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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2022

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: 001-39243

SKILLZ INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**84-4478274** (I.R.S. Employer Identification No.)
PO Box 445 **San Francisco, California** (Address of Principal Executive Offices)	**94104** (Zip Code)

(415) 762-0511
Registrant's telephone number, including area code

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, par value $0.0001 per share	SKLZ	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes ☒ No ☐

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

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 is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

As of August 1, 2022, the registrant had outstanding 350,456,300 shares of Class A common stock and 68,717,138 shares of Class B common stock.

SKILLZ INC.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act, about Skillz Inc. ("we," "us," "our," or the "Company") and our industry that involve substantial risks and uncertainties. All statements other than statements of historical facts contained in this report, including statements regarding guidance, our future results of operations or financial condition, business strategy and plans, user growth and engagement, product initiatives, and objectives of management for future operations, are forward-looking statements. In some cases, you can identify forward-looking statements because they contain words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "going to," "intend," "may," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or the negative of these words or other similar terms or expressions. We caution you that the foregoing may not include all of the forward-looking statements made in this report.

You should not rely on forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. These forward-looking statements are subject to risks, uncertainties, and other factors described in Item 1A, "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2021, as supplemented by our other Securities and Exchange Commission filings, including among other things:

- The success of our business depends on our ability to attract and retain end-users, and do so in a cost-effective manner.
- It is becoming increasingly difficult and more expensive to attract and retain players for the games on our platform, and we may not achieve a positive return on our user acquisition and retention efforts.
- We have a history of losses and we may be unable to achieve profitability.
- We rely on our third-party developer partners to continue to offer a competitive experience in existing and new games on our platform.
- A limited number of games account for a substantial portion of our revenue.

- We rely on third-party service providers including cloud computing services, payment processors, and infrastructure service providers, and if we cannot manage our relationships with such providers or lose access to such services, our business, financial condition, results of operations and prospects could be adversely affected.
- Failure to maintain our brand and reputation could harm our business, financial condition and results of operations.
- The broader entertainment industry is highly competitive and our existing and potential users may be attracted to competing forms of entertainment.
- Our business is subject to a variety of U.S. and foreign laws, which are subject to change and could adversely affect our business.
- Failure to obtain, maintain, protect or enforce our intellectual property rights could harm our business, results of operations and financial condition.
- Economic downturns and political and market conditions beyond our control could adversely affect our business, financial condition and results of operations.
- The occurrence of a data breach or other failure of our cybersecurity.
- Failure to properly contain COVID-19 or another global pandemic in a timely manner could materially affect how we and our business partners are operating.
- Failure to timely and effectively remediate the material weaknesses in our internal controls over financial reporting could adversely affect investor confidence in us and adversely affect our business and financial condition.

These statements are based on our historical performance and on our current plans, estimates and projections in light of information currently available to us, and therefore you should not place undue reliance on them. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Forward-looking statements made in this Quarterly Report on Form 10-Q speak only as of the date on which such statements are made, and we undertake no obligation to update them in light of new information or future events, except as required by law.

You should carefully consider the above factors, as well as the factors discussed in other risks described in Item 1A, “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2021, as supplemented by our other Securities and Exchange Commission filings. The factors identified above should not be construed as an exhaustive list of factors that could affect our future results and should be read in conjunction with the other cautionary statements that are included in this Quarterly Report. Furthermore, new risks and uncertainties arise from time to time, and it is impossible for us to predict those events or how they may affect us. If any of these trends, risks or uncertainties actually occurs or continues, our business, revenue and financial results could be harmed, the trading price of our Class A common stock could decline and you could lose all or part of your investment.

PART I

ITEM 1. FINANCIAL STATEMENTS

SKILLZ INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited, in thousands, except for number of shares and par value per share amounts)

	June 30, 2022	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 169,989	$ 241,332
Marketable securities, current	300,479	319,055
Accounts receivable, net	10,630	13,497
Prepaid expenses and other current assets	21,414	16,704
Total current assets	502,512	590,588
Property and equipment, net	7,096	9,988
Operating lease right-of-use assets, net	13,314	14,511
Marketable securities, non-current	119,145	182,629
Non-marketable equity securities	55,649	55,649
Intangible assets, net	70,995	79,137
Goodwill	86,436	86,845
Other long-term assets	3,756	3,478
Total assets	$ 858,903	$ 1,022,825
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	$ 1,695	$ 19,753
Operating lease liabilities, current	1,846	2,110
Other current liabilities	54,838	64,969
Total current liabilities	58,379	86,832
Operating lease liabilities, non-current	12,744	13,567
Common stock warrant liabilities, non-current	808	6,293
Long-term debt, non-current	280,905	278,889
Other long-term liabilities	1,180	13,544
Total liabilities	354,016	399,125
Commitments and contingencies *(Note 10)*		
Stockholders' equity:		
Preferred stock $0.0001 par value; 10 million shares authorized — 0 issued and outstanding as of June 30, 2022 and December 31, 2021	—	—
Common stock $0.0001 par value; 625 million shares authorized; Class A common stock – 500 million shares authorized; 350 million and 340 million shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively; Class B common stock – 125 million shares authorized; 69 million shares issued and outstanding as of June 30, 2022 and December 31, 2021	41	40
Additional paid-in capital	1,136,133	1,043,600
Accumulated other comprehensive loss	(2,871)	(248)
Accumulated deficit	(628,416)	(419,692)
Total stockholders' equity	504,887	623,700
Total liabilities and stockholders' equity	$ 858,903	$ 1,022,825

See accompanying Notes to the Condensed Consolidated Financial Statements.

SKILLZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS

(Unaudited, in thousands, except for number of shares and per share amounts)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ 73,335	$ 89,491	$ 166,773	$ 173,168
Costs and expenses:				
Cost of revenue	9,020	4,386	18,285	8,642
Research and development	18,529	10,140	37,182	17,422
Sales and marketing	73,185	99,523	190,517	195,846
General and administrative	26,712	25,432	119,504	52,716
Total costs and expenses	127,446	139,481	365,488	274,626
Loss from operations	(54,111)	(49,990)	(198,715)	(101,458)
Interest expense, net	(7,596)	(25)	(15,753)	(49)
Change in fair value of common stock warrant liabilities	1,023	(29,595)	5,485	(31,703)
Other income (expense), net	(82)	80	(108)	130
Loss before income taxes	(60,766)	(79,530)	(209,091)	(133,080)
Provision for (benefit from) income taxes	(155)	65	(367)	107
Net loss	$ (60,611)	$ (79,595)	$ (208,724)	$ (133,187)
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.15)	$ (0.21)	$ (0.52)	$ (0.36)
Weighted average shares outstanding:				
Basic and diluted	408,157,735	385,945,332	404,923,522	371,519,800
Other comprehensive loss:				
Change in unrealized loss on available-for-sale investments, net of tax	(577)	—	(2,623)	—
Total other comprehensive loss:	(577)	—	(2,623)	—
Comprehensive loss	$ (61,188)	$ (79,595)	$ (211,347)	$ (133,187)

See accompanying Notes to the Condensed Consolidated Financial Statements.

SKILLZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Unaudited, in thousands, except for number of shares)

	Preferred stock		Common stock		Additional paid-in capital	Accumulated Other Comprehensive Loss	Accumulated deficit	Total stockholders' equity
	Shares	Amount	Shares	Amount				
Balance at December 31, 2020	—	$ —	369,797,524	$ 37	$ 295,065	$ —	$ (238,315)	$ 56,787
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	268,426	—	12	—	—	12
Issuance of common stock upon exercise of warrants and other, net	—	—	8,741,863	—	172,519	—	—	172,519
Net cash contributions from follow-on offering	—	—	17,000,000	2	402,238	—	—	402,240
Stock-based compensation	—	—	—	—	10,945	—	—	10,945
Net income	—	—	—	—	—	—	(53,592)	(53,592)
Balance at March 31, 2021	—	—	395,807,813	39	880,779	—	(291,907)	588,911
Issuance of common stock upon exercise of stock options	—	—	235,054	—	97	—	—	97
Issuance of common stock upon exercise of warrants and other, net	—	—	628,576	—	9,625	—	—	9,625
Net cash contributions from follow-on offering	—	—	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	15,774	—	—	15,774
Net income	—	—	—	—	—	—	(79,595)	(79,595)
Balance at June 30, 2021	—	$ —	396,671,443	$ 39	$ 906,275	$ —	$ (371,502)	$ 534,812
Balance at December 31, 2021	—	$ —	408,753,837	$ 40	$ 1,043,600	$ (248)	$ (419,692)	$ 623,700
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	879,936	—	236	—	—	236
Stock-based compensation	—	—	—	—	77,925		—	77,925
Other comprehensive loss	—	—	—	—	—	(2,046)	—	(2,046)
Other, net	—	—	—	—	(64)	—	—	(64)
Net loss	—	—	—	—	—	—	(148,113)	(148,113)
Balance at March 31, 2022	—	—	409,633,773	40	1,121,697	(2,294)	(567,805)	551,638
Issuance of common stock upon exercise of stock options and release of restricted stock units	—	—	9,499,536	1	616	—	—	617
Stock-based compensation	—	—	—	—	13,820		—	13,820
Other comprehensive loss	—	—	—	—	—	(577)	—	(577)
Net loss	—	—	—	—	—	—	(60,611)	(60,611)
Balance at June 30, 2022	—	$ —	419,133,309	$ 41	$ 1,136,133	$ (2,871)	$ (628,416)	$ 504,887

See accompanying Notes to the Condensed Consolidated Financial Statements.

SKILLZ INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended June 30,	
	2022	**2021**
Operating Activities		
Net loss	$ (208,724)	$ (133,187)
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	11,384	1,102
Stock-based compensation	91,745	26,719
Accretion of unamortized debt discount and amortization of debt issuance costs	2,016	19
Amortization of premium (accretion of discount) for marketable securities	2,781	—
Deferred income taxes	(479)	—
Change in fair value of common stock warrant liabilities	(5,485)	31,703
Changes in operating assets and liabilities:		
Accounts receivable, net	2,867	—
Prepaid expenses and other assets	(5,076)	(4,417)
Operating lease right-of-use assets	1,197	(13,196)
Accounts payable	(17,223)	(2,701)
Operating lease liabilities	(1,087)	14,172
Other accruals and liabilities	(18,930)	14,796
Net cash used in operating activities	(145,014)	(64,990)
Investing Activities		
Purchases of property and equipment, including internal-use software	(346)	(1,508)
Investment in non-marketable equity securities	—	(2,000)
Purchases of marketable securities	(327,504)	—
Proceeds from maturities of marketable securities	325,078	—
Proceeds from sales of marketable securities	79,084	—
Net cash provided by (used in) investing activities	76,312	(3,508)
Financing Activities		
Principal payments on finance leases obligations	(1,495)	—
Payments for debt issuance costs	(1,998)	—
Proceeds from issuance of common stock in follow-on offering, net of underwriting commissions, and offering costs	—	402,139
Payments made towards deferred offering costs	—	(13,221)
Net proceeds from exercise of stock options and issuance of common stock	852	109
Proceeds from exercise of common stock warrants, net of redemptions	—	109,521
Net cash provided by (used in) financing activities	(2,641)	498,548
Net change in cash, cash equivalents and restricted cash	(71,343)	430,050
Cash, cash equivalents and restricted cash – beginning of year	244,252	265,648
Cash, cash equivalents and restricted cash – end of period	$ 172,909	$ 695,698
Supplemental cash flow data:		
Cash paid during the period for:		
Interest	$ 15,097	$ 30
Noncash investing and financing activities:		
Deferred offering costs and issuance costs in accounts payable and accrued liabilities	$ (7)	$ 725
Warrant exercise receivable	$ —	$ 1,185
Warrant liability reclassified to additional paid-in capital	$ —	$ 71,640

See accompanying Notes to the Condensed Consolidated Financial Statements.

SKILLZ INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in tables are in thousands, unless otherwise noted)

1. Description of the Business and Basis of Presentation

Business

Skillz (the "Company" or "Skillz") is a mobile eSports platform, driving the future of entertainment by accelerating the convergence of sports, video games and media. The Company's principal activities are to develop and support a proprietary online-hosted technology platform that enables independent game developers to host tournaments and provide competitive gaming activity ("Competitions") to end-users worldwide.

Basis of Presentation

The Company's condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") as determined by the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") and pursuant to the regulations of the U.S. Securities and Exchange Commission ("SEC").

Unaudited Interim Financial Statements

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. GAAP for interim financial information and in accordance with the rules and regulations of the SEC. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. The unaudited condensed consolidated financial statements reflect all normal and recurring adjustments that are, in the opinion of the Company's management, necessary for the fair presentation of the results of operations for the interim periods. Operating results for the three and six months ended June 30, 2022 are not necessarily indicative of the results that may be expected for the year ending December 31, 2022. These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021, as filed with the SEC on March 1, 2022.

2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with U.S. GAAP requires management to make certain estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities and the related disclosures at the date of the condensed consolidated financial statements, as well as the reported amounts of revenues and expenses during the periods presented. Estimates are used in several areas including, but not limited to, stock-based compensation, valuation of common stock warrants, the fair values of goodwill and intangible assets and the useful lives of the Company's intangible assets. The Company bases these estimates on historical experience and on various other assumptions that it believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying amounts of assets and liabilities. Actual results could differ materially from these estimates.

Revenue Recognition

The Company generates substantially all its revenues by providing a service to the game developers aimed at improving the monetization of their game content. The monetization service provided by Skillz allows developers to offer multi-player competition to their end-users which increases end-user retention and engagement. Skillz provides developers with a software development kit ("SDK") that they can download and integrate with their existing games. The SDK serves as a data interface between Skillz and the game developers that enables Skillz to provide monetization services to the developer.

The Company recognizes revenue for its services in accordance with the FASB Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606").

Revenues from Contracts with Customers

The Company applies the five-step model to achieve the core principle of ASC 606. The Company determined that its customer in the provision of its technology platform and services is the game developer. The Company's ordinary activities consist of providing game developers services through access to its technology platform using the Skillz SDK. The SDK acts as an application programming interface enabling communication of data between Skillz and the game developers, which when integrated with the developer's game content, facilitates end-user registration into Competitions, managing and hosting end-user Competition accounts, matching players of similar skill levels, collecting end-user entry fees, distributing end-user prizes, resolving end-user disputes pertaining to their participation in Competitions, and running third-party marketing campaigns ("Monetization Services").

The Company provides Monetization Services to game developers enabling them to offer competitive games to their end-users. These activities are not distinct from each other as the Company provides an integrated service enabling the game developers to provide the competitive game service to the end-users, and as a result, they do not represent separate performance obligations. The Company is entitled to a revenue share based on total entry fees for paid Competitions, regardless of how they are paid, net of end-user prizes (i.e., winnings from the Competitions) and other costs to provide the Monetization Services. The game developers' revenue share, however, is calculated solely based upon entry fees paid by net cash deposits received from end-users. End-user incentives are not paid for by game developers. In addition, the Company reduces revenue for end-user incentives which are treated as a reduction of revenue.

The Company collects the entry fees and related charges from end-users on behalf of game developers using the end-user's pre-authorized credit card or PayPal account and withholds its fees before making the remaining disbursement to the game developer; thus, the game developer's ability and intent to pay is not subject to significant judgment.

Revenue is recognized at the time the performance obligation is satisfied by transferring control of the promised service in an amount that reflects the consideration that the Company expects to receive in exchange for the Monetization Services. The Company recognizes revenue upon completion of a game, which is when its performance obligation to the game developer is satisfied. The Company does not have contract assets or contract liabilities as the payment of the transaction price is concurrent with the fulfillment of the services. At the time of game completion, the Company has the right to receive payment for the services rendered. The Company's agreements with game developers can generally be terminated for convenience by either party upon thirty days prior written notice, and in certain of the Company's larger developer agreements, the developer, if required by the Company, must continue to make its games available on the platform for a period of up to twelve months. As the Company is able to terminate the developer agreements at its convenience, the Company has concluded the contract term for revenue recognition does not extend beyond the contractual notification period. The Company did not have any transaction price allocated to performance obligations that are unsatisfied (or partially satisfied) as of June 30, 2022 and 2021.

Games provided by two developer partners, accounted for 38% and 42% of the Company's revenue from Monetization Services in the three and six months ended June 30, 2022, respectively, and 42% and 40% of the Company's revenue from Monetization Services in the three and six months ended June 30, 2021, respectively.

End-User Incentive Programs

To drive traffic to the platform, the Company provides promotions and incentives to end-users in various forms. Evaluating whether a promotion or incentive is a payment to a customer may require significant judgment. Promotions and incentives which are consideration payable to a customer are recognized as a reduction of revenue at the later of when revenue is recognized or when the Company pays or promises to pay the incentive. Promotions and incentives recorded as sales and marketing expense are recognized when the related cost is incurred by the Company. In either case, the promotions and incentives are recognized when they are used by end-users to enter into a paid Competition.

- *Marketing promotions and discounts accounted for as a reduction of revenue.* These promotions are typically pricing actions in the form of discounts that reduce the end-user entry fees and are offered on behalf of the game developers. Although not required based on the Company's agreement with its developers, the Company considers that the game developers have a valid expectation that certain incentives will be offered to end-users. The determination of a valid expectation is based on the evaluation of all information reasonably available to the game developers regarding the Company's customary business practices, published policies and specific statements.

An example of an incentive for which the game developer has a valid expectation is Ticketz, which are a virtual currency earned for every Competition played based on the amount of the entry fee ("Ticketz"). Ticketz can be redeemed for prizes, including bonus cash prizes, a promotional incentive that cannot be withdrawn and can only be used by end-users to enter into paid entry fee contests ("Bonus Cash"). Another example is initial deposit Bonus Cash which is a promotional incentive that can be earned in fixed amounts when an end-user makes an initial deposit on the Skillz platform. Bonus Cash can only be used by end-users to enter into future paid entry fee Competitions and cannot be withdrawn by end-users.

For the three months ended June 30, 2022 and 2021, the Company recognized a reduction of revenue of $13.1 million and $18.7 million, respectively, related to these end-user incentives. For the six months ended June 30, 2022 and 2021, the Company recognized a reduction of revenue of $29.4 million and $36.2 million, respectively, related to these end-user incentives.

- *Marketing promotions accounted for as sales and marketing expense.* When the Company concludes that the game developers do not have a valid expectation that the rewards and awards will be offered to end-users to engage on the platform, the Company records the engagement marketing expenses as sales and marketing expense. The Company's assessment is based on an evaluation of all information reasonably available to the game developers regarding the Company's customary business practices, published policies and specific statements. These promotions are offered to end-users to draw, re-engage, or generally increase end-users' use of the Company's platform.

  An example of this type of incentive is limited-time Bonus Cash offers, which are targeted to specific end-users, typically those who deposit more frequently or have not made a deposit recently, via email or in-app promotions. The Company targets groups of end-users differently, offering specific promotions it thinks will best stimulate engagement. Similar to Bonus Cash earned from a redemption of Ticketz or an initial deposit, limited-time Bonus Cash can only be used by end-users to enter into future paid entry fee competitions and cannot be withdrawn by end-users. The Company also hosts engagement marketing leagues run over a period of days or weeks, which award league prizes in the form of cash or luxury goods to end-users with the most medals at the end of the league. End-users accumulate medals by winning Skillz enabled paid entry fee competitions. Skillz determines whether or not to run a league, what prizes should be awarded, over what time period the league should run, and to which end-users the prizes should be paid, all at its discretion. The league parameters vary from one league to the next and are not reasonably known to the game developers. League prizes in the form of cash can be withdrawn or used by end-users to enter into future paid entry fee competitions.

  For the three months ended June 30, 2022 and 2021, the Company recognized sales and marketing expense of $26.5 million and $42.0 million, respectively, related to these end-user incentives. For the six months ended June 30, 2022 and 2021, the Company recognized sales and marketing expense of $63.5 million and $75.3 million, respectively, related to these end-user incentives.

  From time to time, the Company issues credits or refunds to end-users that are unsatisfied by the level of service provided by the game developer. There is no contractual obligation for the Company to refund such end-users nor is there a valid expectation by the game developers for the Company to issue such credits or refunds to end-users on their behalf. The Company accounts for credits or refunds, which are not recoverable from the game developer, as sales and marketing expenses when incurred.

  Total engagement marketing accounted for as sales and marketing expense recognized in three months ended June 30, 2022 and 2021 was $30.4 million and $44.9 million, respectively. Total engagement marketing accounted for as sales and marketing expense recognized in the six months ended June 30, 2022 and 2021 was $72.5 million and $80.9 million, respectively.

Cash, Cash Equivalents and Restricted Cash

Cash and cash equivalents consist of cash, commercial paper, money market funds and U.S government agency securities with maturities of three months or less when purchased.

Restricted cash maintained under an agreement that legally restricts the use of such funds is not included within cash and cash equivalents and is reported within other long-term assets. Restricted cash is comprised of $2.9 million which is pledged in the form of a letter of credit for the Company's new headquarters in San Francisco.

A reconciliation of the Company's cash and cash equivalents in the condensed consolidated balance sheets to cash, cash equivalents and restricted cash in the condensed consolidated statement of cash flows is as follows:

	June 30, 2022	December 31, 2021
Cash and cash equivalents	$ 169,989	$ 241,332
Restricted cash	2,920	2,920
Cash, cash equivalents and restricted cash	$ 172,909	$ 244,252

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist of cash, cash equivalents, restricted cash, and marketable securities. Although the Company deposits its cash with multiple well-established financial institutions, the deposits, at times, may exceed federally insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents. Marketable securities are primarily consisted of U.S government, corporate debt securities, asset backed securities, commercial paper, and debt instruments issued by foreign governments. The Company limits the amount of credit exposure to any one issuer. Management believes that the institutions are financially stable and, accordingly, minimal credit risk exists.

Accounts Receivable, Net

Accounts receivable, net, is comprised of trade accounts receivable recorded at the invoiced amounts for programmatic media campaigns, net of an allowance for credit losses. The allowance for credit losses is recorded as an offset to accounts receivable and changes in such are classified as general and administrative expense in the consolidated statements of operations and comprehensive loss. The Company assesses collectability by reviewing accounts receivable on a collective basis where similar characteristics exist and on an individual basis when there are specific customers with known disputes or collectability issues. In determining the amount of the allowance for credit losses, the Company considers historical collectability based on past due status and makes judgments about the creditworthiness of customers based on ongoing credit evaluations. The Company also considers customer-specific information, current market conditions and reasonable and supportable forecasts of future economic conditions to inform adjustments to historical loss data. At June 30, 2022, the Company's allowance for credit losses on accounts receivable was not significant to the condensed consolidated financial statements.

Fair Value Measurement

The Company applies fair value accounting for financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the condensed consolidated 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 — Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

- Level 2 — Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

- Level 3 — Unobservable inputs reflecting management's estimate of assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. Assets and liabilities measured at fair value are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Certain financial instruments, including debt, are not measured at fair value on a recurring basis in the consolidated balance sheets. The fair value of debt was estimated using primarily level 2 inputs including quoted market prices or present value of future payments discounted by the market interest rates or the fixed rates based on current rates offered to the Company for debt with similar terms and maturities.

Investments

The Company considers all highly liquid interest-earning investments with a maturity of three months or less at the date of purchase to be cash equivalents. The fair values of these investments approximate their carrying values. In general, investments with original maturities of greater than three months and remaining maturities of less than one year are classified as short-term investments. Investments with maturities beyond one year are classified as non-current marketable securities.

Marketable securities are classified as available-for-sale and realized gains and losses are recorded using the specific identification method. Changes in fair value, excluding credit losses and impairments, are recorded in other comprehensive loss. Fair value is calculated based on publicly available market information or other estimates determined by management. If the cost of an investment exceeds its fair value, the Company evaluates, among other factors, general market conditions, credit quality of debt instrument issuers, and the extent to which the fair value is less than cost. To determine credit losses, the Company employs a systematic methodology that considers available quantitative and qualitative evidence. In addition, the Company considers specific adverse conditions related to the financial health of, and business outlook for, the investee. If the Company plans to sell the security or it is more likely than not that the Company will be required to sell the security before recovery, then a decline in fair value below cost is recorded as an impairment charge in other (expense) income, net and a new cost basis in the investment is established. If market, industry, and/or investee conditions deteriorate, the Company may incur future impairments.

The Company has elected to measure its existing investments in non-marketable equity securities at cost, less impairments, with remeasurements to fair value only upon the occurrence of observable price changes in orderly transactions for the identical or similar securities of the same issuer ("measurement alternative"). This election is reassessed each reporting period to determine whether non-marketable equity securities have a readily determinable fair value, in which case they would no longer be eligible for this election and would be measured at fair value. The Company evaluates its non-marketable equity securities for impairment at each reporting period based on a qualitative assessment that considers various potential impairment indicators. Impairment indicators might include, but would not necessarily be limited to, a significant deterioration in the earnings performance, credit rating, asset quality, or business prospects of the investee, a significant adverse change in the regulatory, economic, or technological environment of the investee, a bona fide offer to purchase, an offer by the investee to sell, or a completed auction process for the same or similar securities for an amount less than the carrying amount of the investments in those securities. If an impairment exists, a loss is recognized in the condensed consolidated statements of operations and comprehensive loss for the amount by which the carrying value exceeds the fair value of the investment. Gains and losses resulting from the remeasurement of non-marketable equity securities, including impairment, are recorded through other (expense) income, net in the condensed consolidated statement of operations and comprehensive loss. The Company separately presents investments in non-marketable equity securities within long-term assets on the condensed consolidated balance sheets.

Advertising and Promotional Expense

Advertising and promotional expenses are included in sales and marketing expenses within the condensed consolidated statements of operations and comprehensive loss and are expensed when incurred. Excluding marketing promotions related to the Company's end-user incentive programs, advertising expenses were $30.7 million and $47.1 million for the three months ended June 30, 2022 and 2021, respectively, and $90.4 million and $101.6 million for the six months ended June 30, 2022 and 2021, respectively.

Public and Private Common Stock Warrant Liabilities

As part of the Company's initial public offering, it issued to third party investors 69.0 million units, consisting of one share of Class A common stock and one-fourth of one warrant, at a price of $10.00 per unit. Each whole warrant entitled the holder to purchase one share of Class A common stock at an exercise price of $11.50 per share (the "Public Warrants"). Simultaneously, the Company completed the private sale of 10,033,333 warrants at a purchase price of $1.50 per warrant (the "Private Warrants") of which 5,016,666 Private Warrants were subsequently forfeited. Each Private Warrant allows the holder to purchase one share of Class A common stock at $11.50 per share. There were zero Public Warrants and 4,535,728 Private Warrants outstanding as of June 30, 2022.

The Private Warrants and the shares of common stock issuable upon the exercise of the Private Warrants are not transferable, assignable or salable, subject to certain limited exceptions. Additionally, the Private Warrants are exercisable for cash or on a cashless basis, and are non-redeemable so long as they are held by the initial purchasers or their permitted transferees. If the Private Warrants are held by someone other than the initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

The Company evaluated the Public and Private Warrants under ASC 815-40, *Derivatives and Hedging—Contracts in Entity's Own Equity*, ("ASC 815-40"), and concluded that they do not meet the criteria to be classified in stockholders' equity. Specifically, the exercise of the Public and Private Warrants may be settled in cash upon the occurrence of a tender offer or exchange that involves 50% or more of the Company's Class A stockholders. As there are two classes of common stock, not all of the stockholders need to participate in such tender offer or exchange to trigger the potential cash settlement and the Company does not control the occurrence of such an event, the Company concluded that the Public Warrants and Private Warrants do not meet the conditions to be classified in equity. Since the Public and Private Common Stock Warrants meet the definition of a derivative under ASC 815, the Company recorded these warrants as liabilities on the balance sheet at fair value, with subsequent changes in their respective fair values recognized in the condensed consolidated statement of operations and comprehensive loss at each reporting date. Because the Public Warrants were publicly traded and thus had an observable market price in an active market, they were valued based on their trading price as of each reporting date.

The Private Warrants are valued using the Black-Scholes-Merton Option ("BSM") pricing model that is based on the individual characteristics of the warrants on the valuation date, which include the Company's stock price and assumptions for expected volatility, expected life and risk-free interest rate, as well as the present value of the minimum cash payment component of the instrument for the warrants, when applicable. Changes in the assumptions used could have a material impact on the resulting fair value of each warrant. The primary inputs affecting the value of the warrant liability are the Company's stock price and volatility in the Company's stock price, as well as assumptions about the probability and timing of certain events, such as a change in control or future equity offerings. Increases in the fair value of the underlying stock or increases in the volatility of the stock price generally result in a corresponding increase in the fair value of the warrant liability; conversely, decreases in the fair value of the underlying stock or decreases in the volatility of the stock price generally result in a corresponding decrease in the fair value of the warrant liability.

Stock-Based Compensation

The Company measures and recognizes compensation expense for all stock-based awards based on estimated grant-date fair values recognized over the requisite service period. For awards that vest solely based on a service condition, the Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period. The compensation expense related to awards with performance conditions is recognized over the requisite service period when the performance

conditions are probable of being achieved. The compensation expense related to awards with market conditions is recognized on an accelerated attribution basis over the requisite service period identified as the derived service period over which the market conditions are expected to be achieved, and is not reversed if the market condition is not satisfied. See Note 9 for more information. The Company accounts for forfeitures as they occur. If an employee stock-based award is canceled without the concurrent grant or offer of a replacement award, the cancellation should be treated as a settlement for no consideration and any previously unrecognized compensation cost shall be recognized at the cancellation date. Stock-based awards granted to employees are primarily stock options and restricted stock units.

The Company has primarily granted restricted stock units ("RSUs"), which have a service-based vesting condition over a four-year period, to its employees and members of the Board of Directors since the start of 2021. The Board of Directors determines the fair value of each share of underlying common stock based on the closing price of the Company's common stock on the date of the grant.

For awards with market conditions, the Company determines the grant date fair value utilizing a Monte Carlo valuation model, which incorporates various assumptions including expected stock price volatility, expected term, risk-free interest rates, expected date of a qualifying event, expected capital raise percentage and market capitalization milestones. Given the Company's limited market trading history, it has estimated the volatility of its common stock on the date of grant of awards with market conditions based on the weighted average historical stock price volatility of comparable publicly-traded companies in its industry group. The Company estimated the expected term of its awards with market conditions based on various exercise scenarios, as these awards are not considered "plain vanilla." The Company utilized a risk-free interest rate based on the U.S. Treasury yield curve in effect at the time of grant. The Company estimated the expected date of a qualifying event, the expected capital raise percentage and the expected achievement date of market capitalization milestones based on management's expectations at the time of measurement of the award's value.

Segments

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM") in deciding how to allocate resources to an individual segment and in assessing performance. During the three and six months ended June 30, 2022, the Company continued to operate as a single operating and reportable segment as the CODM reviews financial information presented on a consolidated basis for the purposes of making operating decisions, allocation of resources, and evaluating financial performance.

Recently Issued Accounting Pronouncements Not Yet Adopted

In October 2021, the FASB issued ASU 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers, which requires entities to recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, Revenue from Contracts with Customers, instead of fair value at the acquisition date in accordance with Topic 805. The amendments in ASU 2021-08 will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The amendments in ASU 2021-08 are effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company is evaluating the effect of adopting this new accounting guidance.

3. Business Combinations

Acquisition of Aarki, Inc.

On July 16, 2021, the Company completed the acquisition of Aarki, Inc. ("Aarki") and acquired 100% of the outstanding equity and voting interest of Aarki under the terms of the Agreement and Plan of Merger. The Company transferred $162.3 million in consideration comprised of $95.3 million in cash and the remaining $67.1 million comprised of 4.4 million shares of Skillz Class A common stock to the existing Aarki stockholders. The addition of Aarki's technology-driven marketing platform is expected to result in significant efficiencies in user-acquisition costs, which can be reinvested to acquire more users to accelerate growth and provide a broader product offering, including media buying capabilities to better serve game developers.

The following table summarizes the fair value of the purchase price to acquire Aarki:

Description	Amount
Cash	$ 95,296
Common stock issued [1]	67,051
Total purchase price	$ 162,347

[1] The fair value of the Skillz Class A Common Stock issued in the merger was based on 4,401,663 shares issued on the July 16, 2021 acquisition date at the closing price of the Company's common stock on such date of $15.23 per share.

The following is an allocation of the purchase price as of July 16, 2021, the acquisition closing date, based on an estimate of the fair value of the assets acquired and liabilities assumed by the Company in the acquisition:

Description	Amount
Cash and cash equivalents	$ 11,309
Accounts receivable, net	13,700
Prepaid expenses and other current assets	356
Property, plant and equipment, net	5,075
Intangible assets, net	86,800
Other long-term assets	91
Accounts payable	(445)
Accrued professional fees	(3,145)
Other current liabilities	(16,471)
Deferred tax liabilities	(20,075)
Other long-term liabilities	(1,693)
Identifiable net assets acquired	75,502
Goodwill	86,845
Total purchase price	$ 162,347

The following is a summary of identifiable intangible assets acquired and their expected lives as of the acquisition closing date:

Type	Weighted-average useful life (in years)	Fair Value
Developed technology	8	$ 60,400
Customer relationships	3	26,200
Trademark and trade name	0.3	200
Total identifiable intangible assets acquired		$ 86,800

During the first quarter of 2022, the Company recorded a measurement period adjustment of $0.4 million to increase the carrying value of the identifiable net assets acquired, with a corresponding decrease to goodwill. The adjustment is related to a subsequent adjustment to Aarki's federal and state tax payable as of the acquisition closing date.

The following table presents details of changes to the Company's goodwill balance for the six months ended June 30, 2022:

	Goodwill
Balance at December 31, 2021	$ 86,845
Goodwill adjustment	(409)
Balance as of June 30, 2022	$ 86,436

4. Balance Sheet Components

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consisted of the following as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Credit card processing reserve	$ 11,266	$ 9,527
Prepaid expenses	8,798	5,681
Other current assets	1,350	1,496
Prepaid expenses and other current assets	$ 21,414	$ 16,704

Intangible Assets, Net

The components of intangible assets consisted of the following as of June 30, 2022:

	Weighted Average Remaining Useful Life (in years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology	7.08	$ 60,400	$ (7,235)	$ 53,165
Customer relationships	2.08	26,200	(8,370)	17,830
Trademark and trade name	0.00	200	(200)	—
Intangible assets, net		$ 86,800	$ (15,805)	$ 70,995

The following table sets forth the activity related to finite-lived intangible assets:

	Six Months Ended June 30, 2022
Beginning balance at December 31, 2021	$ 79,137
Amortization	(8,142)
Ending balance at June 30, 2022	$ 70,995

The following table summarizes amortization expense associated with finite-lived intangible assets recognized in the condensed consolidated statements of operations and comprehensive loss for the three and six months ended June 30, 2022 as follows:

	Three Months Ended June 30, 2022	Six Months Ended June 30, 2022
Cost of revenue	$ 1,888	$ 3,775
Sales and marketing	2,183	4,367
Total amortization expense	$ 4,071	$ 8,142

The following table outlines the estimated future amortization expense related to finite intangible assets as of June 30, 2022:

2022	$ 8,142
2023	16,283
2024	12,281
2025	7,550
2026	7,550
Thereafter	19,189
Total	$ 70,995

Other Current Liabilities

Other current liabilities consisted of the following as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Accrued sales and marketing expenses	$ 9,502	$ 28,895
Accrued compensation	11,319	12,108
Accrued publisher fees	7,820	3,912
End-user liability, net	1,346	4,118
Accrued developer revenue share	1,087	1,655
Short-term lease obligation	1,624	2,447
Accrued legal expenses	14,993	5,126
Accrued interest expense	1,281	956
Other accrued expenses	5,866	5,752
Other current liabilities	$ 54,838	$ 64,969

5. Restructuring

In the second quarter of 2022, the Company approved and implemented a restructuring plan to realign resources and reduce operating costs. As a result, during the three months ended June 30, 2022, the Company recorded restructuring charges of $2.7 million, primarily consisting of severance and continuation of health insurance benefits. The Company will continue to incur restructuring charges in the second half of fiscal year 2022; however they are not expected to be material.

The table below summarizes the restructuring charges recognized on the condensed consolidated statement of operations and comprehensive loss for the three months ended June 30, 2022 as follows:

	Three Months Ended June 30, 2022
Research and development	$ 830
Sales and marketing	787
General and administrative	1,048
Total	$ 2,665

The table below summarizes the activity and balance of accrued restructuring, which is included in "Other current liabilities" in the condensed consolidated balance sheet:

	Restructuring Accrual
Employee termination benefits	$ 2,933
Cash payments	(1,739)
Restructuring liability as of June 30, 2022	$ 1,194

6. Fair Value Measurements

As of June 30, 2022 and December 31, 2021, the recorded values of cash and cash equivalents, restricted cash, accounts receivable and accounts payable approximate their respective fair values due to the short-term nature of the instruments.

Cash and cash equivalents held by the Company as of June 30, 2022 and December 31, 2021 were $170.0 million and $241.3 million, respectively, and were comprised of cash on hand, money market funds, and highly liquid investments with original contractual maturity dates of three months or less. Cash and money market funds are classified within Level 1 of the fair value hierarchy. Highly liquid investments such as commercial papers and corporate bonds are classified within Level 2 of the fair value hierarchy.

The following table presents the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2022 and December 31, 2021:

	As of June 30, 2022			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Investments				
Asset backed securities	$ —	$ 97,733	$ —	$ 97,733
Corporate notes and bonds	—	174,340	—	174,340
Commercial paper	—	159,030	—	159,030
Foreign government securities	—	15,025	—	15,025
US Government Securities	30,979	15,452	—	46,431
Total assets	$ 30,979	$ 461,580	$ —	$ 492,559
Liabilities:				
Private Common Stock Warrants	$ —	$ —	$ 808	$ 808
Total liabilities	$ —	$ —	$ 808	$ 808

SKILLZ INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in tables are in thousands, unless otherwise noted)

	As of December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:				
Available-for-Sale Investments				
Asset backed securities	$ —	$ 111,552	$ —	$ 111,552
Certificates of deposits	—	6,002	—	6,002
Corporate notes and bonds	—	206,989	—	206,989
Commercial paper	—	109,391	—	109,391
Foreign government securities	—	8,181	—	8,181
US Government Securities	86,787	—	—	86,787
Total assets	$ 86,787	$ 442,115	$ —	$ 528,902
Liabilities:				
Private Common Stock Warrants	$ —	$ —	$ 6,293	$ 6,293
Total liabilities	$ —	$ —	$ 6,293	$ 6,293

Available-for-Sale Investments

Available-for-sale investments were classified within Level 1 or Level 2 because the Company's use quoted market prices or alternative pricing sources and models utilizing market observable inputs to determine their fair value. The market values of Level 2 investments are determined based on observable inputs for the securities other than quoted prices, such as interest rates, yield curves, and credit spreads, or quoted prices for identical or similar securities in markets that are not considered active. There were no transfers between levels during the periods presented.

Private Common Stock Warrants

The Private Warrants were classified within Level 3 as they were valued based on a BSM pricing model, which involved the use of certain unobservable inputs, such as expected volatility estimated based on the average historical stock price volatility of comparable companies.

The following is a rollforward of balances for Private Warrants:

	Private Warrants
Balance at December 31, 2021	$ 6,293
Fair market value adjustment	(5,485)
Balance as of June 30, 2022	$ 808

7. Investments

Investment Components

The components of investments were as follows:

	As of June 30, 2022						
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities - Current	Marketable Securities - Non-current
Asset backed securities	$ 98,189	$ 3	$ (459)	$ 97,733	$ —	$ 5,848	$ 91,885
Corporate notes and bonds	176,439	—	(2,100)	174,339	—	147,079	27,260
Commercial paper	159,167	—	(136)	159,031	67,436	91,595	—
Money market funds	37,023	—	—	37,023	37,023	—	—
Foreign government securities	15,198	—	(173)	15,025	—	15,025	—
US government and agency securities	46,437	—	(6)	46,431	5,499	40,932	—
Total investments	$ 532,453	$ 3	$ (2,874)	$ 529,582	$ 109,958	$ 300,479	$ 119,145

	As of December 31, 2021						
	Adjusted Cost Basis	Unrealized Gains	Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities - Current	Marketable Securities - Non-current
Asset backed securities	$ 111,619	$ 1	$ (68)	$ 111,552	$ —	$ 5,372	$ 106,180
Certificates of deposits	6,002	—	—	6,002	—	6,002	—
Corporate notes and bonds	207,169	21	(201)	206,990	3,026	132,688	71,276
Commercial paper	109,391	—	—	109,391	24,193	85,198	—
Money market funds	51,768	—	—	51,768	51,768	—	
Foreign government securities	8,186	—	(5)	8,181	—	3,008	5,173
US government securities	86,783	4	—	86,787	—	86,787	—
Total investments	$ 580,918	$ 26	$ (274)	$ 580,671	$ 78,987	$ 319,055	$ 182,629

Non-marketable equity securities are investments in privately held companies without readily determinable fair values. The carrying value of the Company's investments without readily determinable fair values was $55.6 million as of June 30, 2022 and December 31, 2021, and was classified within "Investments in non-marketable equity securities" in the condensed consolidated balance sheets. The Company did not record any adjustments to the carrying value of its non-marketable equity securities accounted for under the measurement alternative, and did not recognize any gains or losses related to the sale of non-marketable equity securities in the three and six months ended June 30, 2022.

Unrealized Losses on Marketable Securities

The Company did not have any marketable securities with unrealized losses for more than 12 months. Unrealized losses from fixed-income securities are primarily attributable to changes in interest rates.

Marketable Securities Maturities

	Adjusted Cost Basis	Estimated Fair Value
June 30, 2022		
Due in one year or less	$ 302,399	$ 300,479
Due after one year through five years	120,076	119,145
Total	$ 422,475	$ 419,624

8. Long-Term Debt

Components of long-term debt were as follows as of June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
2021 Senior Secured Notes	$ 300,000	$ 300,000
Unamortized discount and issuance costs	(19,095)	(21,111)
Net carrying amount	$ 280,905	$ 278,889
Current portion of long-term debt	$ —	$ —
Non-current portion of long-term debt	$ 280,905	$ 278,889

2021 Senior Secured Notes

In December 2021, the Company entered into a $300 million 10.25% secured notes in a private placement to certain institutional buyers. The interest is payable semiannually on June 15 and December 15 of each year, beginning on June 15, 2022. The effective interest rate on the notes is 12.14%. The notes will mature on December 15, 2026 unless repurchased or redeemed earlier. The secured notes contain customary covenants restricting the Company's ability to incur debt, incur liens, make distributions to stockholders, make certain transactions with our affiliates, as well as certain other financial covenants. The Company was in compliance with all covenants as of June 30, 2022.

In accounting for the senior secured notes, unamortized discount and issuance costs were deducted from the carrying value in the condensed consolidated balance sheet. Issuance costs will be recognized as interest expense over the five-year term of the senior secured notes. The senior secured notes are classified as Level 2 financial instruments, and its fair value is presented for disclosure purposes only. The Company determined the fair value of the notes is $207 million as of June 30, 2022 based on secondary market quotes.

Interest is paid semi-annually. Accrued interest as of June 30, 2022 was $1.3 million, and was recorded within other current liabilities in the Company's condensed consolidated balance sheets. As of June 30, 2022, $14.9 million cash has been paid for interest.

The following table outlines maturities of the principle related to the Company's long-term debt, including the current portion, as of June 30, 2022:

	Amount
2022 (excluding the six months ended June 30, 2022)	$ —
2023	—
2024	—
2025	—
2026	300,000
Total	$ 300,000

9. Leases

The Company is a party to various non-cancelable operating lease agreements for certain of its offices. The Company is a party to various non-cancelable finance lease agreements for certain network equipment. The leases have original lease periods expiring between 2022 to 2030. Some leases include one or more options to renew. The Company does not assume renewals in its determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. The lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

The Company adopted Accounting Standards Update 2016-02, Leases (“ASC 842”), which supersedes the guidance in Accounting Standards Codification (“ASC”) 840, Leases (“ASC 840”), effective January 1. 2021. As the Company elected the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the Jumpstart Our Business Startups Act of 2012, ASU 842 was not adopted until the fourth quarter of 2021. The comparative information for the three and six months ended June 30, 2021 have been adjusted to reflect impact of the adoption of ASC 842 as of January 1, 2021. The adoption did not impact the Company’s prior year consolidated statements of operations and comprehensive loss and statements of stockholders’ equity for the three and six-month periods ended June 30, 2021. There was no impact on the Company’s prior year total cash used in operating activities in the Company’s condensed consolidated statement of cash flows; however, the Company has adjusted the operating lease right-of-use assets ($13.2 million decrease), operating lease liabilities ($14.2 million increase) and other accruals and liabilities ($1.0 million decrease) line items within changes in operating assets and liabilities in our condensed consolidated statement of cash flows for the six months ended June 30, 2022 included herein.

As of June 30, 2022, the Company does not have additional operating and finance leases not yet commenced.

10. Commitments and Contingencies

Legal Matters

The Company is a party to certain claims, suits, and proceedings which arise in the ordinary course and conduct of its business and has certain unresolved claims pending, the outcomes of which are not determinable at this time. The Company records a liability when it believes that it is probable that a loss will be incurred and the amount can be reasonably estimated. If the Company determines that a loss is reasonably possible and the loss or range of loss can be reasonably estimated, the Company discloses the possible loss or range of loss. In the Company’s opinion, resolution of pending matters, other than as disclosed herein, is not expected to have a material adverse impact on the results of operations, cash flows, or the Company’s financial position, as of June 30, 2022. Given the unpredictable nature of legal proceedings, there is a reasonable possibility that an unfavorable resolution of one or more such proceedings could in the future materially affect the results of operations, cash flows, or financial position in a particular period. However, based on the information known by the Company, except as set forth herein, any such amount is either immaterial or it is not possible to provide an estimated range of any such possible loss.

On May 15, 2019, a former employee of the Company filed a suit against the Company in the San Francisco Superior Court in California for claims including breach of contract, retaliation and wrongful termination. The case was tried in August and September 2021. The jury found in favor of the former employee and rendered a verdict against the Company for $11.6 million in compensatory damages, and the Company recorded a loss contingency accrual and corresponding general and administrative expenses in such amount in the third quarter of 2021. In April 2022, the judge in the case determined, in light of the Company’s post-verdict motions, that the instructions given to the jury at trial were defective. Accordingly, the judge ordered a new trial on damages or, alternatively, permitted the plaintiff accept a reduced verdict in the amount of $4.35 million. On May 25, 2022, the Company filed an appeal from the judgment seeking, in part, entry of judgment in the Company's favor notwithstanding the verdict. The plaintiff accepted the reduced verdict, and filed an appeal from the judgment on June 7, 2022, seeking in part, to reinstate the jury's original verdict.

11. Common Stock Warrants

As of June 30, 2022, the Company had zero Public Warrants and 4,535,728 Private Warrants outstanding. During the six months ended June 30, 2022, there were no Private Warrants exercised.

As part of FEAC's initial public offering, 17,250,000 Public Warrants were sold. The Public Warrants entitled the holder thereof to purchase one share of Class A common stock at a price of $11.50 per share, subject to adjustments. The Public Warrants were only exercisable for a whole number of shares of Class A common stock. No fractional shares were issued upon exercise of the warrants. The Public Warrants had an expiration date of 5:00 p.m. New York City time on December 16, 2025, or earlier upon redemption or liquidation. The Public Warrants were listed on the NYSE under the symbol "SKLZ.WS."

The Company was permitted to call the Public Warrants for redemption starting anytime, in whole and not in part, at a price of $0.01 per warrant, so long as the Company provides not less than 30 days' prior written notice of redemption to each warrant holder, and if, and only if, the reported last sale price of Class A common stock equaled or exceeded $18.00 per share for any 20 trading days within a 30-trading day period ending on the third trading day prior to the date the Company sent the notice of redemption to the warrant holders, provided there was an effective registration statement covering the shares of Class A common stock issuable upon exercise of the warrants at such time.

On July 16, 2021, the Company announced the redemption of all Public Warrants that remained outstanding on August 16, 2021. On August 16, 2021, 5,888,294 Public Warrants remained unexercised at 5pm New York City time, and such warrants expired and were no longer exercisable, and the holders of those Public Warrants were entitled to receive only the redemption price of $0.01 per warrant.

Simultaneously with FEAC's initial public offering, FEAC consummated a private placement of 10,033,333 Private Placement Warrants with FEAC's sponsor. In connection with the FEAC Business Combination, FEAC's sponsor agreed to forfeit 5,016,666 private placement warrants. Each outstanding Private Placement Warrant is exercisable for one share of Class A common stock at a price of $11.50 per share, subject to adjustment.

The Private Warrants are identical to the Public Warrants, except that the Private Warrants and the shares of Class A common stock issuable upon exercise of the Private Warrants will not be transferable, assignable or salable until 30 days after the completion of the FEAC business combination, subject to certain limited exceptions. Additionally, the Private Warrants will be non-redeemable so long as they are held by the initial purchasers or such purchasers' permitted transferees. If the Private Warrants are held by someone other than their initial purchasers or their permitted transferees, the Private Warrants will be redeemable by the Company and exercisable by such holders on the same basis as the Public Warrants.

12. Stockholders' Equity

Common Stock

The Company's amended and restated certificate of incorporation authorizes the issuance of 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, expect with respect to voting and conversion. Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to 20 votes per share. Shares of Class B common stock are convertible into an equivalent number of shares of Class A common stock and generally convert into shares of Class A common stock upon transfer. Any dividends paid to the holders of Class A common stock and Class B common stock will be paid on a pro rata basis. On a liquidation event, any distribution to common stockholders is made on a pro rata basis to the holders of the Class A common stock and Class B common stock.

As of June 30, 2022, the Company has authorized a total of 635 million shares, consisting of 500 million shares of Class A common stock, par value $0.0001 per share ("Class A common stock"), 125 million shares of Class B common stock, par value $0.0001 per share ("Class B common stock"), and 10 million shares of preferred stock, par value $0.0001 per share ("preferred stock").

In March 2021, the Company completed an underwritten public offering of its Class A common stock and issued 17,000,000 shares of Class A common stock, for an aggregate purchase price of $408.0 million, before issuance costs of $5.9 million. In connection with the public offering, certain stockholders of the Company sold an aggregate of 19.8 million shares, including the full exercise of the underwriters' option to purchase an additional 4.8 million additional shares. The purchase price per share, net of the underwriter discount, was $23.34. The Company incurred transaction costs of $6.8 million in connection with this sale of shares by certain stockholders, which was recorded as a general and administrative expense during the quarter.

13. Stock-Based Compensation

The following table summarizes stock-based compensation expense recognized for the three and six months ended June 30, 2022 and 2021 as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Research and development	$ 3,157	$ 2,215	$ 5,511	$ 3,422
Sales and marketing	1,642	2,550	4,522	4,388
General and administrative	9,021	11,009	81,712	18,909
Total stock-based compensation expense	$ 13,820	$ 15,774	$ 91,745	$ 26,719

Equity Incentive Plans

Skillz Inc. 2020 Omnibus Incentive Plan

In December 2020, the Board of Directors of the Company adopted the Skillz Inc. 2020 Omnibus Incentive Plan (the "2020 Plan"). The 2020 Plan became effective upon consummation of the FEAC Business Combination and succeeds the Company's legacy equity incentive plans. Under the 2020 Plan, the Company may grant stock-based awards to purchase or directly issue shares of common stock to employees, directors and consultants. Options are granted at a price per share equal to the fair market value of the underlying common stock at the date of grant. Options granted are exercisable over a maximum term of 10 years from the date of grant. Restricted stock units ("RSUs") are also granted under the 2020 Plan. These awards typically have a cliff vesting period of one year and continue to vest quarterly thereafter. The 2020 Plan also permits the Company to grant stock-based awards with performance or market conditions. In connection with the closing of the FEAC Business Combination, the Company entered into certain option agreements that include vesting conditions contingent upon the attainment of volume weighted average price targets related to the Company's Class A common stock on the NYSE.

The 2020 Plan permits the Company to deliver up to 86,771,777 shares of common stock pursuant to awards issued under the 2020 Plan, consisting of 15,000,000 shares which may be of Class A and/or Class B common stock, 56,264,600 shares of Class A common stock and 15,507,177 shares of Class B common stock. The total number of shares of Class A common stock and Class B common stock that will be reserved and that may be issued under the 2020 Plan will automatically increase on the first trading day of each calendar year, beginning with calendar year 2021, by a number of shares equal to five percent 5% of the total number of shares of Class A common stock and Class B common stock, respectively, outstanding on the last day of the prior calendar year.

Stock Options and Restricted Stock Units

Stock option and RSU activity during the six months ended June 30, 2022 is as follows (in thousands, except for share, per share, and contractual term data):

		Options Outstanding				Restricted Stock Units	
	Number of Shares Available for Issuance Under the Plan	Number of Shares Outstanding Under the Plan	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value	Number of Plan shares outstanding	Weighted-Average Grant Date Fair Value per share
Balance at December 31, 2021	51,437,898	27,727,088	$ 7.79	7.04	$ 113,110	7,600,097	$ 13.17
Additional shares authorized	20,437,691	—	—				
Options and restricted stock units granted	(9,590,240)	—	—			9,590,240	2.59
Options exercised and restricted stock units released	—	(9,450,757)	0.10			(701,280)	18.14
Options and restricted stock units canceled	3,835,184	(559,821)	1.10			(3,275,363)	11.72
Balance at June 30, 2022	66,120,533	17,716,510	$ 12.11	7.65	$ 4,993	13,213,694	$ 5.59
Exercisable at December 31, 2021		13,157,036	$ 0.15	5.17	$ 95,946		
Exercisable at June 30, 2022		4,541,859	0.33	5.62	4,337		
Unvested at December 31, 2021		14,570,052	14.69	8.72	17,164		
Unvested at June 30, 2022		13,174,651	16.18	8.35	656		

The number of unvested stock options as of June 30, 2022 and December 31, 2021 does not include 6.3 million and 8.2 million shares of restricted common stock, respectively, previously issued upon the early exercise of grants by certain executives.

The number of RSUs granted and outstanding does not include 3.2 million performance-based RSUs which the Company issued as of June 30, 2022, as the performance-based RSUs are not deemed granted for accounting purposes. The stock option and RSU activity presented in the table above does not include activity related to the 2021 CEO Performance Award and Founders' Option Agreements, both described below.

As of June 30, 2022, unrecognized stock-based compensation expense related to unvested stock options, restricted common stock, RSUs, performance-based RSUs and performance stock units was $135.3 million. The weighted-average period over which such compensation expense will be recognized is 3.23 years.

The aggregate intrinsic value of options exercised was $13.0 million and $4.0 million during the three months ended June 30, 2022 and 2021, respectively, and $15.2 million and $11.8 million during the six months ended June 30, 2022 and 2021, respectively.

2021 CEO Performance Award

In September 2021, the Company granted the Company's Chief Executive Officer ("CEO"), an award of up to 16.1 million performance stock units (the "CEO Performance Award") under the Company's 2020 Plan, pursuant to which the CEO may earn one share of the Company's Class A Common Stock for each performance stock unit that vests based on the achievement of certain Market Capitalization Milestones (as defined in the award agreement for the CEO Performance Award).

The performance stock units were divided into four tranches, with each tranche corresponding to a Market Capitalization Milestone ranging from two to five times the Company's market capitalization baseline. Each tranche vested if and when the Company's market capitalization equals or exceeds the corresponding Market Capitalization Milestone at any point during the seven-year performance period following the grant date (the "Performance Period"). For purposes of determining achievement of the Market Capitalization Milestones, the Company's market capitalization was calculated based on the trailing 60-trading day volume weighted average price per share ("VWAP") of the Company's Class A common stock and the average number of outstanding shares during such period. The Company's market capitalization baseline was calculated using the trailing 30-trading day VWAP of the Company's Class A common stock on the grant date and the average number of outstanding shares during such period.

The $70.8 million grant date fair value of the CEO Performance Award was estimated using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the market condition targets may not be satisfied.

On March 14, 2022 ("cancellation date"), the Board of Directors of Skillz and the CEO, entered into an agreement to cancel this CEO Performance Award. The Company determined that the cancellation of the CEO Performance Award was a settlement for no consideration and not accompanied by a concurrent grant (or offer to grant) of a replacement award. As a result, the Company recorded the remaining unrecognized compensation costs related to the CEO Performance Award of $65.1 million during three months ended March 31, 2022.

Founders' Option Agreements

In December 2020, the Company entered into option agreements with each of the CEO and CRO (the "Option Agreements") awarding options to purchase (i) 9,960,000 shares of New Skillz Class B common stock to the CEO and (ii) 2,040,000 shares of Class A common stock to the CRO. The options will vest in three equal increments as follows (i) one-third (1/3) of the options shall vest and become exercisable as of the date, following the grant date, that the volume weighted average price on the NYSE over a ten (10) trading day period of underlying Skillz Class A common stock ("VWAP") equals or exceeds 3.0x the VWAP of the shares as of the Closing Date (as defined in the Options Agreements), (ii) one-third (1/3) of the options shall vest and become exercisable as of the date, following the grant date, that the VWAP of the shares equals or exceeds 4.0x the VWAP of the shares as of the Closing Date; and (iii) one-third (1/3) of the options shall vest and become exercisable as of the date, following the grant date, that the VWAP of the shares equals or exceeds 5.0x the VWAP of the shares as of the Closing Date. The $93.4 million grant date fair value of the Founders' Options was estimated using a model based on multiple stock price paths developed through the use of a Monte Carlo simulation that incorporates into the valuation the possibility that the market condition targets may not be satisfied. The significant inputs to the valuation included the Company's Class A stock price and the risk-free interest rate as of the grant date, as well as the estimated volatility of the Company's Class A common stock. For the three and six months ended June 30, 2022 and 2021, the Company recognized $4.8 million and $9.6 million, respectively, in compensation expense related to these grants. As of June 30, 2022, the unrecognized stock-based compensation cost related to Founders' Option Agreements was $63.5 million.

14. Income Taxes

The Company's provision for (benefit from) income taxes was $(155) thousand and $65 thousand for the three months ended June 30, 2022 and 2021, respectively. This represents an effective tax rate for the respective periods of 0.26% and (0.08)%. The Company's provision for (benefit from) income taxes was $(367) thousand and $107 thousand for the six months ended June 30, 2022 and 2021, respectively. This represents an effective tax rate for the respective periods of 0.18% and (0.08)%. The Company has historically been in an overall loss position and is only subject to state and foreign taxes. The Company maintains a valuation allowance for substantially all of its net deferred tax assets. The effective tax rate differs from the federal statutory rate due to the valuation allowance, as well as due to foreign taxes and state taxes.

15. Related-Party Transactions

The Company did not have any material related party transactions in the three and six months ended June 30, 2022 and 2021.

16. Net Loss Per Share

The Company computes net loss per share of the Class A common stock and Class B common stock using the two-class method required for participating securities. Basic and diluted loss per share was the same for each period presented as the inclusion of all potential Class A Common Stock and Class B Common Stock outstanding would have been antidilutive. Basic and diluted loss per share are the same for each class of common stock because they are entitled to the same liquidation and dividend rights. The effect of potentially dilutive common shares is reflected in diluted earnings per share by application of the treasury stock method.

The following table sets forth the computation of basic and diluted loss per Class A common stock and Class B common stock (in thousands, except for share and per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Numerator:				
Net loss – basic and diluted	$ (60,611)	$ (79,595)	$ (208,724)	$ (133,187)
Denominator:				
Weighted average common shares outstanding – basic and diluted	408,157,735	385,945,332	404,923,522	371,519,800
Net loss per share attributable to common stockholders – basic and diluted	$ (0.15)	$ (0.21)	$ (0.52)	$ (0.36)

The following outstanding common stock equivalents were considered antidilutive, and therefore, excluded from the computation of diluted net loss per share attributable to common stockholders for the periods presented (share numbers are not in thousands).

	As of June 30,	
	2022	2021
Common stock warrants	4,535,728	7,623,436
Common stock options	24,039,860	44,929,906
Restricted stock units	13,213,694	3,147,553
Total	41,789,282	55,700,895

SKILLZ INC.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, amounts in tables are in thousands, unless otherwise noted)

17. Geographical Information

No sales to a country other than the United States accounted for more than 10% of revenue for the three and six months ended June 30, 2022 or 2021. Revenue, classified by the major geographic areas where the end users were located when they entered paid competitions, was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
United States	$ 54,826	$ 75,750	$ 124,000	$ 148,127
Other countries	18,509	13,741	42,773	25,041
Total	$ 73,335	$ 89,491	$ 166,773	$ 173,168

Property and equipment, net and operating lease right-of-use assets by geography is as follows:

	June 31, 2022	December 31, 2021
United States	$ 16,651	$ 20,997
Other countries	3,759	3,502
Total	$ 20,410	$ 24,499

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The following Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is intended to help the reader understand the results of operations and financial condition of Skillz Inc. (for purposes of this section, "Skillz," "we," "us" and "our"). MD&A is provided as a supplement to, and should be read in conjunction with, our Annual Report on Form 10-K for the year ended December 31, 2021, and our financial statements and the accompanying Notes to Financial Statements (Part I, Item 1 of this Form 10-Q). This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in Part II, Item 1A, "Risk Factors". Actual results may differ materially from those contained in any forward-looking statements. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

Overview

We operate a marketplace that connects the world through competition, serving both developers and users. Our platform enables fair, fun and competitive gaming experiences and the trust we foster with users is the foundation upon which our community is built. We believe our marketplace benefits from a powerful network effect: compelling content attracts users to our platform, while the increasing size of our audience attracts more developers to create new interactive experiences on our platform.

Skillz was founded in 2012 by Andrew Paradise and Casey Chafkin with the vision to make eSports accessible to everyone possible. As of June 30, 2022, the platform had 2.2 million monthly active users ("MAUs") and hosts an average of over 6 million daily tournaments, including 2 million paid entry daily tournaments, offering over $150 million in prizes each month. Since our inception in 2012, over 10,000 registered game developers have launched a game integration on our platform. As of June 30, 2022, over 200 developers had a game on our platform with at least one installed user.

Our culture is built upon a set of values established by our founders, aligning the company and its employees in a common vision. Our seven values are: Honor; Mission; Collaboration; Productivity; Willingness; Frugality; and Balance. Our approach has focused on trust and fairness for users enabling game developers to focus on what they do best: build great content.

Our technology capabilities are industry-leading and provide the tools necessary for developers to compete with the largest and most sophisticated mobile game developers in the world. Our easy-to-integrate software development kit ("SDK") and developer console allow our developers to monitor, integrate and update their games seamlessly over the air. We ingest and analyze over 300 data points from each game play session, enhancing our data-driven algorithms and LiveOps systems. Moreover, we have developed a robust platform enabling fun, fair and meaningful competitive gameplay.

Historically, our top games and related developers have accounted for a substantial portion of our revenue earned from the Skillz platform. For the three months ended June 30, 2022 and 2021, the games Solitaire Cube, 21 Blitz (each developed by Tether Studios, LLC ("Tether")) and Blackout Bingo (developed by Big Run Studios Inc. ("Big Run")) combined accounted for 71% and 73% of our revenue earned from the Skillz platform, respectively. For the three months ended June 30, 2022 and 2021 Tether accounted for 38% and 42% of our revenue earned from the Skillz platform, respectively. For the three months ended June 30, 2022 and 2021 Big Run accounted for 42% and 40% of our revenue earned from the Skillz platform, respectively. For the six months ended June 30, 2022 and 2021, Solitaire Cube, 21 Blitz, and Blackout Bingo accounted for 71% and 74% of our revenue earned from the Skillz platform, respectively. For the six months ended June 30, 2022 and 2021 Tether accounted for 38% and 42% of our revenue earned from the Skillz platform, respectively. For the six months ended June 30, 2022 and 2021 Big Run accounted for 42% and 40% of our revenue earned from the Skillz platform, respectively.

Our top titles rotate over time as more games generate success on the Skillz platform. In the six months ended June 30, 2022, the number of games that generated over $1 million of annualized Gross Marketplace Volume ("GMV") grew 9% to 47 from 43 in the six months ended June 30, 2021. We define GMV as the total entry fees paid by users for contests hosted on Skillz's platform where total entry fees include entry fees paid by end-users using cash deposits, prior cash winnings from end-users' accounts that have not been withdrawn, and end-user incentives used to enter paid entry fee contests

We define Monthly Active Users ("MAUs") as the number of end-users who entered into a paid or free contest hosted on Skillz's platform at least once in a month, averaged over each month in a period. We define Average Revenue Per Monthly Active User ("ARPU") as the average revenue in a given month divided by MAUs in that month, averaged over the period. For the three months ended June 30, 2022 and 2021, we served 2.2 million and 2.4 million MAUs, respectively, and had ARPU of

$10.94 and $12.46, respectively. For the six months ended June 30, 2022 and 2021, we served 2.7 million and 2.5 million MAUs, respectively, and had ARPU of $10.29 and $11.44, respectively.

We define Paying Monthly Active Users ("PMAUs") as the number of end-users who entered into a paid contest hosted on Skillz's platform at least once in a month, averaged over each month in the period. We define Average Revenue Per Paying Monthly Active User ("ARPPU") as the average revenue in a given month divided by PMAUs in that month, averaged over the period. We monitor the conversion of users to paying users based on the ratio of Paying MAU to MAU. For the three months ended June 30, 2022 and 2021, our Paying MAU to MAU ratio was 19%, our Paying MAU was 0.4 million and 0.5 million, respectively and our monthly ARPPU was $58 and $64, respectively. For the six months ended June 30, 2022 and 2021, our Paying MAU to MAU ratio was 18% and 19%, respectively, our Paying MAU was 0.5 million, and our monthly ARPPU was $56 and $62, respectively. ARPU and ARPPU do not include a deduction for the end-user incentives that are included in sales and marketing expenses. For the three months ended June 30, 2022 and 2021, the average amount of end-user incentives that were included as sales and marketing expense on a per playing user basis was $4.54 and $6.26, respectively, and per paying user basis was $24.06 and $32.33, respectively. For the six months ended June 30, 2022 and 2021, the average amount of end-user incentives that were included as sales and marketing expense on a per playing user basis was $4.42 and $5.30, respectively, and per paying user basis was $24.40 and $29.00, respectively. With existing user retention and existing and new user spend being key drivers to revenue, changes in these metrics are impacted by a number of factors, including marketing expense and user experience. For example, in the second quarter of 2022, we experienced lower retention from some of our mature cohorts of users. We believe the main drivers of this were instances of users cheating on the platform and past product changes.

Engagement marketing is a sales and marketing expense representing rewards and awards that developers do not have a valid expectation of being offered to end-users to engage on the platform. Decreases in engagement marketing could result in lower revenue as paying users no longer receive those end-user incentives, which include Bonus Cash which can only be used to enter into paid contests. User acquisition ("UA") marketing is a sales and marketing expense to acquire new paying users to the platform. Assuming acquisition cost per user is constant, decreases in UA marketing typically result in lower revenue as a result of having fewer new paying users. The reduction in UA marketing and engagement marketing expenses could result in a reduction in expected revenue. In addition, a number of other factors impact, or have the potential to impact, revenue. These factors include, but are not limited to, the retention of existing users on the platform and average monthly revenue per paying user. Over the course of 2022, our plan has been to focus on driving higher efficiency from our marketing investment by (1) reducing spend on low-return engagement marketing programs, which we expect will result in lowering engagement marketing as a percentage of revenue and (2) driving UA efficiency by optimizing spend across networks, driving higher organic traffic, and migrating more UA marketing spend to Aarki, Inc. ("Aarki"), which we expect, over the long term, will result in reducing the total UA dollars spent relative to 2021 and significantly lower average user acquisition cost with shorter payback periods.

On July 16, 2021, the Company completed the acquisition of Aarki and acquired 100% of the outstanding equity and voting interest of Aarki under the terms of the Agreement and Plan of Merger. The Company paid $162.3 million in consideration comprised of $95.3 million in cash and the remaining $67.1 million comprised of 4.4 million shares of Skillz Class A common stock to the existing Aarki stockholders. The addition of Aarki's technology-driven marketing platform will result in significant efficiencies in user-acquisition costs over the long term, which can be reinvested to acquire more users to accelerate growth and provide a broader product offering, including media buying capabilities to better serve game developers. The financial results of Aarki have been included in the Company's condensed consolidated financial statements since the date of the acquisition. As previously disclosed, we recorded certain goodwill and intangible assets in connection with our acquisition of Aarki. The Company's policy is to evaluate goodwill and intangible assets for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We continue to review our operating results, macroeconomic conditions, our stock price and our market capitalization relative to our net book value in order to evaluate the need to assess goodwill for impairment.

Our Financial Model

Skillz's financial model aligns the interests of gamers and developers, driving value for our stockholders. By monetizing through competition, our system eliminates friction that exists in traditional monetization models between the developer and the gamer. The more gamers enjoy our platform, the longer they play, creating more value for Skillz and our developers. By generating higher player to payor conversion, retention and engagement, we are able to monetize users at higher than what our developers would generate through advertisements or in-game purchases.

Our platform allows users to participate in fair competition, while rewarding developers who create games that keep players engaged. We generate revenue by receiving a percentage of player entry fees in paid contests, after deducting end-user prize money (i.e., winnings from the Competitions), end-user incentives accounted for as reduction of revenue and the profit share paid to developers (the "Take Rate"). GMV represents entry fees that may be paid using cash deposits, prior cash winnings that have not been withdrawn, and end-user incentives. Cash deposits as a percentage of total entry fees represented approximately 12% and 10% for the three months ended June 30, 2022 and 2021, respectively, and 12% and 10% for the six

months ended June 30, 2022, and 2021, respectively. Prior cash winnings that have not been withdrawn as a percentage of total entry fees represented approximately 81% and 82% for the three and six months ended June 30, 2022 and 2021, respectively. End-user incentives as a percentage of total entry fees represented approximately 7% and 8% for the three and six months ended June 30, 2022 and 2021, respectively. For the three months ended June 30, 2022 and 2021, total GMV was $432.2 million and $608.5 million, respectively, and prizes were 80.6% and 81.6% of GMV, respectively. For the six months ended June 30, 2022 and 2021, total GMV was $984.3 million and $1,175.2 million, respectively, and prizes were 80.6% and 81.6% of GMV, respectively. Prizes include cash, bonus cash, goods and items sponsored by third-parties. For the periods presented, the amount paid in prizes sponsored by third-parties, including goods, was immaterial. Our model has allowed us to grow users, developers and revenue steadily while driving meaningful operating leverage.

The following are key elements of our financial model:

- **The scale, growth and engagement of the users —** As we continue to acquire users, our ability to match comparable players, on both skill level and tournament template, in a fair and timely manner improves. Better matching leads to stronger engagement and the ability to create larger tournaments with more profitable take rates. This creates a stickier, more engaging, and continuously improving experience for our players, which in turn attracts more players to our platform, creating a positively reinforcing cycle leading to ever-improving gaming experiences.
- **The scale, growth and partnership of our developers —** We have created a platform that drives economic success for our developers. Our end-to-end platform allows developers to focus on creating games by automating and optimizing integral parts of their businesses — from user acquisition and monetization to game optimization. Our built-in payments, analytics, customer support, and live operations platform enables our developers to consistently learn, grow, earn and share in our success.
- **Product-first philosophy and data science capabilities —** We have built a culture that puts product first, driving our impact with users and developers and then scaling marketing investment. For the three and six months ended June 30, 2022, 47% of our salary costs were spent on product development. Our easy-to-integrate SDK contains over 200 features in a less than 16-MB package which allows for over-the-air upgrades. Our intuitive Developer Console dashboard enables our developers to rapidly integrate and monitor the performance of their games. Our LiveOps system enables us to manage and optimize the user experience across the thousands of games on our platform. We collect over 300 data points during each gameplay session to feed our big data assets which augment all elements of our platform. Our key data science technologies drive our player rating and matching, anti-cheat and anti-fraud, and user experience personalization engine.
- **Our unit economics —** Our proprietary and highly scalable software platform produces revenue at a low direct cost, contributing to our gross margins. Once acquired, each user cohort contributes predictably to revenue over its life. A cohort is all the users acquired in the period presented. A user is considered part of a cohort based on the first time they make a deposit and enter a paid tournament. Once a user is considered part of a cohort, they are always counted in that cohort.

Key Components of Results of Operations

Revenue

Skillz provides a service to the game developers aimed at improving the monetization of their game content. The monetization service provided by Skillz allows developers to offer multi-player competition to their end-users which increases end-user retention and engagement.

By utilizing the Skillz monetization services, game developers can enhance the player experience by enabling them to compete in head-to-head matches, live tournaments, leagues, and charity tournaments and increase player retention through referral bonus programs, loyalty perks, on-system achievements and bonus cash. Skillz provides developers with a SDK that they can download and integrate with their existing games. The SDK serves as a data interface between Skillz and the game developers that enables Skillz to provide monetization services to the developer. Specifically, these monetization services include end-user registration services, player matching, fraud and fair play monitoring, and billing and settlement services. The SDK and Skillz monetization services provide the following key benefits to the developers:

- Streamlined game and tournament management allowing players to register with the developer to compete in games for prizes while earning Skillz loyalty perks;

- Fair play in each tournament via the Skillz suite of fairness tools, including skill-based player matching and fraud monitoring;
- Improved end-user retention by rewarding the most loyal players with Ticketz which can be redeemed in the Skillz virtual store and are earned in every match and can be redeemed for prizes or credits to be used towards future paid entry fee tournaments;
- Marketing campaigns through main-stream online advertising networks and social media platforms to drive end-user traffic to developers' games within the Skillz ecosystem;
- Systematic calls to end-user action via push notifications to users with game results, promotional offers, and time-sensitive actions; and
- Process end-user payments, billings and settlements on behalf of the developer to enable players to connect their preferred payment method to deposit and enter into the game developers' multi-player competitions for cash prizes.

Generally, end-users are required to deposit funds into their Skillz account in order to be eligible to participate in games for prizes. As part of its monetization services, Skillz is responsible for processing all end-user payments, billings and settlements on behalf of the game developer, such that the game developer does not have to collect directly from or make payments directly to the end-users. When the end-users enter into cash games, the end-users pay an entry fee using cash deposits, prior cash winnings in the end-users' accounts that have not been withdrawn, and end-user incentives (specifically Bonus Cash). Skillz recognizes revenue related to each game regardless of how entry fees are paid. Skillz is responsible for distributing the prize money to the winner on behalf of the game developer. Skillz typically withholds 16% to 20% of the total entry fees when distributing the prize money as a commission. That commission is shared between Skillz and the game developers; however, the game developers' share is calculated solely based upon entry fees paid by net cash deposits received from end-users, adjusted for certain costs incurred by Skillz to provide monetization services.

Costs and Expenses

Cost of Revenue

Our cost of revenue consists of variable costs. These include mainly (i) payment processing fees, (ii) customer support costs, (iii) direct software costs, (iv) amortization of internal use software and (v) server costs.

We incur payment processing costs on user deposits. We also incur costs directly related to servicing end-user support tickets on behalf of the game developer that are logged by users directly within the Skillz SDK. These support costs include an allocation of the facilities expense, such as rent, maintenance and utilities costs according to headcount, needed to service these tickets. We use a third party as our cloud computing service; we incur server and software costs as a direct result of running our SDK in our developers' games. We also incur costs related to the amortization of intangible assets which include developed technology.

Research and Development

Research and development expenses consist of software development costs, comprised mainly of product and platform development, server and software costs that support research and development activities, and to a lesser extent, allocation of rent, maintenance and utilities costs according to headcount. Personnel related expenses consist of salaries, benefits, stock-based compensation and restructuring charges. We expect research and development expenses will fluctuate both in terms of absolute dollars and as a percentage of revenue in the future.

Sales and Marketing

Sales and marketing expenses consist primarily of direct advertising costs, engagement marketing expenses that are not recorded as a reduction of revenue, UA marketing expenses and amortization of intangible assets which include customer relationships. Sales and marketing expenses also include allocations of rent, maintenance and utilities costs according to headcount. Personnel related expenses consist of salaries, benefits, stock-based compensation and restructuring charges. We expect sales and marketing expenses will fluctuate both in terms of absolute dollars and as a percentage of revenue in the future.

General and Administrative

General and administrative expenses consist of personnel-related expenses for our corporate, executive, finance, and other administrative functions, expenses for outside professional services, and allocation of rent, maintenance and utilities costs according to headcount. Personnel related expenses consist of salaries, benefits, stock-based compensation and restructuring charges. General and administrative expenses also include expenses related to a loss contingency accrual.

We expect our general and administrative expenses, excluding impact of the CEO award cancellation of performance stock units to stock based compensation expenses, to increase for the foreseeable future as we scale headcount with the growth of our business, and as a result of operating as a public company, including compliance with the rules and regulations of the SEC, legal, audit, additional insurance expenses, investor relations activities, and other administrative and professional services.

Results of Operations

The following table sets forth a summary of our results of operations for the periods indicated.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Revenue	$ 73,335	$ 89,491	$ 166,773	$ 173,168
Costs and expenses:				
Cost of revenue	9,020	4,386	18,285	8,642
Research and development	18,529	10,140	37,182	17,422
Sales and marketing	73,185	99,523	190,517	195,846
General and administrative	26,712	25,432	119,504	52,716
Total costs and expenses	127,446	139,481	365,488	274,626
Loss from operations	(54,111)	(49,990)	(198,715)	(101,458)
Interest expense, net	(7,596)	(25)	(15,753)	(49)
Change in fair value of common stock warrant liabilities	1,023	(29,595)	5,485	(31,703)
Other income (expense), net	(82)	80	(108)	130
Loss before income taxes	(60,766)	(79,530)	(209,091)	(133,080)
Provision for (benefit from) income taxes	(155)	65	(367)	107
Net loss	$ (60,611)	$ (79,595)	$ (208,724)	$ (133,187)
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.15)	$ (0.21)	$ (0.52)	$ (0.36)
Weighted average shares outstanding:				
Basic and diluted	408,157,735	385,945,332	404,923,522	371,519,800

Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2022	2021	% Change	2022	2021	% Change
Revenue	$ 73,335	$ 89,491	(18)%	$ 166,773	$ 173,168	(4)%

Three Months Ended

Revenue decreased by $16.2 million, or 18%, to $73.3 million in the three months ended June 30, 2022 from $89.5 million in the three months ended June 30, 2021. The decrease was attributable primarily to lower retention from existing user cohorts driven by a combination of factors, including increased instances of users cheating on the platform, and past product changes, which together have had a negative impact on overall user experience. Furthermore, there were $16.3 million, or 35%, and $14.5 million, or 32%, decreases in spend to acquire new paying users and engagement marketing spend, respectively, as the Company scaled back to achieve better user acquisition efficiency and eliminated low-return engagement marketing programs.

Our year-over-year revenue growth rate for the three months ended June 30, 2022 was (18)%, which was down from our year-over-year revenue growth rate for the three months ended June 30, 2021 of 52%. The decrease in revenue growth rate compared to the previous period is primarily due to transitioning our focus from revenue growth to promoting profitable growth and efficiency. The transition to profitable growth and efficiency led the Company to reduce the rate of investment in

Engagement Marketing and UA marketing. Our year-over-year growth rate for the three months ended June 30, 2022 for Engagement Marketing and UA marketing was (32)% and (35)%, respectively, and was down from our year-over-year growth rate for the three months ended June 30, 2021 for Engagement Marketing and UA marketing of 92% and 84%, respectively.

Six Months Ended

Revenue decreased by $6.4 million, or 4%, to $166.8 million in the six months ended June 30, 2022 from $173.2 million in the six months ended June 30, 2021. The decrease was attributable primarily to lower retention from existing user cohorts driven by a combination of factors, including increased instances of users cheating on the platform and past product changes, which together have had a negative impact on overall user experience. Furthermore, there were $10.9 million, or 11%, and $8.4 million, or 10%, decreases in user acquisition and engagement marketing, respectively, as the Company scaled back to achieve better user acquisition efficiency and eliminated certain low-return engagement marketing programs.

Our year-over-year revenue growth rate for the six months ended June 30, 2022 was (4)%, which was down from our year-over-year revenue growth rate or the six months ended June 30, 2021 of 69%. The decrease in revenue growth rate compared to the previous period is primarily due to transitioning our focus from revenue growth to promoting profitable growth and efficiency. The transition to profitable growth and efficiency led the Company to reduce the rate of investment in Engagement Marketing and UA marketing. Our year-over-year growth rate for the six months ended June 30, 2022 for Engagement Marketing and UA marketing was (10)% and (11)%, respectively, and was down from our year-over-year growth rate for the six months ended June 30, 2021 for Engagement Marketing and UA marketing of 101% and 93%, respectively.

Cost of Revenue

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2022	2021	% Change	2022	2021	% Change
Cost of revenue	$ 9,020	$ 4,386	106 %	18,285	8,642	112 %

Three Months Ended

Cost of revenue increased by $4.6 million, or 106%, to $9.0 million in the three months ended June 30, 2022 from $4.4 million in the three months ended June 30, 2021. The increase in cost of revenue was primarily driven by server expense attributed to the acquisition of Aarki and the amortization of acquired developed technology intangible assets. Cost of revenue as a percentage of revenue increased to 12% in the three months ended June 30, 2022 compared to 5% in the three months ended June 30, 2021.

Six Months Ended

Cost of revenue increased by $9.6 million, or 112%, to $18.3 million in the six months ended June 30, 2022 from $8.6 million in the six months ended June 30, 2021. The increase in cost of revenue was primarily driven by server expense attributed to the acquisition of Aarki and the amortization of acquired developed technology intangible assets. Cost of revenue as a percentage of revenue increased to 11% in the six months ended June 30, 2022 compared to 5% in the six months ended June 30, 2021.

Research and Development

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2022	2021	% Change	2022	2021	% Change
Research and development	$ 18,529	$ 10,140	83 %	37,182	17,422	113 %

Three Months Ended

Research and development costs increased by $8.4 million, or 83%, to $18.5 million in the three months ended June 30, 2022 from $10.1 million in the three months ended June 30, 2021. The increase was primarily driven by a $6.8 million increase in research and development headcount costs, of which $6.3 million related to salaries due to an increase in headcount from the acquisition of Aarki, a $0.9 million increase related to stock-based compensation, a $0.5 million increase related to equipment and software expense, and $1.0 million of restructuring charges. These increases were partially offset by decreases of $0.2 million in bonuses and $0.7 million in professional fees. Research and development expenses accounted for 25% of revenue in the three months ended June 30, 2022 compared to 11% in the three months ended June 30, 2021.

Six Months Ended

Research and development costs increased by $19.8 million, or 113%, to $37.2 million in the six months ended June 30, 2022 from $17.4 million in the six months ended June 30, 2021. The increase was primarily driven by a $15.9 million increase in research and development headcount costs, of which $14.1 million related to salaries and bonuses due to an increase in headcount from the acquisition of Aarki, a $2.1 million increase related to stock-based compensation, a $0.4 million increase in bonuses, a $1.2 million increase related to equipment and software expense, and $1.0 million of restructuring charges. These increases were partially offset by a decrease of $1.0 million in professional fees. Research and development expenses accounted for 22% of revenue in the six months ended June 30, 2022 compared to 10% in the six months ended June 30, 2021.

Sales and Marketing

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Sales and marketing	$ 73,185	$ 99,523	(26)%	190,517	195,846	(3)%

Three Months Ended

Sales and marketing costs decreased by $26.3 million, or 26%, to $73.2 million in the three months ended June 30, 2022 from $99.5 million in the three months ended June 30, 2021. The decrease was attributable primarily to a 35% and 32% decrease in UA and engagement marketing spend, respectively. UA marketing expenses were $30.7 million and $47.0 million in three months ended June 30, 2022 and 2021, respectively. Engagement marketing expenses were $30.4 million and $44.9 million in the three months ended June 30, 2022 and 2021, respectively. Engagement marketing as a percentage of revenue decreased to 41% in the three months ended June 30, 2022 from 50% in the three months ended June 30, 2021, respectively. This decrease reflects a reduced investments in low-return marketing programs that resulted in a decrease in our engagement marketing expense per user in the three months ended June 30, 2022 compared to the three months ended June 30, 2021.

Six Months Ended

Sales and marketing costs decreased by $5.3 million, or 3%, to $190.5 million in the six months ended June 30, 2022 from $195.8 million in the six months ended June 30, 2021. The decrease was attributable primarily to an 11% and 10% decrease in UA and engagement marketing spend, respectively. UA marketing expenses were $90.4 million and $101.3 million in six months ended June 30, 2022 and 2021, respectively. Engagement marketing expenses were $72.5 million and $80.9 million in the six months ended June 30, 2022 and 2021, respectively. Engagement marketing as a percentage of revenue decreased to 43% in the six months ended June 30, 2022 from 47% in the six months ended June 30, 2021, respectively. This decrease reflects reduced investments in low-return marketing programs that resulted in a decrease in our engagement marketing expense per user in the six months ended June 30, 2022 compared to the six months ended June 30, 2021.

General and Administrative

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
General and administrative	$ 26,712	$ 25,432	5 %	119,504	52,716	127 %

Three Months Ended

General and administrative costs increased by $1.3 million, or 5%, to $26.7 million in the three months ended June 30, 2022 from $25.4 million in the three months ended June 30, 2021. The increase was primarily driven by a $3.3 million increase in payroll expenses related to salaries, severance and payroll taxes, a $0.5 million increase in employee benefits, a $0.5 million increase in facilities expenses and a $0.2 million increase in depreciation for computer equipment. These increases were partially offset by a $1.9 million decrease in stock-based compensation expense, a $1.3 million decrease of professional fees and a $0.6 million decrease of bonus and commission expenses. General and administrative expenses accounted for 36% of revenue in the three months ended June 30, 2022 compared to 28% in the three months ended June 30, 2021.

Six Months Ended

General and administrative costs increased by $66.8 million, or 127%, to $119.5 million in the six months ended June 30, 2022 from $52.7 million in the six months ended June 30, 2021. The increase was primarily driven by a $62.8 million increase in stock-based compensation expense, which includes $65.1 million related to the cancellation of performance stock units previously granted to the CEO without the concurrent grant or offer of a replacement award, a $7.0 million increase in payroll expenses related to salaries, severance and payroll taxes, a $1.0 million increase in employee benefits and a $0.7 million increase in facilities expenses. These increases were partially offset by a $5.1 million decrease in professional fees. General and administrative expenses accounted for 72% of revenue in the six months ended June 30, 2022 compared to 30% in the six months ended June 30, 2021.

Interest expense, net

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2022	2021	% Change	2022	2021	% Change
Interest expense, net	$ (7,596)	$ (25)	NM	(15,753)	(49)	NM

Three Months Ended

Interest expense, net increased by $7.6 million to $7.6 million in the three months ended June 30, 2022 from $25 thousand in the three months ended June 30, 2021. The increase was due to interest expense related to our senior secured notes issued in December 2021.

Six Months Ended

Interest expense, net increased by $15.7 million to $15.8 million in the six months ended June 30, 2022 from $49 thousand in the six months ended June 30, 2021. The increase was due to interest expense related to our senior secured notes issued in December 2021.

Change in fair value common stock of warrant liabilities

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2022	2021	% Change	2022	2021	% Change
Change in fair value of common stock warrant liabilities	1,023	(29,595)	NM	5,485	(31,703)	NM

The change in fair value of warrant liabilities was due to the decrease in the estimated fair value of the Private Common Stock Warrants and redemption of Public Common Stock Warrants. Refer to Note 11, Common Stock Warrants, of the notes to the consolidated financial statements for further discussion.

Other income (expense), net

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	2022	2021	% Change	2022	2021	% Change
Other (expense) income, net	$ (82)	$ 80	(203)%	(108)	130	(183)%

Three Months Ended

Other income (expense), net decreased by $162 thousand, to $82 thousand in the three months ended June 30, 2022 from $80 thousand in the three months ended June 30, 2021. The decrease was primarily driven by foreign currency transaction losses in three months ended June 30, 2021.

Six Months Ended

Other income, net decreased by $238 thousand, to $108 thousand in the six months ended June 30, 2022 from $130 thousand in the six months ended June 30, 2021. The decrease was primarily driven by foreign currency transaction losses in six months ended June 30, 2021.

Provision for (benefit from) income taxes

	Three Months Ended June 30,			Six Months Ended June 30,		
(In thousands, except percentages)	**2022**	**2021**	**% Change**	**2022**	**2021**	**% Change**
Provision for (benefit from) income taxes	$ (155)	$ 65	NM	$ (367)	$ 107	NM

Three Months Ended

Provision for (benefit from) income taxes increased by $220 thousand to a (benefit from) income taxes of $155 thousand in the three months ended June 30, 2022 from a provision for income taxes of $65 thousand in the three months ended June 30, 2021. The increase was primarily driven by the reversal of net deferred tax liabilities related to the acquisition of Aarki.

Six Months Ended

Provision for (benefit from) income taxes increased by $474 thousand to a (benefit from) income taxes of $367 thousand in the six months ended June 30, 2022 from a provision for income taxes of $107 thousand in the six months ended June 30, 2021. The increase was primarily driven by the reversal of net deferred tax liabilities related to the acquisition of Aarki.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe the following non-GAAP measure is useful in evaluating our operational performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively with GAAP financial information, may be helpful to investors in assessing our operating performance. These results should be considered in addition to, not as a substitute for, results reported in accordance with GAAP.

Adjusted EBITDA

"Adjusted EBITDA" is defined as net income (loss), excluding interest income (expense); change in fair value of common stock warrant liabilities; other (expense) income, net; (benefit from) provision for income tax; depreciation and amortization; stock-based compensation expense and related payroll tax expense; and certain other non-cash or non-recurring items impacting net income (loss) from time to time, including, but not limited to acquisition related expenses for transaction costs, loss contingency accruals and restructuring charges, as they are not indicative of business operations. Adjusted EBITDA is intended as a supplemental measure of our performance that is neither required by, nor presented in accordance with, GAAP. We believe that the use of Adjusted EBITDA provides an additional tool for investors to use in evaluating ongoing operating results and trends and in comparing the Company's financial measures with those of comparable companies, which may present similar non-GAAP financial measures to investors. However, you should be aware that when evaluating Adjusted EBITDA we may incur future expenses similar to those excluded when calculating this measure. In addition, our presentation of this measure should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. Our

computation of Adjusted EBITDA may not be comparable to other similarly titled measures computed by other companies, because all companies may not calculate Adjusted EBITDA in the same fashion.

Because of these limitations, Adjusted EBITDA should not be considered in isolation or as a substitute for performance measures calculated in accordance with GAAP. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA on a supplemental basis. You should review the reconciliation of net loss to Adjusted EBITDA below and not rely on any single financial measure to evaluate our business.

The following table reconciles net loss to Adjusted EBITDA for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	2021	2022	2021
Net loss	$ (60,611)	$ (79,595)	$ (208,724)	$ (133,187)
Interest expense, net	7,596	25	15,753	49
Stock-based compensation[3]	13,820	15,774	91,745	26,719
Change in fair value of common stock warrant liabilities	(1,023)	29,595	(5,485)	31,703
(Benefit from) provision for income taxes	(155)	65	(367)	107
Depreciation and amortization	5,846	547	11,384	1,102
Other expense (income), net	82	(80)	108	(130)
Restructuring charges[4]	2,933	—	2,933	—
One-time nonrecurring expenses [1] [2]	(93)	2,090	26	10,929
Adjusted EBITDA	$ (31,605)	$ (31,579)	$ (92,627)	$ (62,708)

(1) For the three and six months ended June 30, 2022, amounts represent one-time nonrecurring expenses related to IPO bonuses for certain employees, net of amounts forfeited by terminated employees.
(2) For the three and six months ended June 30, 2021, amounts represent one-time nonrecurring expenses related to the follow-on offering, Aarki acquisition, and executive severance expense.
(3) For the six months ended June 30, 2022, amount includes stock-based compensation recognized for the cancellation of the Chief Executive Officer' award of 16,119,540 performance share units granted on September 14, 2021 (the "CEO Performance Stock Units"). Please refer to Note 13, Stock-Based Compensations.
(4) For the three and six months ended June 30, 2022, amount includes restructuring charges related to employee termination benefits. Please refer to Note 5, Restructuring, for more details.

Liquidity and Capital Resources

Since inception, we have financed our operations primarily from the sales of capital stock. As of June 30, 2022, our principal sources of liquidity were our cash and cash equivalents in the amount of $170.0 million, which are primarily invested in money market funds and marketable securities with maturities of less than three months, and marketable securities in the amount of $419.6 million.

As of June 30, 2022, the Company had 4,535,728 Private Warrants outstanding. During the six months ended June 30, 2022, there was no exercise of any Private Warrants.

In December 2021, the Company offered $300 million in aggregate principal senior secured notes due 2026 in a private offering. The notes were sold in a private placement to qualified institutional buyers. Annual interest started to accrue from December 20, 2021 at a stated rate of 10.25%, and will be payable semiannually on June 15 and December 15 of each year, beginning on June 15, 2022. The notes will mature on December 15, 2026. We intend to use the net proceeds from the offering for general corporate purposes, which may include potential investments in or acquisitions of other companies, products, or technologies that we may identify in the future. The notes contain customary covenants restricting our and certain of our subsidiaries' ability to incur debt, incur liens, make distributions to holders of our stock, make certain transactions with our affiliates, as well as certain financial covenants specified in the indentures. We were in compliance with all covenants applicable to the notes as of June 30, 2022.

We are aware that our outstanding debt securities are currently trading at substantial discounts to their respective principal amounts. In order to reduce future cash interest payments, as well as future amounts due at maturity or upon redemption, we may, from time to time, seek to retire or purchase our outstanding debt through cash purchases, in open-market purchases, privately negotiated transactions or otherwise. Such repurchases, if any, will be upon such terms and at such prices as we may

determine, and will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors. The amounts involved may be material.

As of the date of this statement, our existing liquidity resources are sufficient to continue operating activities for at least one year past the issuance date of the condensed consolidated financial statements. Our future cash requirements will depend on many factors, including the level of cash necessary to fund our operations, including our sales and marketing activities. We also may require sources of liquidity to invest in or acquire complementary businesses, applications or technologies.

The following table provides a summary of cash flow data (in thousands):

	Six Months Ended June 30,	
	2022	2021
Net cash used in operating activities	$ (145,014)	$ (64,990)
Net cash provided by (used in) investing activities	$ 76,312	$ (3,508)
Net cash provided by (used in) financing activities	$ (2,641)	$ 498,548

Cash Flows from Operating Activities

Our cash flows from operating activities are significantly affected by the growth of our business primarily related to research and development, sales and marketing, and general and administrative activities. Our operating cash flows are also affected by our working capital needs to support growth in personnel-related expenditures and fluctuations in accounts payable and other current assets and liabilities.

Net cash used in operating activities was $145.0 million for the six months ended June 30, 2022. The most significant component of our cash used during this period was a net loss of $208.7 million , which included non-cash expenses of $91.7 million related to stock-based compensation, including $65.1 million related to the cancellation of performance stock units granted to our CEO, non-cash income of $5.5 million for the change in fair value related to Private Common Stock Warrants, $11.4 million related to depreciation and amortization, and net cash outflows of $38.3 million from changes in operating assets and liabilities. The net cash outflows from changes of operating assets and liabilities were primarily the result of an increase in prepaid expense and other assets of $5.1 million, a decrease in accounts payable of $17.2 million, and a decrease in other liabilities of $18.9 million.

Net cash used in operating activities was $65.0 million for the six months ended June 30, 2021. The most significant component of our cash used during this period was a net loss of $133.2 million, which included non-cash expenses of $31.7 million for the change in fair value related to Public and Private Common Stock Warrants, $26.7 million related to stock-based compensation, $1.1 million related to depreciation and amortization, accretion of unamortized discounts and amortization of issuance costs, and net cash inflows of $8.7 million from changes in operating assets and liabilities. The net cash inflows from changes of operating assets and liabilities were primarily the result of an increase in other liabilities of $15.9 million, primarily related to an increase in accrued sales and marketing costs.

Cash Flows from Investing Activities

Net cash provided by investing activities was $76.3 million for the six months ended June 30, 2022. The net cash used in investing activities included $327.5 million for purchases of marketable securities, partially offset by $79.1 million in proceeds from sales of marketable securities and $325.1 million in proceeds from maturities of marketable securities.

Net cash used in investing activities was $3.5 million for the six months ended June 30, 2021. The net cash used in investing activities included a $2.0 million investment in non-marketable equity securities, and $1.5 million in purchases of property and equipment, including internal-use software.

Cash Flows from Financing Activities

Net cash used in financing activities was $2.6 million for six months ended June 30, 2022, which was primarily due to $2.0 million in payments for debt issuance costs and $1.5 million in principal payments on finance lease obligations.

Net cash provided by financing activities was $498.5 million for six months ended June 30, 2021, which was primarily due to $402.1 million in net proceeds from the issuance of common stock in connection with the Company’s follow-on offering and $109.5 million of proceeds from the exercise of common stock warrants, partially offset by $13.2 million in payments made towards offering costs.

Contractual Obligations and Commitments

Our material cash requirements include the following contractual and other obligations.

Leases

We have operating lease arrangements for office space, and finance lease agreements for certain network equipment. As of June 30, 2022, we had lease payment obligations of $25.1 million, of which $5.3 million is payable within 12 months.

Secured Notes and Term Loan

Refer to “Liquidity and Capital Resources” under Item 2, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Form 10-Q for more information.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

See critical accounting policies and estimates in our Form 10-K filed March 1, 2022 as there have been no material changes.

Recent Accounting Pronouncements

See Note 2 to our condensed consolidated financial statements for more information about recent accounting pronouncements, the timing of their adoption, and our assessment, to the extent we have made one, of their potential impact on our financial condition and our results of operations.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to a variety of market and other risks, including the effects of changes in interest rates, inflation, as well as risks to the availability of funding sources.

Interest Rate Risk

The market risk inherent in our financial instruments and our financial position represents the potential loss arising from adverse changes in interest rates. As of June 30, 2022, we had cash and cash equivalents of $170.0 million, which consisted of money market fund accounts and commercial papers for which the fair market value would be affected by changes in the general level of U.S. interest rates. As of June 30, 2022, we had marketable securities of $419.6 million, which primarily consisted of U.S government, corporate debt securities, asset backed securities, commercial paper, and debt instruments issued by foreign governments, for which the fair market value would be affected by changes in the general level of interest rates. We limit the amount of credit exposure to any one issuer. Our investments carry a degree of interest rate risk. However, due to the low-risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our cash and cash equivalents and marketable securities.

Foreign Currency Risk

There was no material foreign currency risk for the six months ended June 30, 2022 and 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of June 30, 2022, the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were not effective as a result of previously disclosed material weaknesses in our internal control over financial reporting as described below.

Notwithstanding the material weaknesses, management has concluded that our condensed consolidated financial statements present fairly, in all material respects, our financial position, results of operations and cash flows for the periods presented in this Form 10-Q, in conformity with GAAP.

Material Weaknesses

As previously disclosed in our management's report on internal control over financial reporting within the Form 10-K for the year ended December 31, 2021, we identified material weaknesses in our internal control over financial reporting with respect to the following:

- Information technology general controls (ITGCs) in the areas of access and program change over information technology (IT) systems that support the Company's financial reporting processes were not designed and operating effectively. Specifically, the Company did not maintain 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; program change management controls to ensure that IT program and data changes affecting financial information technology applications and underlying records are identified, tested, authorized, and implemented appropriately. As a result, the Company's related IT dependent manual and application controls that rely upon the affected ITGCs, or information coming from IT systems with affected ITGCs were also deemed ineffective.
- Controls designed to properly evaluate certain accounting processes, including where management review is involved, did not operate effectively due to lack of sufficient documentation or evidence retained to demonstrate management's review.

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 the Company's annual or interim financial statements will not be prevented or detected on a timely basis.

Remediation of Material Weaknesses

During the three months ended June 30, 2022, we continued to design and implement internal control measures to improve our internal control over financial reporting and remediate the material weaknesses. Our efforts included a number of actions:

- ITGC: We are continuing to design and implement improved processes and controls for requesting, authorizing, and reviewing user access to key information systems which impact our financial reporting. This includes the addition of new control activities associated with user access provisioning within our key applications, as well as certain controls which review user access and activity logs. Additionally, we are redesigning our permissions associated with role-based access to our general ledger as well as designing and implementing compensating controls. We also are designing and implementing improved processes and controls over program changes within our key information systems which impact our financial reporting.
- Management Review Controls: We continue to reinforce management review control training for our accounting department to strengthen documentation and retention of evidence to be commensurate with risks associated with accounting processes involving complexity, subjectivity, and estimation uncertainties for specific transactions.

While these actions and planned actions are subject to ongoing management evaluation and will require validation and testing of the design and operating effectiveness of internal controls over a sustained period of financial reporting cycles, we believe that these remediation actions, when fully implemented, will remediate the material weaknesses we have identified and

strengthen our internal control over financial reporting. We are committed to the continuous improvement of our internal control over financial reporting. As we continue to evaluate and work to improve our internal control over financial reporting, we may take additional measures to address control deficiencies, or we may modify, or in appropriate circumstances not complete, certain of the remediation work described above.

Changes in Internal Control over Financial Reporting

Other than the significant changes noted above associated with the material weaknesses and corresponding remediation procedures as described above, there was no change in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15b-15(d) of the Exchange Act during the first quarter of 2022 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our management, including our principal executive officer and principal financial officer, do 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.

PART II

ITEM 1. LEGAL PROCEEDINGS

Refer to note 9, “Contingencies and Commitments,” in this Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2021.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Exhibit Description	Form	Exhibit	Filing Date
3.1	Certificate of Amendment to Third Amended and Restated Certificate of Incorporation of Skillz Inc.			
10.1	Offer Letter dated June 24, 2022 between the Company and Jason Roswig			
10.2	Consulting Agreement dated May 11, 2022 between the Company and Jerome Bruckheimer			
10.3	Restricted Stock Unit Award Agreement dated XX, 2022 between the Company and Jerome Bruckheimer			
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002			
32.1*	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
32.2*	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002			
101.INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.			
101.SCH**	Inline XBRL Taxonomy Extension Schema Document			
101.CAL**	Inline XBRL Taxonomy Extension Calculation Linkbase Document			
101.DEF**	Inline XBRL Definition Linkbase Document			
101.LAB**	Inline XBRL Taxonomy Extension Label Linkbase Document			
101.PRE**	Inline XBRL Taxonomy Extension Presentation Linkbase Document			
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).			

*Filed herewith.
**Submitted electronically with the report.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New York, State of New York, on the fourth day of August, 2022.

SKILLZ INC.

By:	/s/ Andrew Paradise
Name:	Andrew Paradise
Title:	Chief Executive Officer and Chairman

CERTIFICATE OF AMENDMENT TO THE
THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION OF
SKILLZ INC.

Pursuant to the General Corporation Law of the
State of Delaware

May 12, 2022

Skillz Inc., a corporation organized and existing under the laws of the State of Delaware (the "***Corporation***"), DOES HEREBY CERTIFY AS FOLLOWS:

1. The name of the Corporation is "***Skillz Inc.***" The original Certificate of Incorporation of the Corporation was filed with the Secretary of State of the State of Delaware on January 15, 2020 under the name Flying Eagle Acquisition Corp. The First Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on February 10, 2020, the Second Amended and Restated Certificate of Incorporation was filed with the Secretary of State of the State of Delaware on March 5,
2020 and the Third Amended and Restated Certificate of Incorporation was filed with the Secretary of State of Delaware on December 16, 2020 (collectively, the "***Amended and Restated Certificate***").

2. That the Board of Directors of the Corporation has duly adopted resolutions pursuant to Section 242 of the General Corporation Law of the State of Delaware setting forth a proposed amendment to the existing Amended and Restated Certificate, in the form set forth below (the "Amendment"), declaring the Amendment to be advisable and calling for consideration of said proposed Amendment by the stockholders of the Corporation.

3. The text of Article VIII (B) of the Amended and Restated Certificate is hereby amended and restated to read in full as follows:

> (B) Number of Directors. Subject to the rights of holders of any series of Preferred Stock to elect directors, the number of the directors of the Corporation shall be fixed from time to time by the Board; *provided*, *further*, that unless otherwise approved by the Requisite Stockholder Consent, the number of the directors shall not exceed nine (9). For the avoidance of doubt, no decrease in the number of directors constituting the Board shall shorten the term of any incumbent director.

4. That the requisite stockholders of the Corporation have duly approved said proposed Amendment in accordance with the Amended and Restated Certificate and Section 242 of the General Corporation Law of the State of Delaware.

IN WITNESS WHEREOF, Skillz Inc. has caused this Amendment to the Amended and Restated Certificate of Incorporation to be duly executed in its name and on its behalf by an authorized officer as of the date first set above.

Skillz Inc.

By: /s/ Andrew Paradise
Name: Andrew Paradise
Title: Chief Executive Officer

June 1, 2022

Personal and Confidential

Jason Roswig

Re: Offer Letter

Dear Jason:

Subject to approval by the Skillz Board of Directors and its relevant committees, I am very pleased to provide you with a summary of the terms and conditions of your employment with Skillz Inc. (the "Company").

1. Position. Your initial position will be President and Chief Financial Officer and you will work remotely reporting directly to the Company's Chief Executive Officer. As you progress with the Company, your position and assignments are, of course, subject to change. We are a dynamic organization with ever-changing needs, and we will work over the course of your employment to determine where your talents and abilities can be best utilized. As our employee, we expect that you will devote your full working time to the performance of your duties to the Company, and that you will perform any and all duties and responsibilities normally associated with your position in a satisfactory manner and to the best of your abilities at all times.

2. Start Date/At-Will Nature of Relationship. If you accept this offer, your employment with the Company will begin on a date mutually agreed by you and the Company (the actual date on which your employment begins, the "Commencement Date"). ***No provision of this letter will be construed to create an express or implied employment contract, or a promise of employment for any specific period of time. Your employment with the Company is at-will employment which may be terminated by you or the Company at any time for any reason with or without advance notice.***

3. Compensation and Equity.

Offer Details
● Starting Salary: $500,000 per year, payable on the Company's regular payroll dates. ● Annual Bonus: $500,000 ● Signing Bonus: $200,000 ● Time-Based Incentive Award: $15,000,000 ● Performance-Based Incentive Award: $5,000,000

Signing Bonus. You will also receive a one-time signing bonus in the amount of $200,000 (the "Signing Bonus") less applicable withholding, which will be paid thirty (30) days following your Commencement Date with the Company, subject to your continuous employment with the Company from the Commencement Date through the date of payment and the repayment obligation described in the following sentence. If you voluntarily leave the Company prior to completing 12 months' work following the Commencement Date, you agree to repay the post-tax portion of the Signing Bonus within 30 days of your departure.

Annual Bonus. Your initial target annual incentive compensation opportunity with the Company will be $500,000, paid out on an annual basis if and to the extent that the Company

achieves established corporate goals and objectives approved by the Compensation Committee of the Skillz Board of Directors. Target incentives do not constitute a promise of payment and the actual amount of your incentive compensation may be lower or higher than your target based on factors such as the Company's overall performance, your individual job performance and your ability to meet your established goals and objectives. In order to be eligible for incentive compensation you must be employed by the Company on the last day of the fiscal year with respect to which the incentive applies and not voluntarily resign or be terminated by the Company for Cause (and not under a for Cause termination notice on or prior to the date when an incentive might have otherwise been payable. Target incentive compensation may be pro-rated, depending on your Commencement Date.

Time-Based Incentive Award. As soon as reasonably practicable following the Commencement Date, and subject to approval of the Company's Compensation Committee, the Company will grant you a Restricted Stock Unit award equal to $15,000,000 of the Company's Class A common stock, calculated based on the 90 day volume weighted average stock price of the Company's Class A common stock ending on the last day of the quarter in which the Commencement Date falls (the "Equity Incentive Award"). The Equity Incentive Award will be subject to the Skillz Inc. 2020 Omnibus Incentive Plan (as it may be amended from time to time, the "2020 Plan") and an award agreement setting forth the specific terms and conditions of the Equity Incentive Award. Twenty-five percent (25%) of the Incentive Award will cliff-vest on the first anniversary of your Commencement Date, and the remaining amount will vest in substantially equal quarterly installments over the following twelve (12) calendar quarters (such that the Incentive Award will be fully vested after four (4) years of service), in each case subject to your continuous service with the Company through each applicable vesting date and the additional terms and conditions of the 2020 Plan and the applicable award agreement.

Performance-Based Incentive Award. As soon as reasonably practicable following following the Commencement Date, and subject to the approval of the Company's Compensation Committee, the Company will grant you a Restricted Stock Unit award equal to $5,000,000 of the Company's Class A common stock (the "Performance-Based Incentive Award"). The Performance-Based Incentive Award will be subject to your continuous service with the Company, the terms and conditions of the 2020 Plan, and the applicable award agreement setting forth the specific terms and conditions of the Performance-Based Incentive Award.

The Performance-Based Incentive Award shall vest over four (4) years according to the achievement of certain Company performance goals, as summarized below, and subject to your continued service with the Company.

Performance Goals; Performance Periods. The Performance-Based Incentive Award will be earned subject to the achievement of written quarterly or annual Company goals which are determined solely by the Compensation Committee, following consultation with you, with respect to each Performance Period (the "Performance Goals"). For purposes of this award, the "Performance Periods" are as follows: (A) the first Performance Period begins on July 1, 2022 and continues until December 31, 2022; (B) the second, third, and fourth Performance Periods will begin on January 1 of each successive calendar year and will continue until December 31 of each such calendar year; and (C) the fifth Performance Period will begin on January 1, 2026 and will continue through June 30, 2026 such that the total award amount earned shall vest on July 1, 2026.

Determination of Vesting; Forfeiture. Within approximately 45 days following the end of each Performance Period, the Compensation Committee shall determine and communicate to you whether and to what extent the Performance Goals have been achieved for such Performance Period. Up to twenty-five percent (25%) of the Performance-Based Incentive Award, will be eligible to vest with respect to each Performance Period, subject to the vesting terms below. For the avoidance of doubt, for any Performance Periods that are less than a year in length, the portion of the award that will vest during such performance period shall be reduced pro-rata.

Notwithstanding the foregoing, (i) even if the Performance Goals for a Performance Period have been met, no shares subject to the Performance-Based Incentive Award shall vest unless you are continuously providing services to the Company through the last day of the applicable Performance Period. Additionally, if your employment is terminated by the Company for Cause (as defined in the 2020 Plan), you voluntarily resign, or you breach any written restrictive covenant agreement with the Company (including, without limitation, the Confidential Information and Invention Assignment Agreement), in each case, between the end of the Performance Period and the date that the Compensation Committee

determines whether the goals for such Performance Period have been met, all or any portion of the Performance-Based Incentive Award for such Performance Period and any future Performance Periods will be forfeited and canceled; (ii) if the Performance Goals have been determined by the Compensation Committee not to have been fully achieved with respect to a Performance Period, any unearned shares that were subject to vesting in such Performance Period shall be canceled; and (iii) with respect to the first Performance Period, no shares will vest until the later of the date of the Compensation Committee's determination that the Performance Goals have been achieved or the first anniversary of your Commencement Date (the one-year cliff).

As noted above, target incentives do not constitute a promise of payment and the actual amount of your incentive compensation may be lower or higher than your target based on factors such as the Company's overall performance, your individual job performance and your ability and the ability of the Company to meet the Performance Goals and objectives. It is also not typical for target incentives to be paid in full, as goals and objectives for such compensation are intended to be highly ambitious; however, the Company wants to offer you an opportunity for additional compensation for meeting such special goals and objectives. To be eligible for any type of incentive compensation you must be employed by the Company and not under termination notice on or prior to the date when an incentive might have otherwise been payable. Target incentive compensation will be prorated, depending on your Commencement Date with the Company, if and to the extent the Company determines performance metrics are achieved.

4. Your Certifications to the Company.

As a condition of your employment, you certify to the Company that, other than as previously disclosed to the Company in writing, (a) you are free to enter into and fully perform the duties of your position and that you are not subject to any employment, confidentiality, non-competition or other agreement that would restrict your performance for the Company, and (b) your signing this letter of employment does not violate any order, judgment or injunction applicable to you, or conflict with or breach any agreement to which you are a party or by which you are bound. If you are subject to any such agreement or order, please forward it to me, along with a copy of this letter.

Additionally, as a condition of your employment, you also certify that all facts you have presented to the Company are accurate and true. This includes, but is not limited to, all oral and written statements you have made (including those pertaining to your education, training, qualifications, licensing and prior work experience) on any job application, resume or *c.v.*, or in any interview or discussion with the Company.

5. Confidential Information and Invention Assignment Agreement. Like all Company employees, you will be required, as a condition of your employment with the Company, to sign the Company's standard Confidential Information and Invention Assignment Agreement.

6. Taxes, Withholding and Required Deductions. All forms of compensation referred to in this letter are subject to all applicable taxes, withholding and any other deductions required by applicable law.

7. Background Verification. Your employment with the Company is conditioned on a satisfactory Consumer Report and/or an Investigative Consumer Report, in compliance with local law.

8. Before You Start. Your employment with the Company is conditioned on your providing legal proof of your identity and eligibility to work in the United States. On your first day, you must complete an I-9 Form and provide us with any of the accepted forms of identification specified on the I-9 Form.

9. Miscellaneous.

Governing Law. The validity, interpretation, construction and performance of this letter, and all acts and transactions pursuant hereto and the rights and obligations of the parties hereto will be governed, construed and interpreted in accordance with the laws of the state in which you work, without giving effect to principles of conflicts of law.

Arbitration. You agree that any disputes, conflicts or claims relating to or regarding these compensation terms or other aspects of your compensation and/or employment with the

Company will be resolved by binding arbitration with the Judicial Arbitration and Mediation Service (JAMS) pursuant to the JAMS Employment Rules, which can be reviewed at https://www.jamsadr.com/rules-employement-arbitration/. You and the Company waive any rights to a jury trial with respect to those disputes. You and the Company further agree that such claims be resolved on an individual basis only, not on a class, collective, representative, or private attorney general act representative basis on behalf of other employees ("Class Waiver"), to the fullest extent permitted by applicable law. Any claim that all or part of the Class Waiver is invalid, enforceable, unconscionable, void or voidable may be determined only by a court. In no case may class, collective or representative claims proceed in arbitration.

You on the one hand, and the Company on the other, waive any rights to a jury trial or a bench trial in connection with the resolution of any claim under this agreement (although both parties may seek interim emergency relief from a court to prevent irreparable harm to their confidential information or trade secrets pending the conclusion of any arbitration). This agreement will be construed and interpreted in accordance with the laws of the state in which you work and the Federal Arbitration Act ("FAA"). In the case of a conflict, the FAA will control. Claims will be governed by applicable statutes of limitations. Except as to the Class Waiver, the arbitrator, and not a court, will determine whether the arbitration agreement applies to a dispute, controversy, or claim. In the event that any portion of this arbitration clause is deemed illegal or unenforceable, such provision will be severed and the remainder of this clause will be given full force and effect. Arbitration is not a mandatory condition of your employment. If you wish to opt out of this arbitration clause, you must notify the Company in writing by sending an email to hr@skillz.com stating your intent to opt out within 30 days of signing this offer letter.

Entire Agreement. This letter sets forth the entire agreement and understanding of the parties relating to the subject matter herein and supersedes all prior or contemporaneous discussions, understandings and agreements, whether oral or written, between them relating to the subject matter hereof.

Counterparts. This letter may be executed in any number of counterparts, each of which when so executed and delivered will be deemed an original, and all of which together will constitute one and the same agreement. Execution of a facsimile copy will have the same force and effect as execution of an original, and a facsimile signature will be deemed an original and valid signature.

Electronic Delivery. The Company may, in its sole discretion, decide to deliver any documents or notices related to this agreement, securities of the Company or any of its affiliates or any other matter, including documents and/or notices required to be delivered to you by applicable securities law or any other law or the Company's Certificate of Incorporation or Bylaws by email or any other electronic means. You hereby consent to: (i) conduct business electronically, (ii) receive such documents and notices by such electronic delivery, and (iii) sign documents electronically and agree to participate through an on-line or electronic system established and maintained by the Company or a third-party designated by the Company.

You may accept this offer of employment and the terms and conditions hereof by signing and dating this letter. This offer will expire on June 2, 2022 at 5:00pm PT, unless accepted by you prior to such date by directing the signed offer letter to me.

[*signatures on following page*]

We are pleased to offer you the opportunity to join Skillz Inc. and we look forward to having you aboard. We are confident that you will make an important contribution to our unique and exciting enterprise.

Sincerely,
SKILLZ INC.

/s/ Andrew Paradise

Andrew Paradise
Chief Executive Officer

ACCEPTED AND AGREED:

/s/ Jason Roswi
Jason Roswig

Consulting Agreement

Mr. Jerry Bruckheimer
% Philpott Meeks
Attention: Martin Meeks
16030 Ventura Blvd., Suite 380
Encino, CA 91436

Dear Mr. Bruckheimer,

This letter agreement (this "Agreement") sets forth the terms and conditions whereby you agree to provide certain services (as described in Section 1) to Skillz Inc., a Delaware corporation (the "Company").

1. SERVICES. The Company hereby engages you, and you hereby accept such engagement, as an independent consultant to provide certain services to the Company on the terms and conditions set forth in the following sentence. At such times and places as may be mutually agreed taking into account your busy schedule and other obligations, you will (a) barring unforeseen circumstances with film or television production necessitating your attention or other exigent circumstances such as illness, you will use commercially reasonable efforts to attend the events listed on Schedule 1 (the “Event Appearances”), and (b) provide to the Company the marketing rights set forth in Schedule 1 (collectively, with the Event Appearances, the "Services"). Notwithstanding anything to the contrary in this Agreement, you shall not be required to make any statement on behalf of or related to the Company (and the Company shall not attribute any statement by you on behalf of or related to the Company) without your prior written consent (which may be by email by you or on your behalf by your legal counsel) and, if appropriate given the nature of the statement, the inclusion of Private Securities Litigation Reform Act safe harbor provisions and/or other disclaimers acceptable to you and/or your counsel. The Company agrees to (a) prepare any such statement in advance and ensure that any such statement complies with all applicable laws and (b) indemnify you to the maximum extent permitted by law in connection with your performance of the Services (including any such statement). The Company agrees to list you as an additional insured on its general liability and errors and omissions insurance policies.,

2. TERM. The term of this Agreement shall commence as of April 1, 2022 and shall continue until the second year anniversary thereof, unless earlier terminated in accordance with Section 9 (the "Term"). Any extension of the Term or change to the Services will be subject to mutual written agreement between you and the Company (referred to collectively as the "Parties").

3. FEES AND EXPENSES. As full compensation for the Services and the rights granted to the Company in this Agreement, the Company shall grant to you a Restricted Stock Unit award of the Company’s Class A common stock with a grant value equal to one million dollars ($1,000,000) (the "Incentive Award"). The number of restricted stock units you receive under the Incentive Award will be calculated based on the 60 day volume weighted average price of the stock price ending on the trading day immediately preceding the grant date, which shall be the second trading day after the Company’s release of Q1 2022 earnings. The Incentive Award will be subject to the Skillz Inc. 2020 Omnibus Incentive Plan (as it may be amended from time to time, the "2020 Plan") and an award agreement setting forth the specific terms and conditions of the Incentive Award, as set forth on Exhibit A to this Agreement (the “Award Agreement”). Subject to your continued service through the Term, twelve and a half percent (12.5%) of the Incentive Award will vest on the last day of each calendar quarter commencing June 30, 2022 and ending March 31, 2024, such that the Incentive Award vests in 8 equal installments (the “Vesting Schedule”), in each case subject to Section 9 hereof and the additional terms and conditions of the 2020 Plan and the Award Agreement. You acknowledge that you will receive an IRS Form 1099-NEC from the Company, and that you shall be solely responsible for all federal, state, and local taxes, as set out in Section 4.2 of this Agreement. The Company shall be responsible for any travel or other costs or expenses incurred by you in connection with the performance of the Services.

4. RELATIONSHIP OF THE PARTIES.

4.1 You are an independent contractor of the Company, and this Agreement shall not be construed to create any association, partnership, joint venture, employment, or agency relationship between you and the Company for any purpose. In your capacity as an independent contractor performing services under this Agreement, you have no authority (and shall not hold yourself out as having authority) to bind the Company and you shall not make any agreements or representations on the Company’s behalf without the Company’s prior written consent.

4.2 Without limiting Section 4.1 of this Agreement, you will not be eligible to participate in any vacation, group medical or life insurance, disability, profit sharing or retirement benefits, or any other fringe benefits or benefit plans offered by the Company to its employees, and the Company will not be responsible for withholding or paying any income, payroll, Social Security, or other federal, state, or local taxes, making any insurance contributions, including for unemployment or disability, or obtaining workers’ compensation insurance on your behalf. You shall be responsible for all such taxes or contributions, including penalties and interest. Any persons employed or engaged by you in connection with the performance of the Services

shall be your employees or contractors and you shall be fully responsible for them and any claims made by or on behalf of any such employee or contractor.

5. INTELLECTUAL PROPERTY RIGHTS. To the extent that your service to the Company results directly in the creation of any new Intellectual Property (as defined below), you agree that, as between you and the Company, the Company shall own the rights to such new Intellectual Property if and to the extent such Intellectual Property (i) is developed or created using the equipment, facilities, supplies or Confidential Information of the Company, or (ii) results from work performed by you on behalf of the Company, but in each case only if you are explicitly engaged in performing direct work for the Company, and shall to the extent possible, be considered a "work made for hire" for the Company. To the extent such work is determined not to constitute "works made for hire" as a matter of law, you hereby irrevocably assign and transfer to the Company as of the time and creation of any such Intellectual Property, any and all right, title or interest you may have therein. For the purposes of this section, "Intellectual Property" means any original works of authorship, inventions, concepts, ideas, processes, techniques, improvements or trade secrets, whether or not patentable or registrable under copyright or similar laws. At the Company's expense, you agree to execute all documents and take all actions necessary or reasonably requested by the Company to document, perfect or assign the Company's rights to Intellectual Property to the extent set forth in this Section 5, including execution and delivery of instruments of conveyance necessary to obtain legal protection in the United States and foreign countries for such Intellectual Property, and for the purpose of vesting title thereto in the Company (or its nominee) as may be appropriate to give full and proper effect to such assignment and to vest in the Company (or its nominee) complete title and ownership to such Intellectual Property. Further, if you fail or refuse to execute any such instruments, you hereby appoint the Company as your attorney-in-fact (this appointment to be irrevocable and a power coupled with an interest) to act on your behalf and to execute such documents.

6. CONFIDENTIALITY.

6.1 You agree that you will (i) hold in strictest confidence the Company's proprietary information and trade secrets and all other information made known to you in connection with your consulting relationship that has or would reasonably be expected to have commercial value or other utility in the Company's business or prospective business (collectively, the "Confidential Information"), and (ii) not, directly or indirectly, publish or disclose the Confidential Information for any purpose except in connection with your consulting relationship with the Company. The Confidential Information will not include information that is or was (A) received by you without an obligation of confidentiality from an unrelated third party that is not known by you to be under an obligation of confidentiality to the Company , or (B) generally known or available in the industry or to the general public either (x) prior to the Company's disclosure of such information to you or (y) after the Company's disclosure of such information to you through no action or inaction by you in breach of this Section 6. If you are requested or required by applicable law, by order of court or the rules, regulations or order or request of any governmental agency or self-regulatory organization to disclose Confidential Information, you will (to the extent legally permissible and reasonably practicable) (1) promptly notify the Company in writing of the existence, terms and circumstances surrounding the request or requirement for disclosure, and (2) to the extent requested by the Company in writing and at the sole cost and expense of the Company, cooperate with the Company to take legally available steps to resist or narrow such request for information, including by seeking a protective order. If despite such efforts, you are nonetheless, upon the advice of legal counsel, still legally required or requested to disclose Confidential Information, you may do so without liability hereunder provided that you disclose only that portion of the Confidential Information which you are legally required or requested to disclose and provided further that you exercise commercially reasonable efforts at the sole cost and expense of the Company to obtain reliable assurance that confidential treatment will be accorded such disclosed Confidential Information.

6.2 You agree that you will not in connection with your consulting relationship improperly disclose any proprietary information or trade secrets received by you from any third party. You recognize that the Company has received and in the future will receive confidential and proprietary information from third parties and that the Company will have a duty to maintain the confidentiality of such information. You agree to hold all such confidential and proprietary information in the strictest confidence subject to the exceptions set forth in Section 6.1 of this Agreement, and you further agree that you will not disclose it to any person, firm or corporation subject to the exceptions set forth in Section 6.1 of this Agreement.

6.3 Upon the Company's written request, you agree to return or destroy (at your election) (and in the case of destruction, certify in writing to the same), and will not keep in your possession, recreate or deliver to any third party, any and all documents and/or electronic files containing Confidential Information that are in your possession; provided that the foregoing shall not require you to delete computer back-up drives.

7. REPRESENTATIONS AND WARRANTIES.

7.1 You represent and warrant to the Company that:

(a) you have the right to enter into this Agreement, to grant the rights granted herein, and to perform fully all of your obligations in this Agreement;

(b) your entering into this Agreement with the Company and your performance of the Services do not and will not conflict with or result in any breach or default under any other agreement to which you are subject; and

(c) you shall perform the Services in compliance with all applicable federal, state, and local laws and regulations.

7.2 The Company hereby represents and warrants to you that:

(a) it has the full right, power, and authority to enter into this Agreement and to perform its obligations hereunder; and

(b) the execution of this Agreement by its representative whose signature is set forth at the end hereof has been duly authorized by all necessary corporate action.

8. RESERVED.
9. TERMINATION.

9.1 You or the Company may terminate this Agreement without cause upon 30 calendar days' written notice to the other party to this Agreement .

9.2 The Company may terminate this Agreement, effective immediately upon written notice to you, for Cause. For purposes hereof, "Cause" means (a) a material breach of fiduciary duty or duty of loyalty to the Company; (b) a conviction of or plea of nolo contendere to a felony or a crime involving moral turpitude; (c) the commission of fraud, dishonesty, theft, embezzlement, self-dealing, misappropriation or other malfeasance against the business of the Company; or (d) willful misconduct in the performance of the Services.

9.3 You may terminate this Agreement, effective immediately upon written notice to the Company, for Good Reason. For purposes of this Agreement, "Good Reason" means (a) the commission of fraud by the Company, or (b) with respect to any executive officer or director of the Company, (i) a material breach of fiduciary duty or duty of loyalty to the Company, (ii) a conviction of or plea of nolo contendere to a felony or a crime involving moral turpitude; or (iii) the commission of fraud, dishonesty, theft, embezzlement, self-dealing, misappropriation or other malfeasance against the business of the Company.

9.4 In the event of termination of this Agreement by the Company pursuant to Section 9.1 of this Agreement (for convenience) or by you pursuant to Section 9.3 (for Good Reason) or following your death or termination due to disability, any portion of the Incentive Award unvested as of the date of termination or death, as applicable, shall accelerate and vest in full effective as of the effective date of termination or death. In the event of termination of this Agreement pursuant by you to Section 9.1 of this Agreement (for convenience) or by the Company pursuant to Section 9.2 (for Cause), vesting shall cease and any portion of the Incentive Award unvested as of the date of termination shall be forfeited.

96. Upon expiration or termination of this Agreement for any reason, or at any other time upon the Company's written request, you shall promptly after such expiration or termination:

(a) deliver to the Company all deliverables (whether complete or incomplete) and all materials, equipment, and other property in your possession or control provided for your use by the Company;

(b) deliver to the Company all tangible documents and other media, including any copies, containing, reflecting, incorporating, or based on the Confidential Information in your possession or control; and

(c) permanently erase all of the Confidential Information from your computer systems; provided that the foregoing shall not require you to delete computer back-up drives.

9.4 The terms and conditions of this clause and Sections 4, 5, 6, 7, 11 and 12 of this Agreement shall survive the expiration or termination of this Agreement.

10. ASSIGNMENT. You shall not assign any rights or delegate or subcontract any obligations under this Agreement without the Company's prior written consent. Any assignment in violation of the foregoing shall be deemed null and void. The Company may not assign its rights and obligations under this Agreement at any time without your prior written consent. Subject to the limits on assignment stated above, this Agreement will inure to the benefit of, be binding on, and be enforceable against each of the Parties hereto and their respective successors and assigns.

11. ARBITRATION.

11.1 Any dispute, controversy, or claim arising out of or related to this Agreement or any breach or termination of this Agreement, including but not limited to the Services you provide to the Company, and any alleged violation of any federal, state, or local statute, regulation, common law, or public policy, whether sounding in contract, tort, or statute, shall be submitted to and decided by binding arbitration. Arbitration shall be administered by the Judicial Arbitration and Mediation Services, Inc. ("JAMS") and held in San Francisco, California before a single arbitrator, in accordance with the JAMS's rules, regulations, and requirements. Any arbitral award determination shall be final and binding upon the Parties. Judgment on the arbitrator's award may be entered in any court of competent jurisdiction.

11.2 Arbitration shall proceed only on an individual basis. The Parties waive all rights to have their disputes heard or decided by a jury or in a court trial and the right to pursue any class or collective claims against each other in court, arbitration, or any other proceeding. Each party shall only submit their own individual claims against the other and will not seek to represent the interests of any other person. The arbitrator shall have no jurisdiction or authority to compel any class or collective claim, or to consolidate different arbitration proceedings with or join any other party to an arbitration between the Parties.

12. GOVERNING LAW, JURISDICTION, AND VENUE. This Agreement and all related documents including all schedules attached hereto and all matters arising out of or relating to this Agreement and the Services provided hereunder, whether sounding in contract, tort, or statute, for all purposes shall be governed by and construed in accordance with the laws of the State of California, without giving effect to any conflict of laws principles that would cause the laws of any other jurisdiction to apply.

13. MISCELLANEOUS.

13.1 All notices, requests, consents, claims, demands, waivers, and other communications hereunder (each, a "Notice") shall be in writing and addressed to: (i) in the case of the Company, at P.O. Box 445, San Francisco, California 94104; Attention: Legal; Legal@skillz.com; (or to such other address that may be designated by the receiving party from time to time in accordance with this Section) and (ii) in the case of you, at the address on record with the Company, updated to reflect such other address that may be designated by the receiving party from time to time in accordance with this Section. All Notices shall be delivered by personal delivery, nationally recognized overnight courier (with all fees prepaid), email, or certified or registered mail (in each case, return receipt requested, postage prepaid). Except as otherwise provided in this Agreement, a Notice is effective only if: (a) the receiving party has received the Notice; and (b) the party giving the Notice has complied with the requirements of this Section.

13.2 This Agreement, together with any other documents incorporated herein by reference and related exhibits and schedules, constitutes the sole and entire agreement of the Parties to this Agreement with respect to the subject matter contained herein, and supersedes all prior and contemporaneous understandings, agreements, representations, and warranties, both written and oral, with respect to such subject matter. For the avoidance of doubt, the terms of your service as a member of the Company's Board of Directors shall not be deemed amended or superseded by this Agreement.

13.3 This Agreement may only be amended, modified, or supplemented by an agreement in writing signed by each party hereto, and any of the terms thereof may be waived, only by a written document signed by each party to this Agreement or, in the case of waiver, by the party or parties waiving compliance.

13.4 If any term or provision of this Agreement is invalid, illegal, or unenforceable in any jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other term or provision of this Agreement or invalidate or render unenforceable such term or provision in any other jurisdiction.

13.5 This Agreement may be executed in multiple counterparts and by electronic signature, each of which shall be deemed an original and all of which together shall constitute one instrument.

If this Agreement accurately sets forth our understanding, kindly execute the enclosed copy of this Agreement and return it to the undersigned.

Very truly yours,
SKILLZ INC.

BY: /s/ Andrew Paradise
Name: Andrew Paradise
Title: Chief Executive Officer

ACCEPTED AND AGREED:
JERRY BRUCKHEIMER

BY: /s/ Jerry Bruckheimer
(signature)

Date: 5/11/22

SCHEDULE 1

[Intentionally Omitted]

SKILLZ 2020 OMNIBUS INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AGREEMENT (this "Agreement") is made effective as of May 11, 2022 (the "Grant Date") by and between Skillz Inc., a Delaware corporation (the "Company"), and Jerry Bruckheimer (the "Participant"), pursuant to the Skillz Inc. 2020 Omnibus Incentive Plan, as in effect and as amended from time to time (the "Plan"). Capitalized terms that are not defined herein shall have the meanings given to such terms in the Plan.

WHEREAS, the Company has adopted the Plan in order to grant Awards from time to time to certain key Employees, Directors and Consultants of the Company and its Subsidiaries or Affiliates; and

WHEREAS, the Participant is an Eligible Recipient as contemplated by the Plan, and the Administrator has determined that it is in the interest of the Company to make this grant to the Participant.

NOW, THEREFORE, in consideration of the premises and subject to the terms and conditions set forth herein and in the Plan, the parties hereto agree as follows:

1. Grant and Vesting of Restricted Stock Units.

(a) Shares Subject to Award. As of the Grant Date, the Participant will be credited with 381,679 Restricted Stock Units. Each Restricted Stock Unit is a notional amount that represents the right to receive one Share of Class A Common Stock of the Company, subject to the terms and conditions of the Plan and this Agreement, if and when the Restricted Stock Unit vests.

(b) Vesting. The Restricted Stock Units shall vest according to the schedule set forth on the Appendix hereto, subject to the Participant's continuous service ("Service") with the Company under the Consulting Agreement between the Participant and the Company effective as of April 1, 2022 (the "Consulting Agreement") from the Grant Date through each vesting date.

2. Rights as a Stockholder.

(a) Unless and until a Restricted Stock Unit has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or that Share.

(b) If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of Restricted Stock Units credited to the Participant through the record date. The dollar amount credited to the Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units awarded under this Agreement, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units are delivered (or forfeited at the time that the Participant's Restricted Stock Units are forfeited).

3. Termination of Service; Breach of Restrictive Covenants.

(a) In the event of termination of the Consulting Agreement by the Company pursuant to Section 9.1 thereof (for convenience), by Participant pursuant to Section 9.3 thereof (for Good Reason) or termination due to the Participant's death or disability, any Restricted Stock Units granted hereunder that remain unvested as of the date of termination shall accelerate and vest in full effective as of the effective date of termination.

(b) In the event of termination of the Consulting Agreement by Participant pursuant to Section 9.1 thereof (for convenience) or by the Company pursuant to Section 9.2 thereof (for Cause), vesting shall cease and any Restricted Stock Unit unvested as of the date of termination shall be forfeited.

4. Timing and Form of Payment. Once a Restricted Stock Unit vests, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made as soon as administratively feasible following the vesting of the associated Restricted Stock Unit (but in any event no later than 30 days following the vesting of such Restricted Stock Unit). Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership of the Shares at that time.

5. Tax Withholding. The Company does not intend to withhold cash or Shares that are distributable to the Participant in order to satisfy any federal, state, or local withholding tax requirements relating to such transaction; it shall be the Participant's sole responsibility to pay any taxes due in connection with the vesting of any Restricted Stock Unit granted hereunder.

6. Nontransferability of Restricted Stock Units. The Restricted Stock Units granted hereunder may not be sold, transferred, pledged, assigned, encumbered or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution or, on such terms and conditions as the Administrator shall establish, to a permitted transferee.

7. Beneficiary Designation. The Participant may from time to time name any beneficiary or beneficiaries (who may be named contingently or successively) by whom any right under the Plan and this Agreement is to be exercised in case of his or her death. Each designation will revoke all prior designations by the Participant, shall be in a form reasonably prescribed by the Administrator, and will be effective only when filed by the Participant in writing with the Administrator during his or her lifetime.

8. Adjustments. The Shares subject to the Restricted Stock Units may be adjusted in any manner as contemplated by Section 5 of the Plan.

9. Requirements of Law. The issuance of Shares following vesting of the Restricted Stock Units shall be subject to all applicable laws, rules and regulations, and to such approvals by any governmental agencies or national securities exchanges as may be required. No Shares shall be issued upon vesting of any portion of the Restricted Stock Units granted hereunder, if such issuance would result in a violation of applicable law, including the U.S. federal securities laws and any applicable state or foreign securities laws.

10. No Guarantee of Continued Service. Nothing in the Plan or in this Agreement shall interfere with or limit in any way the right of the Company or an Affiliate thereof to terminate the Participant's Service at any time or confer upon the Participant any right to continued Service.

11. No Rights as a Stockholder. Except as provided in Section 2 above or as otherwise required by law, the Participant shall not have any rights as a stockholder with respect to any Shares covered by the Restricted Stock Units granted hereunder prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

12. Interpretation; Construction. Any determination or interpretation by the Administrator under or pursuant to this Agreement shall be final and conclusive on all persons affected hereby. Except as otherwise expressly provided in the Plan, in the event of a conflict between any term of this Agreement and the terms of the Plan, the terms of the Plan shall control.

13. Miscellaneous.

(a) Notices. All notices, requests, demands, letters, waivers and other communications required or permitted to be given under this Agreement shall be in writing and shall be deemed to have been duly given if delivered personally, mailed, certified or registered mail with postage prepaid, sent by next-day or overnight mail or delivery, or sent by fax, as follows:

(i) If to the Company:

Skillz Inc.
P.O. Box 445
San Francisco, CA 94104
Attention: Equity@Skillz.com

(ii) If to the Participant, to the Participant's last known home address,

or to such other person or address as any party shall specify by notice in writing to the Company. All such notices, requests, demands, letters, waivers and other communications shall be deemed to have been received (w) if by personal delivery on the day after such delivery, (x) if by certified or registered mail, on the fifth business day after the mailing thereof, (y) if by next-day or overnight mail or delivery, on the day delivered, or (z) if by fax, on the day delivered, *provided that* such delivery is confirmed.

(b) Binding Effect; Benefits. This Agreement shall be binding upon and inure to the benefit of the parties to this Agreement and their respective successors and assigns. Nothing in this Agreement, express or implied, is intended or shall be construed to give any person other thanthe parties to this Agreement or their respective successors or assigns any legal or equitable right, remedy or claim under or in respect of any agreement or any provision contained herein.

(c) No Guarantee of Future Awards. This Agreement does not guarantee the Participant the right to or expectation of future Awards under the Plan or any future plan adopted by the Company.

(d) Waiver. Either party hereto may by written notice to the other (i) extend the time for the performance of any of the obligations or other actions of the other under this Agreement, (ii) waive compliance with any of the conditions or covenants of the other contained in this Agreement and (iii) waive or modify performance of any of the obligations of the other under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement, including, without limitation, any investigation by or on behalf of either party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained herein. The waiver by either party hereto of a breach of any provision of this Agreement shall not operate or be construed as a waiver of any preceding or succeeding breach and no failure by either party to exercise any right or privilege hereunder shall be deemed a waiver of such party's rights or privileges hereunder or shall be deemed a waiver of such party's rights to exercise the same at any subsequent time or times hereunder.

(e) Entire Agreement; Amendment. This Agreement, together with the Plan, constitutes the entire obligation of the parties with respect to the subject matter of this Agreement and supersedes any prior written or oral expressions of intent or understanding with respect to such subject matter (provided, that this Agreement shall not supersede any written employment agreement, consulting agreement or other written agreement between the Company and the Participant). This Agreement may be amended as provided in the Plan.

(f) Severability. If any provision of this Agreement or the application of any such provision to any party or circumstances shall be determined by any court of competent jurisdiction to be invalid and unenforceable to any extent, the remainder of this Agreement or the application of such provision to such person or circumstances other than those to which it is so determined to be invalid and unenforceable, shall not be affected thereby, and each provision hereof shall be validated and shall be enforced to the fullest extent permitted by law.

(g) Code Section 409A Compliance. The Restricted Stock Units are intended to be exempt from or comply with the requirements of Code Section 409A and this Agreement shall be interpreted accordingly, and each payment hereunder shall be considered a separate payment. Notwithstanding any provision of this Agreement, to the extent that the Administrator determines that any portion of the Restricted Stock Units granted under this Agreement is subject to Code Section 409A and fails to comply with the requirements of Code Section 409A, notwithstanding anything to the contrary contained in the Plan or in this Agreement,the Administrator reserves the right to amend, restructure, terminate or replace such portion of theRestricted Stock Units in order to cause such portion of the Restricted Stock Units to either not besubject to Code Section 409A or to comply with the applicable provisions of such section.

(h) Applicable Law. This Agreement shall be governed by and construed in accordance with the law of the State of Delaware, regardless of the law that might be applied under principles of conflict of laws.

(i) Section and Other Headings. The section and other headings contained in this Agreement are for reference purposes only and shall not affect the meaning or interpretation of this Agreement.

(j) Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original and all of which together shall be deemed to be one and the same instrument.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the Company and the Participant have duly executed this Agreement as of the date first above written.

SKILLZ INC.

By: DocuSigned by:
Andrew Paradise
51C9FAE6FB8A49C...

Name: Andrew Paradise

Title: CEO

PARTICIPANT

Name: Jerry Bruckheimer

[*Signature Page to RSU Agreement*]

Appendix: Vesting Schedule

Date	Quantity
6/30/2022	47,710
9/30/2022	47,710
12/31/2022	47,710
3/31/2024	47,710
6/30/2023	47,710
9/30/2023	47,710
12/31/2023	47,710
3/31/2024	47,709

Exhibit 31.1

Certification of Principal Executive Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Andrew Paradise, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skillz 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Andrew Paradise

Andrew Paradise
Chief Executive Officer and Chairman
(Principal Executive Officer)

Exhibit 31.2

Certification of Principal Financial Officer Pursuant to Exchange Act Rule 13a-14(a)/15d-14(a)
as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ian Lee, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Skillz 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 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 and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 4, 2022

/s/ Ian Lee

Ian Lee
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

In connection with this Quarterly Report on Form 10-Q of Skillz Inc. (the "Company") for the three and six months ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Executive Officer and Chairman of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

Signed: /s/ Andrew Paradise
Andrew Paradise
Chief Executive Officer and Chairman

Exhibit 32.2

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

In connection with this Quarterly Report on Form 10-Q of Skillz Inc. (the "Company") for the three and six months ended June 30, 2022, as filed with the Securities and Exchange Commission (the "Report"), the undersigned, as the Chief Financial Officer of the Company, hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to his knowledge:

1. The Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 4, 2022

Signed: /s/ Ian Lee
Ian Lee
Chief Financial Officer