the years ended December 31, 2021 and 2020 included approximately $22 and $7 million of net gains from the Company's cash flow hedging program, respectively. It did not have a hedging program prior to 2020.

China accounted for substantially all of marketplace and logistics revenue in 2021, 2020 and 2019, respectively, based on the location of the merchants' operations.

The Company's long-lived tangible assets, which consist of property and equipment, net and operating lease right-of-use assets, net, located in the United States were 85% and 87% of the total long-lived tangible assets as of December 31, 2021 and 2020, respectively. The long-lived tangible assets outside the United States were located in China, Canada and the Netherlands.

12. SUBSEQUENT EVENTS

2022 Inducement Plan

In January 2022, the Company's Board of Directors adopted and approved the 2022 Inducement Plan ("2022 Plan) The Company intends that the 2022 Plan be reserved for persons to whom the Company may issue securities without stockholder approval as an inducement of employment pursuant to Rule 5635(c)(4) of the Marketplace Rules of the Nasdaq Stock Market, LLC. The 2022 Plan provides for the award of options, stock appreciation rights, restricted shares, and RSUs of the Company's Class A common stock to the Company's employees. Stock-based awards under the 2022 Plan that expire or are forfeited, cancelled, or repurchased generally are returned to the pool of shares of Class A common stock available for issuance under the 2022 Plan. The aggregate number of shares reserved for issuance under this plan shall not exceed the sum of 12 million shares plus additional common shares returned to the pool of shares available for issuance

Management Transitions

In January 2022, the Company entered into an employment agreement with Vijay Talwar, as the new CEO, with employment commencing on February 1. 2022. Mr. Talwar was granted i) 5 million RSUs with an aggregate grant date fair value of $13 million and ii) options to purchase 6 million shares of the Company's Class A common stock at an exercise price of $2.86 per share with an aggregate grant date fair value of $12 million. These RSUs and options will become vested and exercisable, respectively, in periodic installments over a 4-year term, subject to the CEO's continued employment with the Company. The option award has a term of 10 years.

At the start of February 2022, Piotr Szulczewski stepped down from his position as CEO of the Company. Due to his resignation prior to the second anniversary of the Company's IPO, Mr. Szulcewski is no longer eligible to vest in his PSU award, and as such, the PSUs were canceled. Consequently, the Company expects to reverse in the first quarter of 2022 approximately $21 million of previously recognized stock-based compensation expense related to these PSUs.

In February 2022, Jacqueline Reses resigned from her position as Executive Chair and as a member of the Company's Board of Directors. Upon her resignation, Ms. Reses entered into a consulting agreement with the Company pursuant to which Ms. Reses will provide transition and other consulting services to Mr. Talwar and the Board, with such agreement expiring in May 2023. As part of the consulting agreement, Ms. Reses' PSU award was modified to eliminate the market condition, with only continued service until the expiration of the consulting agreement being the sole vesting condition.

February 2022 Restructuring Plan

In February 2022, the Company's Board of Directors approved the February 2022 Restructuring Plan ("Restructuring Plan") to refocus the Company's operations to support sustainable long-term growth, better align resources, and improve operational efficiencies. The Company expects the Restructuring Plan to be substantially implemented by the end of fiscal year 2022.

The Restructuring Plan includes i) reducing the Company's headcount by approximately 15% (or approximately 190 positions), ii) exiting various facility leases, and iii) reducing and realigning vendor expenditures. In connection with the Restructuring Plan, the Company expects to incur one-time charges for employee severance and other personnel reduction costs as well as costs to exit certain Company facility leases, including noncash impairments of lease assets and property and equipment. The Company anticipates that related severance payments will occur by the end of the second quarter of 2022.

Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures (as defined in Rules 13a-15(e) or 15d-15(e) under the Exchange Act are designed to ensure that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and to ensure that information required to be disclosed is accumulated and communicated to management, including our principal executive and financial officers, to allow timely decisions regarding disclosure. Our Chief Executive Officer and Chief Financial Officer, with assistance from other members of management, have reviewed the effectiveness of our disclosure controls and procedures as of December 31, 2021, and, based on their evaluation, have concluded that the disclosure controls and procedures were not effective as of such date due to material weaknesses in internal control over financial reporting, described below.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining an adequate system of internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP and includes those policies and procedures that: (1) pertain to the maintenance of records that accurately and fairly reflect our transactions and the dispositions of our assets; (2) provide reasonable assurance that our transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP and that our receipts and expenditures are being made only in accordance with appropriate authorizations; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on our financial statements.

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, management used the criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) ("the COSO criteria").

Based on our assessment under the COSO criteria, management concluded that our system of internal control over financial reporting was not effective due to the material weaknesses described below. However, after giving full consideration to these material weaknesses, and the additional analyses and other procedures we performed to ensure that our consolidated financial statements included in this Annual Report on Form 10-K were prepared in accordance with U.S. generally accepted accounting principles ("GAAP"), our management has concluded that our consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods disclosed in conformity with GAAP.

A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the company's annual or interim financial statements will not be prevented or detected on a timely basis. The following material weaknesses have been identified:

- The Company did not design and maintain effective controls over information technology general controls ("ITGCs") for information systems and applications that are relevant to the preparation of the consolidated financial statements. Specifically, the Company did not design and maintain: (i) sufficient user access controls to ensure appropriate segregation of duties and adequately restrict user and privileged access to financial applications, programs and data to appropriate Company personnel; (ii) program change management controls to ensure that information technology ("IT") program and data changes affecting financial information technology applications and underlying accounting records are identified, tested, authorized and implemented appropriately; and (iii) computer operations controls to ensure that critical batch and interface jobs are monitored, privileges are appropriately granted, and data backups are authorized and monitored. Business process controls (automated and manual) that are dependent on the ineffective ITGCs, or that rely on data produced from systems impacted by the ineffective ITGCs, are also deemed ineffective.
- The Company did not fully implement components of the COSO framework, including elements of the control environment, information and communication, control activities and monitoring activities components, relating to: (i) providing sufficient management oversight and ownership over the internal control evaluation process; (ii) hiring and training sufficient competent personnel to support the Company's internal control objectives; (iii) performing timely monitoring to ascertain whether the components of internal control are present and functioning effectively; (iv) communicating deficiencies in a timely manner to those parties responsible for taking corrective action; and (v) retaining sufficient documentation of control activities and evidence supporting the operating effectiveness of the controls. As such, management concluded that it did not have an adequate process in place to complete its assessment of the design and operating effectiveness of internal control over financial reporting in a timely manner.

The Company's independent registered public accounting firm, Ernst & Young LLP, has audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, and has expressed an adverse opinion, which appears in Part II, Item 8 of this Annual Report on Form 10-K.

Management's Plan to Remediate the Material Weaknesses

Our remediation efforts are ongoing and we will continue our initiatives to implement measures designed to ensure that control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. Management is committed to making the necessary changes and improvements to its system of controls to address the material weaknesses in internal control over financial reporting described above.

In 2021, the Company has added to its executive leadership team with individuals who have extensive backgrounds leading and operating in SOX-compliant companies: (i) Chief Financial Officer, who is also a CPA and experienced in U.S. GAAP financial reporting, (ii) Chief Technology Officer, with experience in SOX compliance within Fortune 100 companies, (iii) Chief Product Officer, with experience in SOX compliance within Fortune 100 companies, and (iv) six finance and accounting personnel ranging from staff accountants to a Senior Director who are all CPAs. Additionally, in 2022, the Company appointed a new Chief Executive Officer, an experienced retail, ecommerce and consumer brand executive who has led significant digital and operational transformations within both established and rapidly growing public, multinational enterprises. We believe that this leadership team has the experience and commitment necessary to oversee and lead the necessary steps needed to remediate the material weaknesses noted above.

We are committed to continuing to implement a strong system of controls and believe that our ongoing remediation efforts will result in significant improvements to our system of controls and that we believe will remediate the material weaknesses. However, material weaknesses are not considered remediated until the new controls have been operational for a period of time, are tested, and management concludes that these controls are operating effectively. This remediation process will require resources and time to implement. We will continue to monitor the effectiveness of these remediation measures, and we will make any changes to the design of this plan and take such other actions that we deem appropriate given the circumstances.

Changes in Internal Control over Financing Reporting

Other than the changes associated with the material weaknesses and remediation actions noted above, there have been no changes to our internal control over financial reporting that occurred during the quarter ended December 31, 2021.

Inherent Limitations on Effectiveness of Disclosure Controls and Procedures

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Item 9B. Other Information.

None.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections.

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

We maintain a Code of Business Conduct and Ethics that incorporates our code of ethics applicable to all employees, including all directors and executive officers. Our Code of Business Conduct and Ethics is published on our Investor Relations website at https://ir.wish.com/ under “Corporate Governance.” We intend to satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding amendments to, or waiver from, a provision of our Code of Business Conduct and Ethics by posting such information on the website address and location specified above.

The remaining information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2021.

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2021.

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

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2021.

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

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2021.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2022 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2021.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

1. **Consolidated Financial Statements**

We have filed the consolidated financial statements listed in the Index to Consolidated Financial Statements, Schedules, and Exhibits included in Part II, Item 8, "Financial Statements and Supplementary Data" of this Annual Report on Form 10-K.

2. **Financial Statement Schedules**

All financial statement schedules have been omitted because they are not applicable, not material, or the required information is shown in the consolidated financial statements or the notes thereto.

3. **Exhibit Listing**

		Incorporated by Reference			
Exhibit No.	Description	Form	Date	Number	Filed Herewith
3.1	Amended and Restated Certificate of Incorporation.	8-K	12/18/2020	3.1	
3.2	Amended and Restated Bylaws.	8-K	12/18/2020	3.2	
4.1	Form of Registrant's Class A common stock certificate.	S-1/A	12/7/2020	4.1	
4.2	Amended and Restated Investors' Rights Agreement, dated March 18, 2019 by and among the Registrant and the other parties thereto.	S-1	11/20/2020	4.2	
4.3	Form of Proxy Agreement, between Registrant, Piotr Szulczewski, and certain parties thereto.	S-1	11/20/2020	4.3	
4.4	Description of Capital Stock.				X
10.1	Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.**	S-1	11/20/2020	10.1	
10.2	2010 Stock Plan, as amended, and forms of agreements thereunder.**	S-8	12/16/2020	99.1	
10.3	2020 Equity Incentive Plan and form of agreements thereunder.**	S-8	12/16/2020	99.2	
10.4	2020 Employee Stock Purchase Plan.**	S-8	12/16/2020	99.3	
10.5	Employment Letter Agreement, dated November 19, 2020, between the Registrant and Piotr Szulczewski.**	S-1	11/20/2020	10.5	
10.6	Offer Letter, dated November 9, 2016, between the Registrant and Rajat Bahri.**	S-1	11/20/2020	10.6	
10.7	Offer Letter, dated January 15, 2018, between the Registrant and Devang Shah.**	S-1	11/20/2020	10.7	
10.8	Offer Letter, dated May 11, 2014, between the Registrant and Thomas Chuang.**	S-1	11/20/2020	10.8	
10.9	Offer Letter, dated August 16, 2019, between the Registrant and Pai Liu.**	S-1	11/20/2020	10.9	
10.10	Form of Executive Severance and Change in Control Agreement.**	S-1	11/20/2020	10.10	
10.11	Credit Agreement among the Registrant and JPMorgan Chase Bank, N.A. and the other parties thereto.	S-1/A	12/7/2020	10.11	
10.12	2022 New Employee Equity Incentive Plan and forms of agreements thereunder.**	S-8	1/31/2022	99.1	
10.13	Offer Letter, dated May 11, 2021, between the Registrant and Jacqueline Reses.**	8-K	5/11/2021	99.1	
10.14	Offer Letter, dated October 7, 2021, between the Registrant and Vivian Liu.**	8-K	10/25/2021	10.1	
10.15	Offer Letter, dated January 26, 2022, between the Registrant and Vijay Talwar.**	8-K	1/31/2022	10.1	
10.16	Consulting Agreement, dated February 4, 2022, between the Registrant and Jaqueline Reses**				X
21.1	Subsidiaries of the Registrant.	S-1	11/20/2020	21.1	
23.1	Consent of Ernst & Young LLP, Independent Registered Public Accounting Firm.				X
24.1	Power of Attorney (included in Signature Page)				X
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				X
32.1	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
32.2	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*				X
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.				X
101.SCH	Inline XBRL Taxonomy Extension Schema Document				X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document				X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document				X
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document				X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document				X
104	Cover Page Interactive Data File (embedded within the Inline XBRL document)				X

*The certifications attached as Exhibits 32.1 and 32.2 that accompany this Annual Report on Form 10-K are deemed furnished and not filed with the SEC and are not to be incorporated by reference into any filing of the Registrant under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.
**Indicates a management contract or compensatory plan.

Item 16. Form 10-K Summary

None.

SIGNATURES

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

ContextLogic Inc.

Date: March 14, 2022

By: /s/ Vijay Talwar
Vijay Talwar
Chief Executive Officer and Director

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Vijay Talwar, Vivian Liu, and Devang Shah, and each of them, as his true and lawful attorney-in-fact and agent, with full power of substitution and resubstitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitutes, may lawfully do or cause to be done by virtue thereof.

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

Name	Title	Date
/s/ Vijay Talwar Vijay Talwar	Chief Executive Officer and Director (Principal Executive Officer)	March 14, 2022
/s/ Vivian Liu Vivian Liu	Chief Financial Offer (Principal Financial Officer)	March 14, 2022
/s/ Brett Just Brett Just	Chief Accounting Officer	March 14, 2022
/s/ Tanzeen Syed Tanzeen Syed	Director and Chairperson	March 14, 2022
/s/ Julie Bradley Julie Bradley	Director	March 14, 2022
/s/ Piotr Szulczewski Piotr Szulczewski	Director	March 14, 2022
/s/ Stephanie Tilenius Stephanie Tilenius	Director	March 14, 2022
/s/ Hans Tung Hans Tung	Director	March 14, 2022

DESCRIPTION OF CAPITAL STOCK

General

The following description of the capital stock of ContextLogic Inc. (“us”, “our,” “we”, or the “Company”) is a summary. We have adopted an amended and restated certificate of incorporation and amended and restated bylaws, and this description summarizes the provisions that are included in such documents. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description of the matters set forth in this Exhibit 4.6, you should refer to our amended and restated certificate of incorporation, amended and restated bylaws and amended and restated investors’ rights agreement, each previously filed with the Securities and Exchange Commission and incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.6 is a part, and to the applicable provisions of Delaware law.

Our authorized capital stock consists of 3,600,000,000 shares, all with a par value of $0.0001 per share, of which:

- 3,000,000,000 shares are designated as Class A common stock;
- 500,000,000 shares are designated as Class B common stock; and
- 100,000,000 shares are designated as preferred stock.

Common Stock

We have two classes of authorized common stock: Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting, conversion and transfer rights.

Dividend Rights

Subject to preferences that may apply to shares of preferred stock outstanding at the time, the holders of outstanding shares of our common stock are entitled to receive dividends out of funds legally available if our board of directors, in its discretion, determines to issue dividends and only then at the times and in the amounts that our board of directors may determine. Under Delaware law, we can only pay dividends either out of “surplus” or out of the current or the immediately preceding year’s net profits. Surplus is defined as the excess, if any, at any given time, of the total assets of a corporation over its total liabilities and statutory capital. The value of a corporation’s assets can be measured in a number of ways and may not necessarily equal their book value.

Voting Rights

The holders of our Class B common stock are entitled to 20 votes per share, and holders of our Class A common stock are entitled to one vote per share. The holders of our Class A common stock and Class B common stock vote together as a single class, unless otherwise required by law or our amended and restated certificate of incorporation.

Our amended and restated certificate of incorporation provides that as long as any shares of Class B common stock remain outstanding, we shall not, without the prior affirmative vote of the holders of a majority of the outstanding shares of Class B common stock, voting as a separate class, in addition to any other vote required by applicable law or our amended and restated certificate of incorporation:

- amend, alter, or repeal any provision of our amended and restated certificate of incorporation or amended and restated bylaws that modifies the voting, conversion or other powers, preferences, or other special rights or privileges, or restrictions of our Class B common stock; or
- reclassify any of our outstanding shares of Class A common stock into shares having rights as to dividends or liquidation that are senior to our Class B common stock or the right to more than one (1) vote for each share thereof.

Delaware law or our amended and restated certificate of incorporation would require either holders of our Class A common stock or our Class B common stock to vote separately as a single class in the following circumstances:

- if we were to seek to amend our amended and restated certificate of incorporation to increase the authorized number of shares of a class of stock, or to increase or decrease the par value of a class of stock, then that class would be required to vote separately to approve the proposed amendment; and
- if we were to seek to amend our amended and restated certificate of incorporation in a manner that alters or changes the powers, preferences or special rights of a class of stock in a manner that affected its holders adversely, then that class would be required to vote separately to approve the proposed amendment.

The holders of common stock do not have cumulative voting rights in the election of directors. Accordingly, holders of a majority of the voting power of the shares of common stock entitled to vote in any election of directors may elect all of the directors standing for election. Except for the election of directors, if a quorum is present, an action on a matter is approved if it receives the affirmative vote of the holders of a majority of the voting power of the shares of capital stock present in person or represented by proxy at the meeting and entitled to vote on the matter, unless otherwise required by applicable law, the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws. The election of directors will be determined by a plurality of the votes cast in respect of the shares present in person or represented by proxy at the meeting and entitled to vote, meaning that the nominees with the greatest number of votes cast, even if less than a majority, will be elected. The rights, preferences and privileges of holders of common stock are subject to, and may be impacted by, the rights of the holders of shares of any series of preferred stock that we may designate and issue in the future.

No Preemptive or Similar Rights

Except for the conversion provisions with respect to our Class B common stock described below, holders of our common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to our common stock.

Right to Receive Liquidation Distributions

Upon our dissolution, liquidation or winding-up, the assets legally available for distribution to our stockholders are distributable ratably among the holders of our common stock, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights and payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

Conversion of our Class B Common Stock

Each share of our Class B common stock is convertible at any time at the option of the holder into one share of our Class A common stock. Each share of our Class B common stock will convert automatically into one share of our Class A common stock upon any transfer, whether or not for value, except certain transfers described in our amended and restated certificate of incorporation. Upon the death or permanent incapacity of each holder of Class B common stock who is a natural person, the Class B common stock held by that person or his or her permitted estate planning entities will convert automatically into Class A common stock. However, shares of Class B common stock held by Mr. Szulczewski or his permitted estate planning entities or other permitted transferees will not convert automatically into Class A common stock until a time that is between 90 and 270 days after his death or permanent incapacity, as determined by the board of directors.

In addition, all shares of Class B common stock will automatically convert into shares of Class A common stock on the earlier of (i) December 18, 2027, (ii) the date on which the number of outstanding shares of Class B common stock represents less than 5% of the aggregate combined number of outstanding shares of Class A common stock and Class B common stock, (iii) the date specified by a vote of the holders of a majority of the then outstanding shares of Class B common stock and (iv) a date that is between 90 and 270 days, as determined by the board of directors, after the death or permanent incapacity of Mr. Szulczewski.

Once transferred and converted into Class A common stock, the Class B common stock will not be reissued.

No Further Issuances of our Class B Common Stock

Our amended and restated certificate of incorporation provides that we shall not issue any additional shares of Class B common stock, unless such issuance is approved by the affirmative vote of the holders of a majority of the then outstanding shares of our Class B common stock. No further shares of our Class B common stock may be issued after the final conversion of our Class B common stock into Class A common stock.

Preferred Stock

No shares of preferred stock are outstanding, but we are authorized, subject to limitations prescribed by Delaware law, to issue preferred stock in one or more series, to establish from time to time the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series and any of its qualifications, limitations or restrictions. Our board of directors also can increase or decrease the number of shares of any series, but not below the number of shares of that series then outstanding, without any further vote or action by our stockholders. Our board of directors may authorize the issuance of preferred stock with voting or conversion rights that could adversely affect the voting power or other rights of the holders of the common stock. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions and other corporate purposes, could, among other things, have the effect of delaying, deferring or preventing a change in control of our company and may adversely affect the market price of our common stock and the voting and other rights of the holders of common stock. We have no current plan to issue any shares of preferred stock.

Proxy Agreements

Our founder, Chief Executive Officer, and Chairperson, Peter Szulczewski, (i) has entered into proxy agreements with certain of our stockholders that became effective upon the closing of our initial public offering and (ii) previously entered into a currently effective proxy agreement that survived the closing of our initial public offering.

Under both proxy agreements, Mr. Szulczewski is granted an irrevocable proxy on all matters submitted to a vote of stockholders at a meeting or through the solicitation of written consent of stockholders. One form of the proxy agreement (which became effective upon our initial public offering) terminates upon (i) the liquidation, dissolution or winding up of our business; (ii) the execution by us of a general assignment for the benefit of creditors or the appointment of a receiver or trustee to take possession of our property and assets; (iii) in the sole discretion of Mr. Szulczewski, with his express written consent; (iv) at such time as none of our Class B common stock remains outstanding; or (v) the death or incapacity of Mr. Szulczewski. Additionally, the shares of our Class B common stock subject to such form of proxy agreement are released from such proxy upon transfer or sale of such shares, subject to limited exceptions.

The second type of proxy agreement (entered into prior to our initial public offering) terminates after certain disqualification or succession events.

Registration Rights

Certain holders of our shares of our Class A common stock have registration rights. These shares are referred to as registrable securities. The holders of these registrable securities possess registration rights pursuant to the terms of our amended and restated investors' rights agreement dated March 18, 2019, as amended (the "investors' rights agreement"), which terms are described in additional detail below.

Demand Registration Rights

Under our investors' rights agreement, at any time commencing on the earlier of (i) June 9, 2021 and (ii) June 13, 2021, upon the written request of the holders of not less than 50% of the registrable securities then outstanding that we file a registration statement under the Securities Act with an anticipated aggregate price to the public of at least $15 million, we will be obligated to use our commercially reasonable efforts to register the sale of all registrable securities that holders may request in writing to be registered within 20 days of the mailing of a notice by us to all holders of such registration. We are required to effect no more than two registration statements that are declared or ordered effective, subject to certain exceptions. We may postpone the filing of a registration statement for up to 90 days no more than once in any 12-month period if in the good faith judgment of our board of directors such registration would be seriously detrimental to us, and we do not file another registration statement on our account or that of any other stockholder during such 90 day period.

Piggyback Registration Rights

If we register any of our securities for public sale, we will be obligated to use all commercially reasonable efforts to register all registrable securities that the holders of such securities request in writing be registered within 20 days of mailing of notice by us to all holders of the proposed registration. However, this right does not apply to a registration relating solely to employee benefit plans, a registration relating to the offer and sale of debt securities or a registration relating to a corporate reorganization or other transaction under Rule 145 of the Securities Act. The managing underwriter of any underwritten offering will have the right to limit, due to marketing reasons, the number of shares registered by these holders to 30% of the total shares covered by the registration statement, except for in this offering, in which these holders may be excluded entirely if the underwriters determine that the sale of their shares may jeopardize the success of the offering.

Form S-3 Registration Rights

At any time commencing on June 13, 2021, the holders of the registrable securities can request that we register all or a portion of their shares on Form S-3 if we are eligible to file a registration statement on Form S-3 and the aggregate price to the public of the shares offered is at least $5 million. We are required to file no more than one registration statement on Form S-3 per 12-month period upon exercise of these rights, subject to certain exceptions. We may postpone the filing of a registration statement for up to 90 days once in any 12-month period if in the good faith judgment of our board of directors such registration would be seriously detrimental to us, and we do not register any other securities for our account or the account of any other stockholder during such 90-day period.

Additionally, we are required, once we become eligible to register securities on Form S-3, to use commercially reasonable efforts to qualify the registrable securities for registration on a delayed or continuous basis on Form S-3 pursuant to Rule 415 under the Securities Act. Holders of registrable securities may, no more than twice in a 12-month period, elect to sell registrable securities pursuant to such registration on a delayed or continuous basis, including up to once in a 12-month period through an underwritten offering.

Registration Expenses

We will pay all expenses (other than underwriting discounts, selling commissions and stock transfer taxes) of the holders incurred in connection with each of the registrations described above, subject to certain limitations. However, we will not pay for any expenses of any demand or Form S-3 registration if the request is subsequently withdrawn at the request of the holders of a majority of the registrable securities to be registered, subject to limited exceptions.

Termination of Registration Rights

The registration rights described above will terminate upon a liquidation event or as to any stockholder at such time as all of such stockholder's securities (together with any affiliate of the stockholder with whom such stockholder must aggregate its sales) could be sold pursuant to Rule 144 of the Securities Act, but in any event no later than the third-year anniversary of this offering.

Anti-Takeover Provisions

Section 203 of the Delaware General Corporation Law

We are governed by the provisions of Section 203 of the Delaware General Corporation Law regulating corporate takeovers. This section prevents some Delaware corporations from engaging, under some circumstances, in a business combination, which includes a merger or sale of at least 10% of the corporation's assets with any interested stockholder, meaning a stockholder who, together with affiliates and associates, owns or, within three years prior to the determination of interested stockholder status, did own 15% or more of the corporation's outstanding voting stock, unless:

- the transaction is approved by the board of directors prior to the time that the interested stockholder became an interested stockholder; or
- subsequent to such time that the stockholder became an interested stockholder the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders by at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

A Delaware corporation may "opt out" of these provisions with an express provision in its original certificate of incorporation or an express provision in its certificate of incorporation or amended and restated bylaws resulting from a stockholders' amendment approved by a majority of the outstanding voting shares. We have not opted out of these provisions. As a result, mergers or other takeover or change in control attempts of us may be discouraged or prevented.

Certificate of Incorporation and Bylaw Provisions

Our amended and restated certificate of incorporation and our amended and restated bylaws include a number of provisions that may have the effect of deterring hostile takeovers or delaying or preventing changes in control of our management team, including the following:

- *Dual Class Stock*. As described above in "*Common Stock—Voting Rights*," our amended and restated certificate of incorporation provides for a dual class common stock structure pursuant to which holders of our Class B common stock have the ability to control the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A and Class B common stock, including the election of directors and significant corporate transactions, such as a merger or other sale of our company or its assets. Therefore, current investors, executives, and employees will have the ability to exercise significant influence over those matters.
- *Separate Class B Vote for Certain Transactions.* Our amended and restated certificate of incorporation provides that so long as our outstanding shares of Class B common stock represent 25% or more of the total voting power of the company, any transaction that would result in a change in control of our company will require the approval of a majority of our outstanding Class B common stock voting as a separate class. This provision could delay or prevent the approval of a change in control that might otherwise be approved by a majority of outstanding shares of our Class A and Class B common stock voting together on a combined basis.

- *Supermajority Approvals*. Our amended and restated certificate of incorporation and amended and restated bylaws provide that certain amendments to our amended and restated certificate of incorporation or amended and restated bylaws by stockholders will require the approval of two-thirds of the combined vote of our then-outstanding shares of Class A and Class B common stock. This will have the effect of making it more difficult to amend our amended and restated certificate of incorporation or amended and restated bylaws to remove or modify certain provisions.
- *Board of Directors Vacancies*. Our amended and restated certificate of incorporation and amended and restated bylaws authorize only our board of directors to fill vacant directorships. In addition, the number of directors constituting our board of directors is set only by resolution adopted by a majority vote of our entire board of directors. These provisions restricting the filling of vacancies will prevent a stockholder from increasing the size of our board of directors and gaining control of our board of directors by filling the resulting vacancies with its own nominees.
- *Classified Board*. Our board of directors is not currently classified. At any time after our first annual meeting of stockholders, when the outstanding shares of our Class B common stock represent less than 40% of the combined voting power of our common stock, our board of directors will be classified into three classes of directors with staggered three-year terms and directors will only be able to be removed from office for cause. The existence of a classified board could delay a successful tender offeror from obtaining majority control of our board of directors, and the prospect of that delay might deter a potential offeror.
- *Stockholder Action; Special Meeting* of *Stockholders*. Our amended and restated certificate of incorporation provides that stockholders may not call special meetings of stockholders, but that stockholders will be able to take action by written consent. At any time after the Company's first annual meeting of stockholders, when the outstanding shares of our Class B common stock represent less than 40% of the combined voting power of our common stock, our stockholders will no longer be able to take action by written consent, and will only be able to take action at annual or special meetings of our stockholders. Stockholders will not be permitted to cumulate their votes for the election of directors.
- *Advance Notice Requirements for Stockholder Proposals and Director Nominations*. Our amended and restated bylaws provide for advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at any meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions may preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our meetings of stockholders.
- *Issuance of Undesignated Preferred Stock*. Our board of directors will have the authority, without further action by the holders of common stock, to issue up to 100,000,000 shares of undesignated preferred stock with rights and preferences, including voting rights, designated from time to time by the board of directors. The existence of authorized but unissued shares of preferred stock will enable our board of directors to render more difficult or to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise.

Choice of Forum

Our amended and restated certificate of incorporation provides that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation or our amended and restated bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. Our certificate of incorporation also provides that the U.S. federal district courts are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

These choice of forum provisions do not apply to actions brought to enforce a duty or liability created by the Exchange Act. We intend for the choice of forum provision regarding claims arising under the Securities Act to apply despite the fact that Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all actions brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. There is uncertainty as to whether a court would enforce such provision with respect to claims under the Securities Act, and our stockholders will not be deemed to have waived our compliance with the federal securities laws and the rules and regulations thereunder.

Transfer Agent and Registrar

The transfer agent and registrar for our Class A common stock and our Class B common stock is American Stock Transfer & Trust Company. The transfer agent and registrar's address is 6201 15th Avenue, Brooklyn, NY 11219.

CONSULTING AGREEMENT

Subject to approval by ContextLogic Inc.'s Board of Directors (the "Board") or a committee of the Board, this Consulting Agreement (the "Agreement") is entered into as of February 4, 2022 (the "Effective Date") between Jacqueline D. Reses ("Consultant") and ContextLogic Inc., a Delaware corporation with its principal place of business at One Sansome Street, 33rd Floor, San Francisco, CA 94104 (the "Company"). The Company and Consultant are each a "Party" and collectively the "Parties" to this Agreement. The Consultant and Company agree as follows:

1. Services; Payment; No Violation of Rights or Obligations. Consultant agrees to undertake and complete the Services (as defined in Exhibit A, the Statement of Work, which shall serve as a template for additional Statements of Work in accordance with and on the schedule specified in Exhibit A, attached hereto and incorporated by reference). Unless otherwise specifically agreed upon by Company in writing (and notwithstanding any other provision of this Agreement), all activity relating to the Services will be performed by and only by Consultant. Consultant agrees that Consultant will not violate any agreement with or rights of any third party or, except as expressly authorized by Company in writing hereafter, use or disclose at any time Consultant's own or any third party's confidential information or intellectual property in connection with the Services or otherwise for or on behalf of Company.

2. Ownership; Rights; Confidential Information; Third Party Software.

a. Company shall own all right, title and interest (including patent rights, copyrights, trade secret rights, mask work rights, trademark rights, *sui generis* database rights and all other intellectual property rights of any sort throughout the world) relating to any and all inventions (whether or not patentable), works of authorship, mask works, designations, designs, know-how, ideas and information made or conceived or reduced to practice, in whole or in part, by or for or on behalf of Consultant during the Term of this Agreement (as defined below) that relate to the subject matter of or arise out of or in connection with the Services or any Confidential Information (as defined below) (collectively, "Inventions"). Consultant hereby makes all assignments necessary to accomplish the foregoing ownership; provided that no assignment is made that extends beyond what would be allowed under California Labor Code Section 2870 (attached as Exhibit B). Consultant shall assist the Company, at Company's expense, to further evidence, record and perfect such assignments, and to perfect, obtain, maintain, enforce and defend any rights assigned. Consultant hereby irrevocably designates and appoints Company as its agent and attorney-in-fact, coupled with an interest, to act for and on Consultant's behalf to execute and file any document and to do all other lawfully permitted acts to further the foregoing with the same legal force and effect as if executed by Consultant and all other creators or owners of the applicable Invention.

b. Consultant agrees that all Inventions and all other business, technical, trade secret and financial information (including, without limitation, the identity of and information relating to customers, employees, or Company intellectual property) developed, accessed, learned or obtained by or for or on behalf of Consultant during the Term that relate to the Company or the business or demonstrably anticipated business of Company or in connection with the Services, or that are received by or for Company in confidence, constitute "Confidential Information." Consultant shall hold in confidence and not disclose or, except in performing the Services, use any Confidential Information. Consultant agrees to: (i) use and process the Confidential Information only for the purpose of performing its obligations hereunder, in accordance with Company's written instructions, and Company's privacy policies, and for no other purpose; and (ii) secure, protect and maintain the confidentiality of the Confidential Information using at least as great a degree of care as it uses to maintain the confidentiality of its own most confidential information, but in no event less than reasonable care. Consultant shall implement and maintain reasonable and appropriate administrative, physical, and technical safeguards designed to protect the security, confidentiality, accessibility and integrity of all Confidential Information. Consultant shall not reproduce Confidential Information except as necessary in furtherance of the purpose of this Agreement. Consultant shall not sell, transfer, publish, disclose, or otherwise use or make available any portion of the Confidential Information to any third party, except to those of Consultant's directors, officers, employees, or attorneys, in each case that have a need-to-know the same in furtherance of the purposes of this Agreement. Consultant shall comply with all applicable privacy and data security laws, rules, regulations, third party terms and policies, and industry standard guidelines, (collectively, "Data Protection Laws"), and not cause Company to violate any Data Protection Laws.

c. Consultant will: (a) promptly notify Company in writing if it receives any requests or inquiries relating to its processing of Confidential Information or if it believes Company's instructions may violate Data Protection Laws or Company's privacy policies; (b) provide Company with all assistance necessary to provide proper notice and secure all necessary rights, consents, and permissions and a lawful basis for the processing of Confidential Information as contemplated under this Agreement; and (c) provide Company with all assistance necessary for Company to fulfill its obligations under Data Protection Laws. Consultant shall cooperate in good faith to enter into additional or modified contract terms to address any Data Protection Laws or modifications, amendments, or updates thereto. However, Consultant shall not be obligated under this paragraph with respect to information Consultant can document is or becomes readily, lawfully and publicly available without restriction through no fault of Consultant. Upon termination or as otherwise requested by Company, Consultant will promptly provide to Company all items and copies containing or embodying Confidential Information, except that Consultant may keep its personal copies of its compensation records and this Agreement, provided that Consultant keeps this Agreement confidential except as required by applicable law. Consultant also recognizes and agrees that Consultant does not have any expectation of privacy with respect to Company's telecommunications, networking or information processing systems (including, without limitation, stored computer files, email messages and voice messages) and that Consultant's activity, and any files or messages, on or using any of those systems may be monitored at any time without notice.

d. The foregoing shall not prohibit any Party from disclosing information if compelled to do so by valid subpoena or regulatory process provided that the disclosing Party shall first provide the other Party with reasonable written notice thereof prior to such disclosure and an opportunity to defend against disclosure. In addition, neither Party shall be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (a) in confidence to a federal, state, or local government official, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law; or (b) in a complaint or other document filed in a lawsuit or other legal proceeding, if such filing is made under seal. Further, neither Party shall be prohibited from reporting suspected violations of federal law or regulation to any governmental agency or entity or making other disclosures that are protected under the whistleblower provisions of federal law or regulation.

e. If any part of the Services or Inventions or information provided hereunder is based on, incorporates, or is an improvement or derivative of, or cannot be reasonably and fully made, used, reproduced, distributed and otherwise exploited without using or violating technology or intellectual property rights owned by or licensed to Consultant (or any person involved in the Services) and not assigned hereunder, Consultant hereby grants Company and its successors a perpetual, irrevocable, worldwide royalty-free, non-exclusive, transferable, sublicensable (through multiple tiers) right and license to exploit and exercise all such technology and intellectual property rights in support of Company's exercise or exploitation of the Services, Inventions, other work or information performed or provided hereunder, or any assigned rights (including any modifications, improvements and derivatives of any of them).

f. As used herein, the term "Third Party Software" shall mean any software that is not owned or proprietary to Consultant. Consultant shall not incorporate into or use Third Party Software in its work or the deliverables unless Consultant has notified Company and either: (i) Consultant has obtained sufficient permissions or licenses such that Company may use such Third Party Software without violating any third party rights or licenses or (ii) Company approves the use or incorporation of such Third Party Software in a writing signed by Company. Consultant shall not incorporate into or use open source software in Consultant's work or the deliverables unless Consultant has notified Company and Company approves the use or incorporation in a writing signed by Company.

3. <u>Anti-Corruption Representations and Warranties</u>.

a. Consultant and all persons employed or acting on Consultant's behalf (including employees, directors, agents, contractors, or approved subcontractors) will not directly or indirectly:

i. give, offer, or promise anything of value (including money, services, contributions, fees, gifts, bribes, rebates, samples, payoffs, travel expenses, entertainment, influence payments, kickbacks, commissions, or any other thing of value, regardless of form) to any person or intermediary to secure a commercial advantage, to obtain or retain business, or to direct business to or away from any person/entity;

ii. accept, receive or agree to accept or receive anything of value (including money, services, contributions, fees, gifts, bribes, rebates, samples, payoffs, travel expenses, entertainment, influence payments, kickbacks, commissions, or any other thing of value, regardless of form) from any person or intermediary to secure a commercial advantage, to obtain or retain business, or to direct business to or away from any person/entity; or

iii. provide any facilitating, expediting, or grease payment(s) to expedite or secure the performance of a routine government action.

b. Recordkeeping. Consultant shall, at Consultant's own cost, maintain adequate and accurate books and records that in reasonable detail accurately and fairly reflect transactions and asset disposals with respect to Consultant performance of its obligations under the Agreement with Company.

4. Additional Warranties and Other Obligations. Consultant represents, warrants and covenants that: (i) the Services will be performed in a professional manner and that none of such Services nor any part of this Agreement is or will be inconsistent with any obligation Consultant may have to others; (ii) all work and deliverables under this Agreement shall be Consultant's original work and none of the Services or Inventions nor any development, use, production, distribution or exploitation thereof will infringe, misappropriate or violate any intellectual property or other right of any person or entity; (iii) Consultant has the full right to allow it to provide Company with the assignments and rights provided for herein; (iv) Consultant shall comply with all applicable laws, rules and regulations and Company safety, security and any other rules and policies in the course of performing the Services; and (v) if the provision of the Services requires any licenses or permits, Consultant has obtained all such licenses and permits and all such licenses and permits is in full force and effect.

5. Term and Termination.

a. This Agreement shall commence on the Effective Date and will terminate on May 16, 2023 unless otherwise agreed to by the Parties in writing.

b. Either Party may terminate this Agreement or any individual Statement of Work with cause at any time upon: (i) a breach or default of any material obligation under this Agreement, which is not cured within fifteen (15) calendar days after written notice of such breach or default, provided, however, that if the obligation is of a nature that is not capable of being cured within fifteen (15) calendar days, then the defaulting Party must have commenced efforts to cure the default within fifteen (15) calendar days after written notice and must diligently pursue completion of the cure; or (ii) the filing of any bankruptcy or similar petition (whether voluntary or involuntary) by or against the other Party which is not dismissed or removed within thirty (30) calendar days after written notice. The Parties agree that this Agreement may be terminated separately from any individual Statement of Work. Upon termination of this Agreement, any outstanding Statement of Work will remain in effect until terminated.

c. The Parties further agree that Consultant may terminate this Agreement or any individual Statement of Work without cause by providing sixty (60) calendar days advance written notice to the Company.

6. Relationship of the Parties; Independent Contractor; No Employee Benefits. Notwithstanding any provision hereof, Consultant is an independent contractor and is not an employee, agent, partner or joint venturer of Company and shall not bind nor attempt to bind Company to any contract. Consultant shall accept any directions issued by Company pertaining to

the goals to be attained and the results to be achieved by Consultant but Consultant shall be solely responsible for the manner and hours in which the Services are performed under this Agreement. Consultant shall not be eligible to participate in any of Company's employee benefit plans, fringe benefit programs, group insurance arrangements or similar programs. Company shall not provide workers' compensation, disability insurance, Social Security or unemployment compensation coverage or any other statutory benefit to Consultant. Consultant shall comply, at Consultant's expense, with all applicable provisions of workers' compensation laws, unemployment compensation laws, federal Social Security law, the Fair Labor Standards Act, federal, state and local income tax laws, and all other applicable federal, state and local laws, regulations and codes relating to terms and conditions of employment required to be fulfilled by employers or independent contractors.

7. Assignment. Consultant shall not have the right or ability to assign, transfer or subcontract any rights or obligations under this Agreement without the prior written consent of Company. Any attempt to do so shall be void. Company may fully assign and transfer this Agreement in whole or part.

8. Notice. All notices under this Agreement shall be in writing and addressed to the Party to be notified at its address set forth below, or as may be later designated in writing. Notices shall be effective: (i) 24 hours after telefax or other similar electronic method, (ii) 72 hours after deposit in the United States mail, certified, return receipt requested and postage prepaid, or (iii) immediately upon personal delivery. Notice in any other manner shall be effective upon receipt.

9. Miscellaneous. Any breach of Sections 2, 3 or 5 of this Agreement will cause irreparable harm to Company for which damages would not be an adequate remedy, and therefore, Company will be entitled to injunctive relief with respect thereto in addition to any other remedies. The failure of either Party to enforce any right, power or privilege under this Agreement at any time for any period shall not be construed as a waiver of such rights. No changes, additions, modifications or waivers to this Agreement will be effective unless in writing and signed by both Parties. In the event that any provision of this Agreement shall be declared by a court of competent jurisdiction to be invalid or unenforceable, that provision will be limited or eliminated to the minimum extent necessary so that the remaining provisions of this Agreement shall otherwise remain in full force and effect and enforceable. This Agreement shall be governed by and construed in accordance with the laws of the State of California without regard to the conflicts of laws provisions thereof. In any action or proceeding to enforce rights under this Agreement, the prevailing party will be entitled to recover its costs and attorneys' fees. Headings herein are for convenience of reference only and shall in no way affect interpretation of the Agreement. This Agreement represents the entire understanding and agreement between the Parties with respect to the subject matter hereof and supersedes all prior agreements between the Parties with respect to the subject matter hereof. This Agreement shall be binding upon and inure to the benefit of Parties and their permitted heirs, successors, executors, and permitted assigns. This Agreement may not be assigned by Consultant to any other person without the prior written consent of Company. Consultant further agrees to never make any negative or disparaging statements (orally or in writing) about the Company or its stockholders, directors, officers, employees, products, services or business practices, except as required by law.

10. Arbitration of Disputes. The Parties mutually consent to the resolution by binding arbitration of all claims (common law or statutory) or disputes relating to the subject matter of this Agreement in San Francisco, California, in English, in accordance with the Streamlined Arbitration Rules and Procedures of Judicial Arbitration and Mediation Services, Inc. ("JAMS") then in effect, by one commercial arbitrator with substantial experience in resolving intellectual property and commercial contract disputes, who shall be selected from the appropriate list of JAMS arbitrators in accordance with such Rules. The arbitration proceedings and award shall remain confidential. Judgment upon the award rendered by such arbitrator may be entered in any court of competent jurisdiction. Notwithstanding any provision of the JAMS Rules, arbitration shall occur on an individual basis only, and a court of competent jurisdiction (and not an arbitrator) shall resolve any dispute about the formation, validity, or enforceability of any provision of this arbitration agreement. Consultant waives the right to initiate, participate in, or recover through, any class or collective action. To the maximum extent permitted by law, the arbitrator shall award the prevailing party its costs and reasonable attorney’s fees; provided, however, that the arbitrator at all times shall apply the law for the shifting of costs and fees that a court would apply to the claim(s) asserted. THE PARTIES ACKNOWLEDGE THAT EACH IS, OF ITS CHOICE, KNOWINGLY AND VOLUNTARILY, AND FOR THEIR MUTUAL BENEFIT, WAIVING, AFTER CONSULTING (OR HAVING HAD THE OPPORTUNITY TO CONSULT) WITH COUNSEL, THE CONSTITUTIONAL RIGHT TO TRIAL BY JURY IN THE EVENT OF A CLAIM OR LITIGATION REGARDING THE INTERPRETATION, PERFORMANCE OR ENFORCEMENT OF, OR IN ANY WAY RELATED TO THIS AGREEMENT. Notwithstanding the foregoing obligation to arbitrate disputes, Company shall have the right to pursue injunctive or other equitable relief at any time, from any court of competent jurisdiction. This arbitration agreement shall remain in effect notwithstanding the termination of this Agreement.

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ContextLogic Inc.	**Consultant:**
By: /s/ Tanzeen Syed	By: /s/ Jacqueline Reses
Name: Tanzeen Syed	Name: Jacqueline D. Reses
Title: Lead Independent Director	Title: Consultant
Date: 2/9/2022	Date: 2/8/2022
Address: 1 Sansome St; 33rd Floor, San Francisco, California 94104	
Copy to: Legal Department at same address	

EXHIBIT A

STATEMENT OF WORK

This Statement of Work #1 ("SOW #1") with an effective date of February 4, 2022 ("SOW Effective Date") is governed by the terms of the Consulting Agreement (the "Agreement") by and between Jacqueline D. Reses ("Consultant") and ContextLogic Inc., a Delaware corporation with a principal place of business located at One Sansome Street, 33rd Floor, San Francisco, CA 94104 ("Company").

SERVICES: Consultant shall provide the following services to Company:

- Serve as a senior advisor to Company's Board of Directors and CEO
- Continue working with the Company to build out a world class executive team and HR/recruiting organization
- Advise on expanding the Wish platform into the consumer financial services industry
- Other special projects as agreed upon by the Parties

HOURS/WORK SCHEDULE: Consultant agrees to provide the Services to the Company for approximately ten (10) hours per week, with the understanding that Consultant may provide more or fewer hours during certain weeks.

TERM: The Term of this SOW #1 will commence on the SOW Effective Date and expire on May 16, 2023 ("Term").

PAYMENT: Subject to approval by the Company's Board of Directors or a committee of the Board of Directors, Consultant will receive the following consideration in exchange for providing the Services set forth in this SOW #1: during the Term, continued vesting of the following two awards of restricted stock units ("RSUs") awarded to Consultant in her May 11, 2021 Offer Letter with the Company (the "Offer Letter"), which is attached hereto as Exhibit C, and that commenced the vesting period on May 11, 2021:

- 828,500 restricted stock units of Class A Common Stock (the "***Time-Based RSUs***");
- 828,500 restricted stock units of Class A Common Stock (the "***Updated Performance-Based RSU[1]s***").

In addition to the continued vesting during the Term, as outlined above, within 30 days of the conclusion of the Term, the Company will accelerate any RSUs that are unvested as of May 16, 2023.

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1 The original terms of the PSUs would be modified to eliminate the Stock Price Multiple Condition by approval of the Compensation Committee.

Both the Time-Based RSUs and Performance-Based RSUs will continue to be subject to the terms and conditions of the Company's 2020 Equity Incentive Plan (the "Plan"), as amended, the Notice of Performance-Based Restricted Stock Unit Award, the applicable Restricted Stock Unit Agreement and the Offer Letter. Consultant will be considered a Service Provider under the Plan.

*****

By signing below, the Parties hereto, each acting under due and proper authority agree to make this Statement of Work a part of the Agreement between the Parties.

ContextLogic Inc.	**Consultant**
By: /s/ Tanzeen Syed	By: /s/ Jacqueline Reses
Name: Tanzeen Syed	Name: Jacqueline D. Reses
Title: Lead Independent Director	Title: Consultant
Date: 2/9/2022	Date: 2/8/2022
Address: 1 Sansome St; 33rd Floor, San Francisco, California 94104 Copy to: Legal Department at same address	

EXHIBIT B

California Labor Code Section 2870. **Application of provision providing that employee shall assign or offer to assign rights in invention to employer.**

(a) Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

(1) Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer; or

(2) Result from any work performed by the employee for his employer.

(b) To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

EXHIBIT C

(Offer Letter)

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the following Registration Statements:

(1) Registration Statement (Form S-8 No. 333-251374) pertaining to the 2020 Equity Incentive Plan, the 2020 Employee Stock Purchase Plan, and the 2010 Stock Plan of ContextLogic Inc., and

(2) Registration Statement (Form S-8 No. 333-262433) pertaining to the 2022 New Employee Equity Incentive Plan of ContextLogic Inc.;

of our reports dated March 14, 2022, with respect to the consolidated financial statements of ContextLogic Inc. and the effectiveness of internal control over financial reporting of ContextLogic Inc. included in this Annual Report (Form 10-K) of ContextLogic Inc. for the year ended December 31, 2021.

/s/ Ernst & Young LLP

San Francisco, California
March 14, 2022

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Vijay Talwar, certify that:

1. I have reviewed this Annual Report on Form 10-K of ContextLogic 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: March 14, 2022

By: /s/ Vijay Talwar
Vijay Talwar
Chief Executive Officer and Director
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Vivian Liu, certify that:

1. I have reviewed this Annual Report on Form 10-K of ContextLogic 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: March 14, 2022

By: /s/ Vivian Liu
Vivian Liu
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Annual Report of ContextLogic Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: March 14, 2022

By: /s/ Vijay Talwar
Vijay Talwar
Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Annual Report of ContextLogic Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for the periods presented therein.

Date: March 14, 2022

By: /s/ Vivian Liu
Vivian Liu
Chief Financial Officer
(Principal Financial Officer)