via email

April 20, 2023

Reece McAlister, Executive Secretary
Georgia Public Service Commission
244 Washington Street, SW
Atlanta, GA 30334

Re: **Five9, Inc.**
FEIN: 94-3394123

2022 – 2023 Financial Reports Submitted Per GA PSC Rule 515-3-1-.04 (1)

Dear Officer,

Attached are three copies of Five9, Inc.'s certified audit report and its financial statements which are submitted for the Annual Report filing per the afore-referenced Rule.

Please contact me at julie.stiles@five9.com or 925-574-8213 for needed assistance.

Respectfully,

Julie Stiles

Julie Stiles
Director, Tax Compliance

attachments

Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors
Five9, Inc.:

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the accompanying consolidated balance sheets of Five9, Inc. and subsidiaries (the Company) as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). We also have audited the Company's internal control over financial reporting as of December 31, 2022, based on criteria, established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Change in Accounting Principle

As discussed in Note 6 to the consolidated financial statements, the Company has changed its method of accounting for convertible senior notes as of January 1, 2021 due to the adoption of Accounting Standards Update (ASU) No. 2020-06, Debt-Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging-Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity.

Basis for Opinions

The Company's management is responsible for these consolidated financial statements, 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 Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's consolidated financial statements and an opinion on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter 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 matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Evaluation of the sufficiency of audit evidence over revenues from subscription services and related usage

As discussed in Note 1 to the consolidated financial statements, the Company charges its clients subscription fees, usually billed on a monthly basis, for access to the Company's Virtual Contract Center ("VCC") cloud platform. The subscription fees are primarily based on the number of agent seats as well as the specific VCC functionalities and applications deployed by the client. Agent seats are defined as the maximum number of named agents allowed to concurrently access the VCC cloud platform. Substantially all of the Company's clients purchase both subscriptions and related telephony usage. The related telephony usage fees are generally based on the volume of minutes used for inbound and outbound client interactions. There are high volumes of subscription and related usage transactions processed across multiple information technology ("IT") systems.

We identified the evaluation of the sufficiency of audit evidence over subscription services and related usage as a critical audit matter. Revenues from subscription services and related usage involve a high volume of automated transactions dependent on the Company's IT systems. Therefore, our audit procedures required the involvement of IT professionals and auditor judgement was required to determine the nature and extent of audit evidence obtained and evaluate the results of the procedures.

The following are the primary procedures we performed to address this critical audit matter. We involved IT professionals with specialized skills and knowledge, who assisted in evaluating the design and testing the operating effectiveness of certain internal controls over the Company's revenue process. This included controls over the capture and flow of subscription and related usage transactional information through the Company's IT systems. We placed test calls and observed that call attributes such as duration and type of service were captured in the relevant IT systems. We assessed the recorded revenue by comparing total cash received during the year, adjusted for reconciling items, to the revenue recognized. Such assessment also evaluated the relevance and reliability of reconciling items to underlying documentation, including the changes in accounts receivable and deferred revenue. We evaluated the sufficiency of audit evidence obtained by assessing the results of procedures performed, including the appropriateness of the nature and extent of such evidence.

/s/ KPMG LLP

We have served as the Company’s auditor since 2012.

Santa Clara, California
February 24, 2023

FIVE9, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

	December 31,	
	2022	**2021**
ASSETS		
Current assets:		
Cash and cash equivalents	$ 180,520	$ 90,878
Marketable investments	433,743	378,980
Accounts receivable, net	87,494	83,731
Prepaid expenses and other current assets	29,711	30,342
Deferred contract acquisition costs, net	47,242	33,295
Total current assets	778,710	617,226
Property and equipment, net	101,221	77,785
Operating lease right-of-use assets	44,120	48,703
Intangible assets, net	28,192	39,897
Goodwill	165,420	165,420
Marketable investments	885	147,377
Other assets	11,057	11,871
Deferred contract acquisition costs, net — less current portion	114,880	84,663
Total assets	$ 1,244,485	$ 1,192,942
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 23,629	$ 20,510
Accrued and other current liabilities	53,092	78,577
Operating lease liabilities	10,626	9,826
Accrued federal fees	2,471	2,282
Sales tax liabilities	2,973	2,660
Deferred revenue	57,816	43,720
Convertible senior notes	169	—
Total current liabilities	150,776	157,575
Convertible senior notes - less current portion	738,376	768,599
Sales tax liabilities — less current portion	899	877
Operating lease liabilities — less current portion	41,389	47,088
Other long-term liabilities	3,080	7,671
Total liabilities	934,520	981,810
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000 shares authorized, no shares issued and outstanding as of December 31, 2022 and 2021	—	—
Common stock, $0.001 par value; 450,000 shares authorized, 71,047 shares and 68,488 shares issued and outstanding as of December 31, 2022 and 2021, respectively	71	68
Additional paid-in capital	635,668	439,787
Accumulated other comprehensive loss	-2,688	-287
Accumulated deficit	-323,086	-228,436
Total stockholders' equity	309,965	211,132
Total liabilities and stockholders' equity	$ 1,244,485	$ 1,192,942

FIVE9, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(In thousands, except per share data)

	Year Ended December 31,		
	2022	**2021**	**2020**
Revenue	$ 778,846	$ 609,591	$ 434,908
Cost of revenue	367,501	271,099	180,284
Gross profit	411,345	338,492	254,624
Operating expenses:			
Research and development	141,794	106,897	68,747
Sales and marketing	261,990	193,929	132,413
General and administrative	95,143	93,916	65,769
Total operating expenses	498,927	394,742	266,929
Loss from operations	-87,582	-56,250	-12,305
Other (expense) income, net:			
Interest expense	-7,493	-8,027	-28,348
Loss on early extinguishment of debt	—	—	-6,964
Other (expense) and interest income	4,813	-8	3,034
Total other (expense) income, net	-2,680	-8,035	-32,278
Loss before income taxes	-90,262	-64,285	-44,583
Provision for (benefit from) income taxes	4,388	-11,285	-2,453
Net loss	$ -94,650	$ -53,000	$ -42,130
Net loss per share:			
Basic and diluted	$ -1.35	$ -0.79	$ -0.66
Shares used in computing net loss per share:			
Basic and diluted	69,920	67,512	64,154
Comprehensive Loss:			
Net Loss	$ -94,650	$ -53,000	$ -42,130
Other comprehensive loss	-2,401	-622	-241
Comprehensive loss	$ -97,051	$ -53,622	$ -42,371

FIVE9, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

	Common Stock		Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Total Stockholders' Equity
	Shares	Amount				
Balance as of December 31, 2019	61,544	$ 61	$ 351,870	$ 576	$ -156,049	$ 196,458
Equity component of issuance of the 2025 convertible senior notes, net of issuance costs	—	—	154,363	—	—	154,363
Purchase of capped calls related to the 2025 convertible senior notes	—	—	-90,448	—	—	-90,448
Equity component from conversion of the 2023 convertible senior notes	—	—	-336,592	—	—	-336,592
Issuance of common stock upon partial conversion of the 2023 convertible senior notes	3,015	3	309,686	—	—	309,689
Fair value of Inference assumed unvested stock options for services completed prior to the acquisition	—	—	192	—	—	192
Issuance of common stock upon exercise of stock options	558	1	11,655	—	—	11,656
Issuance of common stock upon vesting of restricted stock units	1,210	1	-1	—	—	—
Issuance of common stock under ESPP	169	1	11,469	—	—	11,470
Stock-based compensation	—	—	64,747	—	—	64,747
Other comprehensive loss	—	—	—	-241	—	-241
Net loss	—	—	—	—	-42,130	-42,130
Balance as of December 31, 2020	66,496	67	476,941	335	-198,179	279,164
Cumulative effect adjustment due to adoption of ASU 2020-06(1)	—	—	-168,412	—	22,743	-145,669
Issuance of common stock upon partial conversion of the 2023 convertible senior notes	454	—	-353	—	—	-353
Partial unwind of capped calls and retirement of common stock related to the 2023 convertible senior notes	-69	—	9	—	—	9
Issuance of common stock upon exercise of stock options	389	—	7,402	—	—	7,402
Issuance of common stock upon vesting of restricted stock units	1,097	1	-2	—	—	-1
Issuance of common stock under ESPP	121	—	15,397	—	—	15,397
Stock-based compensation	—	—	108,805	—	—	108,805
Other comprehensive loss	—	—	—	-622	—	-622
Net loss	—	—	—	—	-53,000	-53,000
Balance as of December 31, 2021	68,488	68	439,787	-287	-228,436	211,132
Issuance of common stock upon partial conversion of the 2023 convertible senior notes	574	1	-281	—	—	-280
Partial unwind of capped calls and retirement of common stock related to the 2023 convertible senior notes	-119	—	10	—	—	10
Issuance of common stock upon exercise of stock options	531	1	8,521	—	—	8,522
Issuance of common stock upon vesting of restricted stock units	1,383	1	—	—	—	1
Issuance of common stock under ESPP	190	—	13,413	—	—	13,413
Stock-based compensation	—	—	174,218	—	—	174,218
Other comprehensive loss	—	—	—	-2,401	—	-2,401
Net loss	—	—	—	—	-94,650	-94,650
Balance as of December 31, 2022	71,047	$ 71	$ 635,668	$ -2,688	$ -323,086	$ 309,965

(1) Effective January 1, 2021, the Company adopted ASU 2020-06. Accordingly, the Company recorded a net reduction to opening accumulated deficit of $22.7 million and a net reduction to opening additional paid-in capital of $168.4 million as of January 1, 2021 due to the cumulative impact of adopting this new standard.