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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2020

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 001-38320

Kaleyra, Inc.
(Exact name of Registrant as specified in its Charter)

Delaware	**82-3027430**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Via Marco D'Aviano, 2, Milano MI, Italy	**20131**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: +39 02 288 5841

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

Title of Each Class:	Trading Symbol(s)	Name of Each Exchange on Which Registered:
Common Stock, par value $0.0001 per share	KLR	NYSE American LLC
Warrants to receive one share of Common Stock	KLR WS	NYSE American LLC

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the Registrant, based on the closing price of the shares of common stock on The NYSE Stock Market on June 30, 2020, the last business day of the registrant's most recently completed second fiscal quarter, was $45,462,274.

The number of shares of Registrant's Common Stock outstanding as of March 10, 2021 was 31,150,254.

Kaleyra, Inc.
Annual Report on Form 10-K

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CERTAIN TERMS

References in this Annual Report on Form 10-K (the “Annual Report”) to “we,” “us,” “our” “Kaleyra” or the “Company” refer to Kaleyra, Inc. References to our “management” or our “management team” refer to our executive officers and directors. The following discussion and analysis of the Company’s financial condition and results of operations should be read in conjunction with the financial statements and the notes thereto contained elsewhere in this Annual Report. Certain information contained in the discussion and analysis set forth below includes forward-looking statements that involve risks and uncertainties.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report includes “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended that are not historical facts, and involve risks and uncertainties that could cause actual results to differ materially from those expected and projected. All statements, other than statements of historical fact included in this Annual Report including, without limitation, statements in this “Management’s Discussion and Analysis of Financial Condition and Results of Operations” regarding the Company’s financial position, business strategy and the plans and objectives of management for future operations, are forward-looking statements. Words such as “expect,” “believe,” “anticipate,” “intend,” “estimate,” “seek” and variations and similar words and expressions are intended to identify such forward-looking statements. Such forward-looking statements relate to future events or future performance, but reflect management’s current beliefs, based on information currently available. A number of factors could cause actual events, performance or results to differ materially from the events, performance and results discussed in the forward-looking statements. Actual results and stockholders’ value will be affected by a variety of risks and factors, including, without limitation, international, national and local economic conditions, merger, acquisition and business combination risks, financing risks, geo-political risks, acts of terror or war, and those risk factors described under “Item 1A. Risk Factors.” Many of the risks and factors that will determine these results and stockholders’ value are beyond the Company’s ability to control or predict. Except as expressly required by applicable securities law, the Company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

All such forward-looking statements speak only as of the date of this Annual Report. The Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company’s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based. All subsequent written or oral forward-looking statements attributable to us or persons acting on the Company’s behalf are qualified in their entirety by this Special Note Regarding Forward-Looking Statements.

PART I

Item 1. Business.

Introduction

We are a Delaware corporation formerly known as GigCapital, Inc., and as a result of our business combination with Kaleyra S.p.A. on November 25, 2019, we changed our name to Kaleyra, Inc. (which we refer to throughout this Annual Report as our "Business Combination").

Business Overview

Our Vision

Kaleyra provides its customers and business partners with a trusted cloud communications platform (the "Platform") that seamlessly integrates software services and applications for business-to-consumer communications between Kaleyra's customers and their end-user customers and partners on a global basis. The demand for cloud communications is increasingly driven by the growing, and often mandated, need for enterprises to undertake a digital transformation that includes omnichannel, mobile-first interactive end-user customer communications. This complements new workflows that Kaleyra's customers have developed which are driven by software and artificial intelligence to automate certain end-user customer-facing processes before, during and after transactions. These communications are increasingly managed through mobile network operators as the gateway to reach end-user consumers' mobile devices. Kaleyra's Platform enables these communications by integrating mobile alert notifications and interactive capabilities to reach and engage end-user customers. Kaleyra's Platform couples a "Software as a Service" or SaaS business model, creating what is generally referred to as a "cloud communications platform as a service", or simply CPaaS.

Kaleyra's vision is to be the CPaaS provider which best aligns with its customers' and business partners' communication requirements, or the most trusted provider, in the world. This requires a combination of security, compliance and integration capabilities that protects the integrity and privacy of Kaleyra's customers' transactions and includes other key features such as ease of provisioning, reliable network connectivity, high availability for scaling, redundancy, embedded regulatory compliance, configurable monitoring and reporting. Kaleyra believes the percentage of CPaaS customers that will require security, compliance and integration will represent an increasingly larger portion of the market, particularly with the expected exponential growth of transactional-by-nature cloud communications applications, better enabling Kaleyra to set itself apart from its competition.

Kaleyra Today

Kaleyra is a result of the expansion of the former Ubiquity, which was founded in Milan, Italy in 1999. Ubiquity secured a leading market position in mobile messaging on behalf of the Italian financial services industry and then sought to expand its products and geographic offerings. Ubiquity acquired Solutions Infini of Bangalore, India in 2017 and Buc Mobile of Vienna, Virginia in 2018. It was rebranded as Kaleyra S.p.A. in February 2018. Following the integration of the acquired entities, the combined company is collectively engaged in the operation of the Platform on behalf of Kaleyra's customers.

On April 23, 2020, Kaleyra strengthened its commitment to delivering solutions for the financial services industry with the launch by Buc Mobile of k-lab, a dedicated innovation lab for new product development to support enterprise mobile communications. This innovation lab is the center of excellence dedicated to supporting Kaleyra in developing new solutions to enhance customer experiences, and in particular, for the financial service companies to be served by Kaleyra in the U.S. markets.

On July 29, 2020, Kaleyra registered a German branch of Kaleyra S.p.A. with the German Chamber Tax Authority of Commerce. Kaleyra established its branch in Germany, by far the most important country in Europe to Kaleyra after Italy, to expand Kaleyra's footprint in Central Europe and the Nordic countries and allow it to leverage Kaleyra's trusted business solutions for customers in additional jurisdictions.

Kaleyra's subsidiary, Campaign Registry Inc., a systems initiative to reduce spam by collecting robotically driven campaign information and processing and sharing that information with mobile operators and the messaging ecosystem, began its soft launch during the second quarter of the fiscal year 2020, ending up with its first revenue contracts in the second half of the year.

On February 18, 2021, Kaleyra executed an Agreement and Plan of Merger (the "Merger Agreement"), dated as of February 18, 2021, by and among Kaleyra, its wholly-owned subsidiary, Volcano Merger Sub, Inc. ("Merger Sub"), Vivial Inc. ("Vivial") and GSO Special Situations Master Fund LP, solely in its capacity as the Stockholder Representative ("Stockholder Representative"), for the acquisition of the business owned by Vivial known as mGage ("mGage"), a leading global mobile messaging provider (the transaction contemplated by the Merger Agreement, the "Merger"). Kaleyra will acquire mGage for a total purchase price of approximately $215 million, subject to adjustments. The consideration to mGage shareholders will consist of cash in the amount of $195 million and 1,600,000 shares of Kaleyra common stock. The Merger is expected to be consummated in the second fiscal quarter of 2021. In support of the consummation of the Merger, on February 18, 2021, Kaleyra entered into subscription agreements (the "PIPE Subscription Agreements"), each dated February 18, 2021, with certain institutional investors (the "PIPE Investors"), pursuant to which, among other things, Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, an aggregate of 8,400,000 shares (the "PIPE Shares") of Kaleyra common stock to the PIPE Investors at $12.50 per share, and Kaleyra also entered into convertible note subscription agreements (the "Convertible Note Subscription Agreements"), each dated February 18, 2021, with certain institutional investors (the "Convertible Note Investors"), pursuant to which Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, $200 million aggregate principal amount of unsecured convertible notes (the "Merger Convertible Notes"). The issuance of the Merger Convertible Notes, together with the issuance of the PIPE Shares, constitutes the "Financing".

Kaleyra has more than 3,500 customers and business partners worldwide across industry verticals such as financial services, e-commerce and transportation, with no single customer representing more than 10% of revenues for the year ended December 31, 2020. Kaleyra's customers are located in regions throughout the world including Europe, Asia Pacific and North America. Kaleyra's revenue by country for the year ended December 31, 2020 is as follows: Italy (42.4%), India (24.5%) and the U.S. (17.3%). The remainder of the revenue is primarily generated in Europe and Asia in countries other than Italy and India (15.8%).

For the fiscal year ended December 31, 2020, 93% of revenues came from customers of Kaleyra which have been on the Platform for at least one year. Although Kaleyra continues to expand by introducing new customers to the Platform, the breadth and stability of its existing customers provide it with a solid base of revenue upon which it can continue to innovate and make investments to strengthen its product portfolio, expand its global presence, and in particular into the Americas and Asia-Pacific markets following the acquisitions of Buc Mobile and Solutions Infini, recruit world-class talent and target accretive acquisitions to capitalize on its growing market penetration opportunities and value creation.

Kaleyra's underlying technology used in the Platform is the same across all of its communication services which can generally be described as "omnichannel mobile-first interactive notifications via a public or private cloud implementation". These services include programmable voice/Interactive Voice Response ("IVR") configurations, inbound/outbound short message service ("SMS") capabilities, hosted telephone numbers, conversational marketing solutions, and other types of IP communications services such as e-mail, push notifications, and WhatsApp®.

Customers

Kaleyra's customers are enterprises which use digital mobile communications in the conduct of their business. Kaleyra's Platform enables these communications by integrating mobile alert notifications and interactive capabilities to reach and engage end-user customers. Kaleyra enables its customers and business partners to connect enterprise software and applications to mobile network operators by providing a single simple user interface for programmable communication services and carefully-documented Application Programming Interfaces ("APIs"). The type of available deployments of the Platform makes Kaleyra able to undertake as necessary to make upgrades in its service offerings to account for new end-user consumer behavior changes and progress (such as adding new instant messaging communication channels). Kaleyra provides multiple levels of global customer support 24x7, SLAs and network reliability to meet the expectations and requirements of its customers. Customers and business partners which use the Platform value the Platform's network reliability, and Kaleyra's responsive customer support, competitive pricing, and collaborative approach.In particular, Kaleyra has been listed by Gartner (Gartner, Market Guide for Communications Platform as a Service, Worldwide, Daniel O'Connell, Lisa Under-Farboud, 14 October 2020) as a co-creator, in other words, a CPaaS focused on a consultative business model that charges customers charge through a combination of CPaaS usage, platform fee and professional service fees.

Kaleyra services a broad base of customers and business partners throughout the world operating in diverse businesses and regions. Kaleyra's business is generated by providing data to the telecommunications provider and transmitting message data from its customers and business partners. Kaleyra has a concentration of business within the financial services industry that serves its major European banking end-user customers. With each relationship, Kaleyra is the link between the financial institutions and their end-user customers. In linking these two parties, Kaleyra's Platform leverages the end-user telecommunications provider to transmit critical message data to these end-user customers.

For example, banks and financial institutions deploy Kaleyra's services that include omnichannel mobile-first password reset, account access, two-factor authentications ("2FA"), transaction notifications, dispute resolution, decline mitigation, anti-fraud alerts, among other services, via a cloud implementation that meets their strict requirements for security and compliance. Kaleyra's Platform has facilitated compliant communications for its existing financial institution customer base in Europe. European Central Bank ("ECB") regulations have begun to mandate additional customer protection regulations, such as those requiring strong customer authentications for all payment transactions over 30 euros, causing both traditional banks and new entrants to undergo a digital transformation. In the financial sector, security and compliance are generally top of mind and the sales process relies on a dedicated local sales team focused on strong integration capabilities with the full suite of services needed to satisfy customer requirements.

Other enterprise customers of Kaleyra use Kaleyra's cloud communications services as packaged offerings that are easy to configure and manage around key end-user customer touchpoints. Although these enterprise customers require a lesser level of system integration than do financial institution customers, they still demand a sufficiently flexible system such as that which a cloud solution can provide to facilitate rapid communications system modification to accommodate changes in end-user customer behaviors. Furthermore, there are other enterprise customers for which connectivity to their end-user customers is their primary requirement, and these customers are using the Platform to gain access to mobile network operators worldwide. This additional volume, which is expected to continue to grow as the transformation from e-mail-based communications to messaging-based communications is being enhanced, allows Kaleyra to leverage relationships to sell and resell network connectivity on a more cost-effective basis.

In 2020 and 2019, there were zero and one customer, Telecom Italia S.p.A., which individually accounted for more than 10% of Kaleyra's consolidated total revenues, respectively.

Kaleyra has multiple, large European commercial banks as business partners, with one of these partners, Intesa Sanpaolo S.p.A. accounting for more than 10% of Kaleyra's business volume in 2020 and 2019.

Seasonality

Historically, Kaleyra has experienced clear seasonality in its revenue generation, with slower traction in the first calendar quarter, and increasing revenues as the year progresses toward fourth calendar quarter, during which the Company usually registers the higher revenues in messaging and notification services. This patterned revenue generation behavior takes place due to Kaleyra's customers sending more messages to their end-user customers who are engaged in consumer transactions at the end of the calendar year, resulting in the increase in notifications of electronic payments, credit card transactions and e-commerce.

The Market for Kaleyra's Products

The CPaaS market is evolving and is expanding in several directions as enterprise adoption of cloud-based communications occurs. The need for enterprises to provide enhanced omnichannel end-user customer experiences is driving adoption by enterprises of embedded, real-time messaging communications for enhanced end-user customer-interfacing interactions. CPaaS market is expected to reach $25.9 billion in 2025 from $7.2 billion in 2020[1]. The size of the global A2P messaging market will grow from $61B in 2019 to $78B in 2022[2]. The volume of chatbot usage is expected to grow by 84% globally (2018 – 2023). In the U.S., access to chatbots will grow YoY by 160%, in India by 342%, in Western Europe 170%[3]. Kaleyra's products and services available through the Platform address all the above-mentioned markets.

Kaleyra's Key Products

The Platform

Kaleyra operates its core technology, the Platform, in the public cloud and as private clouds, and in hybrid situations. The Platform has a high-volume infrastructure that has been designed to easily scale and support large volumes of data. The Platform consists of two separate types of interfaces; one for connectivity to mobile network operators and the other, a set of APIs that provide convenient and user-friendly tools that enable Kaleyra's customers to engage in communications with their end-user customers. The Platform's underlying software code base contains communication protocols that allow connectivity with mobile network operators around the globe.

Also the Platform's APIs, which sit on top of the underlying connectivity stack, enable the creation of specific applications (including messaging or voice-over-IP calls) or workflows (e.g. 2FA or password resets). These applications can be designed by Kaleyra, Kaleyra's customers' information technologies personnel, business users, and/or third-party developers. The open Platform's architecture enables Kaleyra's customers and business partners to accomplish all of their communication needs from one simple interface that connects into a broad range of their systems. The relationship with Kaleyra's customers is strengthened by providing its customers with a broad and flexible platform. Retention of Kaleyra's customers is also enhanced as a result of the switching costs that Kaleyra's customers would incur to transition to alternate platforms.

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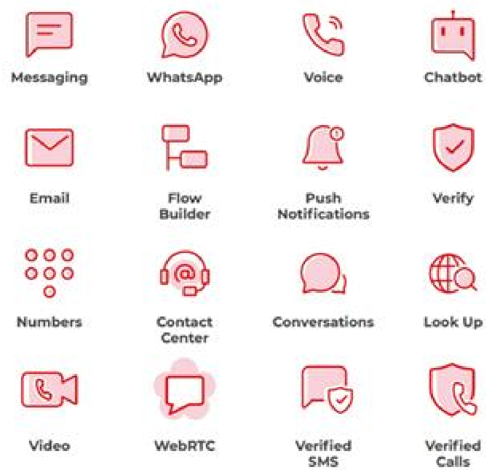
1 Source: Juniper Research, CPaaS-2020-2025-Deep-Dive-Data-and-Forecasting.

2 Source: Statista estimates, Credence Research (2020).

3 Source: Juniper Research (July 2020)

Communications Services

The following graphic summarizes the capabilities of Kaleyra's suite of communications services:



This suite of services is further described below. During the year ended December 31, 2020, Kaleyra processed nearly 26 billion billable SMS messages and 4 billion voice calls on behalf of Kaleyra's customers. In 2021, not including any impact of the Merger and acquisition of mGage, this is expected to exceed 30 billion billable SMS messages and 4 billion voice calls.

Messaging

The Platform's APIs include software and infrastructure that process and manage SMS, Multimedia Messaging Service ("MMS") and Rich Communications Service ("RCS"), with network connectivity to mobile network operators around the world. The Platform is currently designed to process five thousand messages per second, with the capability to increase the throughput with additional server power and speed. The Platform supports 87 languages and is capable of stitching together concatenated messages of up to 4,000 characters. The Platform is also designed to manage automated opt-in and opt-out procedures per mobile network operator requirements and best practices. As noted above, in 2020 the Platform processed nearly 26 billion SMS messages.

Kaleyra's offering includes instant messaging such as WhatsApp® for Business, offering its customers the possibility to interact with their end-users for customer care and transactional communications. Communications can be handled by human agents, using Kaleyra's conversational interface, or by automated AI-powered chatbots using NLP/NLU and integrating with the third-party systems in use by the customers.

Voice

The Platform's APIs includes software and infrastructure that process and manage voice calls, including IVR and conferencing bridge capabilities. The Platform offers features such as call masking, visual configurations of call routing, click to call, and allows Nature Language Processing ("NLP") integrations. In 2020, the Platform processed nearly 4 billion voice calls.

Numbers

Finally, the Platform's APIs include software and infrastructure that process and manage telephone numbers and short code services. Short codes are often used to send or receive a large volume of broadcast or bulk SMS messages. The Platform currently supports provisioning and configuration of telephone numbers or short codes in 50 countries. Other Numbers services include telephone number lookup query and local number portability.

Flowbuilder

Kaleyra has developed and released to the public a visual "drag-and-drop" builder user interface for use by both developers and non-developers that reduces the complexity of implementing cloud communications services.

Operations

Kaleyra generates revenue from usage-based fees earned from the sale of communications services utilizing the Platform. These services are offered through software solutions to large enterprises, as well as small and medium-sized customers. Revenue can be billed in advance or in arrears depending on the term of the agreement; for the majority of customers, revenue is invoiced on a monthly basis in arrears.

Kaleyra's CPaaS contracts do not provide customers and business partners with the right to take possession of the software supporting the applications.

As a part of the arrangement with its customers, Kaleyra offers customer advanced support services, to guarantee the continuity and promptly delivery of the services. Revenue for these services is recognized ratably over the term of the service period.

Kaleyra utilizes a cloud infrastructure and its Platform to deliver its communication services. The services are also provided using a private cloud as required by the customers and business partners. The costs of the Platform and communication services purchased from mobile network operators is considered to be a cost of revenue.

Products in Development

Kaleyra has several new communications services in its organic development pipeline. For example, it is currently developing WebRTC and Video Authentication / Video Verification Applications to address the needs of multiple sectors, including healthcare. Kaleyra has a growing team of software developers in Bangalore, India and Milan, Italy engaged in research and development of additional product features based on customer feedback and market research. Furthermore, besides the acquisition of mGage, Kaleyra is looking at additional possible acquisitions that can enhance its product portfolio.

Research and Development

As of December 31, 2020, 184 employees serve in Kaleyra's research and development and engineering departments representing about 53% of its workforce, focused on maintaining and enhancing the Platform and the communications service offerings, as well as developing new communications services and engaging with Kaleyra's customers in this development.

Sales and Marketing

Kaleyra has multiple methods for engaging with its customers, depending upon the specific service offerings that a customer uses on the Platform. 32% of Kaleyra's employee base are dedicated to sales of communications services to Kaleyra's customers or business partners. The go-to-market strategy utilizes a mixture of direct sales, self-service purchases and channel development, such as engaging third-party developers and system integrators that develop communications solutions for multiple customers. Kaleyra also actively participates in trade shows, industry and academic meetings on a global basis for lead generation and building of brand awareness.

Competitive Strengths

Over Kaleyra's 20-year history, Kaleyra has developed a powerful CPaaS solution that it believes represents a unique, high growth opportunity in the CPaaS market. The Platform is accessible everywhere in the world, has a high-volume infrastructure that has been designed to be easily scalable, and allows for communications services that have been designed having security, compliance and integration capabilities that can meet the needs of Kaleyra's customers and their customers and regulators. Furthermore, Kaleyra continues to develop organically and strategically new communications services to meet the evolving needs of its customers and business partners. In addition, Kaleyra has identified the following competitive strengths:

Experienced Management Team

Kaleyra has a proven management team with many decades of combined experience at industry-relevant companies.

Existing Customers and Relationships

Kaleyra believes its deep customer relationships provide it with the opportunity to expand deployment of the Platform and the opportunity to quickly deploy new communications service offerings.

Growth Strategy

Kaleyra's organic growth focuses on three core areas:

- Exploiting cross-sale opportunities among Kaleyra's recent and pending acquisitions in this area, Kaleyra focuses on growing existing product teams, accelerating joint product management and growing key technology integrations with industry-leading independent software vendors;
- Product evolution—in this area, Kaleyra works to enhance and expand features such as RCS and video applications; and
- Geographic expansion—in this area, Kaleyra focuses on entering new markets such as South East Asia and Latin America.

Furthermore, as can be seen with the Merger and planned acquisition of mGage, mergers and acquisitions remain a key component of Kaleyra's growth strategy. As it has in the past with its acquisitions of Solutions Infini and Buc Mobile, Kaleyra has continuously explored the global market intending to evaluate and acquire additional companies that are adding significant value from technology and product perspectives, and are accretive in terms of revenue, net income and capitalization. Kaleyra intends to execute acquisitions in the least dilutive and most cost-effective manner, using cash from its balance sheet or other sources, equity or a combination of both.

Competition

The CPaaS market is highly competitive and characterized by continuous technological change. The principal competitive factors in this market include: completeness of offering, credibility with developers and business users, global reach, ease of integration, product features, platform scalability, brand reputation and awareness, customer support, and the cost of deployment of product offerings. Kaleyra believes that it competes favorably within each of these categories.

Kaleyra competes with several vendors across its various product lines, including:

- Legacy on-premises vendors, such as Avaya Holdings Corp., Cisco Systems, Inc., (that recently announced the acquisition of IMIMobile) and SAP SE;
- Direct competitors, such as CLX Communications AB (d/b/a Sinch), Twilio Inc., and Vonage Holdings Corp.;
- Smaller software companies that compete with certain portions of Kaleyra's communications services offerings; and

- SaaS companies that offer prepackaged applications for a narrow set of use cases.

Some competitors have greater financial, technical and other resources, greater name and brand recognition, larger sales and marketing efforts and larger portfolios of intellectual property. As a result, certain competitors may be able to respond more quickly to new or changing technologies, opportunities, standards or customer needs and requests. With the introduction of new products and services and new market entrants, Kaleyra expects competition to intensify in the future. Furthermore, as Kaleyra continues to expand the scope of its platform, it may face additional competition. Kaleyra is also addressing enterprises that have developed over the years "in-house" products for which Kaleyra can offer a more cost-effective, robust and richer set of products to enhance the total cost of ownership and return on investment for such customers.

Employees

As of December 31, 2020, Kaleyra has 350 employees, of which 184 were in research and development, 113 were in sales, marketing and business development and 53 were in general and administrative. None of Kaleyra's employees is currently covered under any collective bargaining agreements. Kaleyra believes its relations with its employees are good and it has never experienced a material work stoppage.

Facilities

Kaleyra leases 13 properties, with its headquarters in Milan, Italy. Kaleyra maintains a global footprint with additional leased facilities located in Vienna, Virginia; New York, New York; Palo Alto, California; Bengaluru, India; Chennai, India; Cochin, India; Delhi, India; Kolkata, India; Mumbai, India; Singapore; Dubai, United Arab Emirates; and Munich, Germany. Kaleyra believes that its current facilities are adequate to meet its ongoing needs and that, if it requires adjusted or additional space, it will be able to obtain additional facilities on commercially reasonable terms, or further consolidate facilities. Going forward, Kaleyra will continue to assess its facilities requirements and make appropriate adjustments as needed and dictated by the business.

Kaleyra operates 29 data centers, including cloud platforms operated by Amazon Web Services, and Kaleyra maintains private clouds on behalf of its customers. The Kaleyra private cloud devices are custom-built hardware running the Kaleyra platform and, thus, can be deployed virtually anywhere. Kaleyra currently runs these private cloud devices out of its headquarters in Milan, Italy.

Intellectual Property

Kaleyra relies on a combination of patent, copyright, trademark and trade secret laws in the U. S. and other jurisdictions, as well as license agreements and other contractual protections, to protect Kaleyra's proprietary technology. In addition, Kaleyra protects intellectual property rights by implementing a policy that requires its employees and independent contractors involved in the development of intellectual property on its behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on its behalf are Kaleyra's property, and assigning to Kaleyra any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

- Kaleyra, as of December 31, 2020, has been issued 2 patents in the U.S.
- Kaleyra's trademark and certain variations thereof are registered or are the subject of pending trademark applications in the U.S. In addition to the Kaleyra trademark, Kaleyra has 18 additional trademark registrations or pending registrations in three different classes with the following authorities/countries: EU, India, South Africa, Switzerland, United Arab Emirates, and the International Bureau (WIPO) China, Indonesia, Mexico, Philippines, Singapore.
- Kaleyra owns an Internet domain registration for*kaleyra.com* and certain other domains.
- Kaleyra generally controls access and the use of its proprietary software and other confidential information through internal and external controls including contractual protections with employees, contractors, customers and partners. Unauthorized parties may, nonetheless, still copy or otherwise obtain and use Kaleyra's software and technology despite Kaleyra's efforts to protect its trade secrets and proprietary rights through intellectual property rights, licenses and confidentiality agreements.

Regulatory

Kaleyra is subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to its business. These laws and regulations may involve privacy, data protection, intellectual property, competition, consumer protection, export taxation, general telecommunications laws or other subjects. Many of the laws and regulations to which Kaleyra is subject are still evolving and being tested in courts and could be interpreted in ways that could harm its business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which Kaleyra operates. Because global laws and regulations have continued to develop and evolve rapidly, it is possible that it or its communications services or the Platform may not be, or may not have been, compliant with each such applicable law or regulation.

In addition, as Kaleyra expands internationally, it will be subject to laws and regulations in the countries in which it offers services. Many foreign countries and governmental bodies, including the EU member states, have laws and regulations concerning the collection and use of Personally Identifiable Information ("PII") obtained from individuals located in the EU or by businesses operating within their jurisdiction, which are often more restrictive than those in the U.S. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of PII that identifies or may be used to identify an individual, such as names, telephone numbers, message addresses and, in some jurisdictions, IP addresses and other online identifiers.

For example, in April 2016 the EU adopted General Data Protection Regulation ("GDPR"), which took full effect on May 25, 2018. GDPR enhances data protection obligations for businesses and requires service providers (data processors) processing personal data on behalf of customers to cooperate with European data protection authorities, implement security measures and keep records of personal data processing activities. Noncompliance with the GDPR can trigger fines equal to or greater of €20 million or 4% of global annual revenues. Given the breadth and depth of changes in data protection obligations, preparing to meet the requirements of GDPR has required significant time and resources, including a review of Kaleyra's technology and systems currently in use against the requirements of GDPR. Kaleyra has furthermore appointed an external global Data Protection Officer to further assure and maintain its compliance with the GDPR, where applicable. There are also additional EU laws and regulations (and member states' implementations thereof) which govern the protection of consumers and of electronic communications.

Furthermore, outside of the EU, Kaleyra continues to see increased regulation of data privacy and security, including the adoption of more stringent subject matter specific state laws in the U.S. For example, on June 28, 2018, California enacted the California Consumer Privacy Act ("CCPA"), which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt-out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation.

Kaleyra is subject to individual or joint jurisdiction of the Federal Communicatoins Commission ("FCC"), the Federal Trade Commission, state attorneys general as well as the Italian Data Protection Authority ("DPA") (as the relevant EU National DPA) with respect to privacy and data security obligations. If Kaleyra was to suffer or if one of Kaleyra's customers were to suffer a breach, Kaleyra may be subject to the jurisdiction of a variety of federal agencies' jurisdictions, state attorneys general as well as of the Italian DPA. Kaleyra may have to comply with a variety of data breach laws at the federal, state and EU levels, comply with any resulting investigations, as well as offer mitigation to customers and potential end-users of certain customers to which Kaleyra provides services. Kaleyra could also be subject to fines, forfeitures and other penalties that may adversely impact Kaleyra's business.

As Kaleyra continues to expand internationally, Kaleyra has become subject to telecommunications laws and regulations in the foreign countries where Kaleyra offers its products. Kaleyra's international operations are subject to country-specific governmental regulation or country-specific rules imposed by local carriers with whom Kaleyra has a direct contractual relationship, and related actions that have increased and may continue to increase Kaleyra's costs or impact its products and platform or prevent Kaleyra from offering or providing Kaleyra's products in certain countries.

For example, in Italy, Kaleyra holds a license to be a fixed-line operator and is subject to the Electronic Communications Code, or the ECC, which has been enacted with Legislative Decree no. 259/2003, as amended, which transposed a package of European Directives adopted in 2002 and amended in 2009; the National Numbering Plan, issued with AGCom's resolution no. 8/15/CIR as amended, which governs the usage of national numbers for the provision of electronic communications services as a whole; resolutions on the use of alphanumeric indications for the identification of the calling subject in SMS (so-called Alias), that are periodically issued by AGCom, starting from AGCom's resolution no. 42/13/CIR; and the GDPR (EU Regulation 2016/679) as well as the Italian Privacy Code (Legislative Decree no. 196/2003 as amended, following the applicability of the GDPR, by the Legislative Decree no. 101/2018).

In addition, the Telephone Consumer Protection Act ("TCPA") restricts telemarketing and the use of automatic text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If Kaleyra does not comply with these laws, or regulations or if Kaleyra becomes liable under these laws or regulations due to the failure of its customers to comply with these laws by obtaining proper consent, Kaleyra could face direct liability.

The Federal Controlling the Assault of Non-Solicited Pornography and Marketing Act of 2003 ("CAN-SPAM Act") establishes certain requirements for commercial messages and transactional messages and specifies penalties for the transmission of messages that are intended to deceive the recipient as to source or content. Among other things, the CAN-SPAM Act, obligates the sender of commercial messages to provide recipients with the ability to "opt-out" of receiving future commercial communications from the sender. In addition, some states have passed laws regulating commercial communication practices that are significantly more restrictive and difficult to comply with than the CAN-SPAM Act. For example, Utah and Michigan prohibit the sending of communication messages that advertise products or services that minors are prohibited by law from purchasing (e.g., alcoholic beverages, tobacco products, illegal drugs) or that contain content harmful to minors (e.g., pornography) to message addresses listed on specified child protection registries. Some portions of these state laws may not be preempted by the CAN-SPAM Act. In addition, certain non-U.S. jurisdictions, such as Australia, Canada, and the EU, have enacted laws that regulate sending messages, and some of these laws are more restrictive than U.S. laws. For example, some foreign laws prohibit sending broad categories of messages unless the recipient has provided the sender advance consent to receipt of such messages, or in other words has "opted-in" to receiving such communication. If Kaleyra were found to be in violation of the CAN-SPAM Act, applicable state laws governing messages not preempted by the CAN-SPAM Act or foreign laws regulating the distribution of messages, whether as a result of violations by Kaleyra's customers or its own acts or omissions, Kaleyra could be required to pay large penalties, which would adversely affect its financial condition, significantly harm Kaleyra's business, injure Kaleyra's reputation and erode customer trust. The terms of any injunctions, judgments, consent decrees or settlement agreements entered into in connection with enforcement actions or investigations against Kaleyra in connection with any of the foregoing laws may also require Kaleyra to change one or more aspects of the way Kaleyra operates its business, which could impair Kaleyra's ability to attract and retain customers or could increase its operating costs.

In addition, in order to provide services to consumer telephone numbers from the EU or certain other regions, Kaleyra may be required to register with the local telecommunications regulatory authorities, some of which have been increasingly monitoring and regulating the categories of sender identity and numbers that are eligible for provisioning services to end-user on behalf of Kaleyra's customers. Kaleyra has registered and is in the process of registering in various countries in which Kaleyra does business, but in some countries, the regulatory regime around provisioning of services to consumer telephone numbers is unclear, subject to change over time, and sometimes may conflict from jurisdiction to jurisdiction. Furthermore, these regulations and governments' approach to their enforcement, as well as Kaleyra's products and services, are still evolving and Kaleyra may be unable to maintain compliance with applicable regulations, or enforce compliance by Kaleyra's customers, on a timely basis or without significant cost. Also, compliance with these types of regulation may require changes in products or business practices that result in reduced revenue.

Additionally, certain of Kaleyra's products and services may be subject to export control and economic sanctions regulations, including the U.S. Export Administration regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. Exports of Kaleyra's products and the provision of Kaleyra's services must be made in compliance with these laws and regulations.

Item 1A. Risk Factors.

An investment in our securities involves a high degree of risk. The risk factors summarized below could materially harm our business, operating results and/or financial condition, impair our future prospects and/or cause the price of our common stock to decline. These risks are discussed more fully in the section titled "Risk Factors." Material risks that may affect our business, operating results and financial condition include, but are not necessarily limited to, the following:

- Kaleyra currently generates significant revenue from its largest customers, and the loss or decline in revenue from any of these customers could limit Kaleyra's revenue and results of operations.
- Kaleyra must increase the network traffic and resulting revenue from the services that it offers to realize its targets for anticipated revenue growth, cash flow and operating performance.
- Customers that use many of the features of Kaleyra's services or use Kaleyra's services to support or enable core functionality for their applications may have difficulty or find it impractical to replace Kaleyra's services with a competitor's services, while customers that use only limited functionality may be able to more easily replace Kaleyra's services with competitive offerings.
- The market in which Kaleyra participates is highly competitive, and if Kaleyra does not compete effectively, its business, results of operations and financial condition could be harmed.
- The length and unpredictability of the sales cycle for Kaleyra's technology offerings and services could delay new sales and cause Kaleyra's revenue and cash flows for any given quarter to fail to meet Kaleyra's projections or market expectations.
- The market for Kaleyra's products and Platform is new and unproven, may decline or experience limited growth and is dependent in part on developers continuing to adopt its Platform and use its products.
- Kaleyra's future success depends in part on its ability to drive the adoption of its products by international customers.
- Kaleyra is in the process of expanding its international operations, which exposes Kaleyra to significant risks.
- Kaleyra's operations are subject to regulation and require Kaleyra to obtain and maintain several governmental licenses and permits. If Kaleyra violates those regulatory requirements or fail to obtain and maintain those licenses and permits, including payment of related fees, if any, Kaleyra may not be able to conduct its business. Moreover, those regulatory requirements could change in a manner that significantly increases Kaleyra's costs or otherwise adversely affects Kaleyra's operations.
- Certain of Kaleyra's products are subject to telecommunications-related regulations, and future legislative or regulatory actions could harm Kaleyra's business.
- The future sales of shares by existing stockholders and future exercise of registration rights may adversely affect the market price of Kaleyra's common stock.
- Kaleyra has limited experience with respect to determining the optimal prices for its product.
- Breaches of Kaleyra's networks or systems, or those of Amazon Web Services ("AWS") or Kaleyra's other service providers, could compromise the integrity of its products, Platform and data, result in significant data losses and otherwise harm its business.
- If Kaleyra loses any of its key personnel or is unable to attract and retain the talent required for its business, Kaleyra's business could be disrupted, and its financial performance could suffer.
- Kaleyra has experienced rapid internal growth as well as growth through acquisitions in recent periods and further growth through the intended acquisition of mGage. If Kaleyra fails to manage its growth effectively, or its business does not grow as expected, Kaleyra's operating results may suffer.
- If the benefits of the proposed Merger and the acquisition of mGage do not meet the expectations of investors or securities analysts, the potential for the market price of Kaleyra's securities may decline.
- The proposed Merger may disrupt Kaleyra's current plans and operations as a result of its announcement and consummation.
- If Kaleyra causes disruptions in its customers' businesses or provides inadequate service, Kaleyra's customers may have claims for substantial damages against Kaleyra, which could cause Kaleyra to lose customers, have a negative effect on Kaleyra's reputation, and adversely affect its results of operations.
- If Kaleyra is unable to protect its intellectual property rights from unauthorized use or infringement by third parties, its business could be adversely affected.
- Kaleyra is unable to predict the extent to which the global COVID-19 pandemic may adversely impact Kaleyra's business operations, financial performance, results of operations and stock price.

- Kaleyra's ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.
- Any failure to deliver and maintain high-quality customer support may adversely affect Kaleyra's relationships with its customers and prospective customers and could adversely affect Kaleyra's reputation, business, results of operations and financial condition.
- Defects or errors in Kaleyra's services could diminish demand for Kaleyra's services, harm Kaleyra's business and subject Kaleyra to liability.
- Anti-takeover provisions in Kaleyra's second amended and restated certificate of incorporation might discourage, delay or prevent a change of control of Kaleyra or changes in its management and, therefore, depress the trading price of its securities.
- Kaleyra has never paid dividends on its capital stock and does not anticipate paying any dividends in the foreseeable future. Consequently, any profits from an investment in Kaleyra's common stock will depend on whether the price of Kaleyra's common stock increases.
- If Kaleyra is unable to protect its information systems against service interruption or failure, misappropriation of data or breaches of security, its operations could be disrupted, it could be subject to costly government enforcement actions and private litigation and its reputation may be damaged.

You should consider carefully all of the risks described below, together with the other information contained in this Annual Report, before making a decision to invest in our securities. If any of the following events occur, our business, financial condition and operating results may be materially adversely affected. In that event, the trading price of our securities could decline, and you could lose all or part of your investment.

Risks Related to Kaleyra's Financial Condition and Operations

The market in which Kaleyra participates is highly competitive, and if Kaleyra does not compete effectively, its business, results of operations and financial condition could be harmed.

The CPaaS market is highly competitive and characterized by continuous technological change. The principal competitive factors in this market include: completeness of offering, credibility with developers and business users, global reach, ease of integration, product features, platform scalability, brand reputation and awareness, customer support, and the cost of deployment of product offerings. Kaleyra believes that it competes favorably within each of these categories.

Kaleyra competes with several vendors across its various product lines, including:

Legacy on-premises vendors, such as Avaya Holdings Corp., Cisco Systems, Inc. (that recently announced the acquisition of IMIMobile), and SAP SE;

Direct competitors, such as CLX Communications AB (d/b/a Sinch), Twilio Inc., and Vonage Holdings Corp.;

Smaller software companies that compete with certain portions of Kaleyra's communications services offerings; and

SaaS companies that offer prepackaged applications for a narrow set of use cases.

Some competitors have greater financial, technical and other resources, greater name and brand recognition, larger sales and marketing efforts and larger portfolios of intellectual property. As a result, certain competitors may be able to respond more quickly to new or changing technologies, opportunities, standards or customer needs and requests. With the introduction of new products and services and new market entrants, Kaleyra expects competition to intensify in the future. Furthermore, as Kaleyra continues to expand the scope of its platform, it may face additional competition. Kaleyra is also addressing enterprises that have developed over the years "in-house" products for which Kaleyra can offer a more cost-effective, robust and richer set of products to enhance the total cost of ownership and return on investment for such customers. Kaleyra's current and potential competitors may develop and market new services with comparable functionality to Kaleyra's services, and this could lead to Kaleyra having to decrease prices to remain competitive. If Kaleyra is unable to maintain Kaleyra's current pricing due to the competitive pressures, its margins will be reduced and Kaleyra's business, results of operations and financial condition would be adversely affected.

Customers that use many of the features of Kaleyra's services or use Kaleyra's services to support or enable core functionality for their applications may have difficulty or find it impractical to replace Kaleyra's services with a competitor's services, while customers that use only limited functionality may be able to more easily replace Kaleyra's services with competitive offerings.

With the introduction of new services and new market entrants, Kaleyra expects competition to intensify in the future. In addition, some of Kaleyra's customers choose to use Kaleyra's services and Kaleyra's competitors' services at the same time. Moreover, as Kaleyra expands the scope of Kaleyra's services, Kaleyra may face additional competition. Further, customers and consumers may choose to adopt other forms of electronic communications or alternative communication platforms, including developing necessary networks and platforms in-house.

Furthermore, if Kaleyra's competitors were to merge such that the combined entity would be able to compete fully with Kaleyra's service offering, then Kaleyra's business, results of operations and financial condition may be adversely affected. If one or more of Kaleyra's competitors were to merge or partner with another of Kaleyra's competitors, the change in the competitive landscape could also adversely affect Kaleyra's ability to compete effectively. In addition, pricing pressures and increased competition generally could result in reduced revenue, reduced margins, increased losses or the failure of Kaleyra's services to achieve or maintain widespread market acceptance.

Kaleyra's current and potential competitors have developed and may develop in the future product solutions that are available internationally. To the extent that customers seek product solutions that include support and scaling internationally, they may choose to use other service providers to fill their communication service needs. Each of these factors could harm Kaleyra's business by leading to reduced revenues, slower growth and lower brand name recognition than Kaleyra's competitors.

Kaleyra currently generates significant revenue from its largest customers, and the loss or decline in revenue from any of these customers could limit Kaleyra's revenue and results of operations.

In the years ended December 31, 2020 and 2019, Kaleyra's 10 largest customers generated an aggregate of 52% and 50% of its revenue, respectively, and there was a churn rate (the annual rate at which Kaleyra's existing customers stopped subscribing for its services) of 0.0%. In the event that Kaleyra's large customers do not continue to use its products, use fewer of its products, or use its products in a more limited capacity, or not at all, Kaleyra's revenue could be limited and Kaleyra's business could be harmed.

Kaleyra must increase the network traffic and resulting revenue from the services that it offers to realize its targets for anticipated revenue growth, cash flow and operating performance.

Approximately 81% of Kaleyra's growth in fiscal year 2020 came from its existing customer base, predominantly through increased traffic volume. Kaleyra must increase the network traffic and resulting revenue from its inbound and outbound voice calling, text messaging, telephone numbers and related services at acceptable margins to realize Kaleyra's targets for anticipated revenue growth, cash flow and operating performance. If Kaleyra does not maintain or improve its current relationships with existing key customers; is not able to expand the available capacity on its network to meet its customers' demands in a timely manner; does not develop new large enterprise customers; or its customers determine to obtain these services from either their own network or from one of Kaleyra's competitors, then Kaleyra may be unable to increase or maintain its revenue at acceptable margins.

Kaleyra has limited experience with respect to determining the optimal prices for its product.

Kaleyra charges its customers based on their use of its products. Kaleyra expects that it may need to change its pricing from time to time. In the past Kaleyra has sometimes reduced their prices either for individual customers in connection with long-term agreements or for a particular product. One of the challenges to Kaleyra's pricing is that the fees that they pay to network service providers over whose networks Kaleyra transmits communications can vary daily or weekly and are affected by volume and other factors that may be outside of Kaleyra's control and difficult to predict. This can result in Kaleyra incurring increased costs that Kaleyra may be unable or unwilling to pass through to its customers, which could harm Kaleyra's business.

Kaleyra is seeking to expand its business in the U.S. as Kaleyra believes that doing so will result in termination fees (which are the pass-through charge to access the network or carrier) that are significantly lower than the termination fees Kaleyra is subject to in the other countries where it operates, which Kaleyra expects would result in higher gross margins, especially with its enterprise customers. However, there are no assurances that Kaleyra will be successful in this expansion or achieving the related termination fee gross margin improvement.

Further, as competitors introduce new products or services that compete with Kaleyra's or reduce their prices, Kaleyra may be unable to attract new customers or retain existing customers based on Kaleyra's historical pricing. As Kaleyra expands internationally, Kaleyra also must determine the appropriate price to enable Kaleyra to compete effectively internationally. Moreover, enterprises, which are a primary focus for Kaleyra's direct sales efforts, may demand substantial price concessions. In addition, if the mix of products sold changes, including for a shift to Internet protocol ("*IP*") based products, then Kaleyra may need to, or choose to, revise its pricing. As a result, in the future Kaleyra may be required or choose to reduce its prices or change its pricing model, which could harm Kaleyra's business.

To deliver Kaleyra's products, Kaleyra relies on network service providers and Internet service providers for its network service and connectivity.

Kaleyra currently interconnects with network service providers around the world to enable the use by Kaleyra's customers of its products over their networks. Kaleyra expects that it will continue to rely heavily on network service providers for these services going forward. Kaleyra's reliance on network service providers has reduced Kaleyra's operating flexibility, ability to make timely service changes and control quality of service. In addition, the fees that Kaleyra is charged by network service providers may change daily or weekly, while Kaleyra does not typically change its customers' pricing as rapidly.

At times, some network service providers have instituted additional fees due to regulatory, competitive or other industry related changes that increase Kaleyra network costs. For example, in 2018 Kaleyra was subject to a pricing increase of more than 10% from certain mobile network service providers for delivered messages. While Kaleyra has historically responded to these types of fee increases through a combination of further negotiating efforts with Kaleyra's network service providers, absorbing the increased costs or changing Kaleyra's prices to customers, here Kaleyra identified a unique strategy that allowed it to change its customers prices without affecting Kaleyra's business. There is no guarantee that Kaleyra will continue to be able to use the same strategy in the future without a material negative impact to Kaleyra business. Additionally, Kaleyra's ability to respond to any new fees may be constrained if all network service providers in a particular market impose equivalent fee structures, if the magnitude of the fees is disproportionately large when compared to the underlying prices paid by Kaleyra customers, or if the market conditions limit Kaleyra ability to increase the price Kaleyra charges its customers.

Furthermore, some of these network service providers do not have long-term committed contracts with Kaleyra and may terminate their agreements with Kaleyra without notice or restriction. If a significant portion of Kaleyra's network service providers stop providing Kaleyra with access to their infrastructure, fail to provide these services to Kaleyra on a cost-effective basis, cease operations, or otherwise terminate these services, the delay caused by qualifying and switching to other network service providers could be time consuming and costly and could adversely affect Kaleyra's business, results of operations and financial condition. Further, if problems occur with Kaleyra's network service providers, it may cause errors or poor-quality communications with Kaleyra's products, and it could encounter difficulty identifying the source of the problem. The occurrence of errors or poor-quality communications on Kaleyra's products, whether caused by Kaleyra's Platform or a network service provider, may result in the loss of Kaleyra's existing customers or the delay of adoption of Kaleyra's products by potential customers and may adversely affect its business, results of operations and financial condition.

Kaleyra also interconnects with Internet service providers around the world to enable the use of Kaleyra's communication products by its customers, and Kaleyra expects that it will continue to rely heavily on Internet service providers for network connectivity going forward. Kaleyra's reliance on Internet service providers reduces Kaleyra's control over quality of service and exposes Kaleyra to potential service outages and rate fluctuations. If a significant portion of Kaleyra's Internet service providers stop providing Kaleyra with access to their network infrastructure, fail to provide access on a cost-effective basis, cease operations, or otherwise terminate access, the delay caused by qualifying and switching to other Internet service providers could be time consuming and costly and could harm Kaleyra's business and operations.

If Kaleyra is unable to expand its relationships with existing technology partner customers and add new technology partner customers, Kaleyra's business could be harmed.

Kaleyra believes that the continued growth of its business depends in part upon developing and expanding strategic relationships with technology partner customers. Technology partner customers embed Kaleyra software products in their solutions, such as software applications for contact centers and sales force and marketing automation, and then sell such solutions to other businesses. When potential customers do not have the available developer resources to build their own applications, Kaleyra refers them to either its technology partners who embed Kaleyra's products in the solutions that they sell to other businesses or Kaleyra's consulting partners who provide consulting and development services for organizations that have limited software development expertise to build Kaleyra's Platform into their software applications.

As part of Kaleyra's growth strategy, it intends to expand Kaleyra's relationships with existing technology partner customers and add new technology partner customers. If Kaleyra fails to expand its relationships with existing technology partner customers or establish relationships with new technology partner customers in a timely and cost-effective manner, or at all, then Kaleyra's business, results of operations and financial condition could be adversely affected. Additionally, even if Kaleyra is successful at building these relationships but there are problems or issues with integrating Kaleyra's products into the solutions of these customers, Kaleyra's reputation and ability to grow its business may be harmed.

The length and unpredictability of the sales cycle for Kaleyra's technology offerings and services could delay new sales and cause Kaleyra's revenue and cash flows for any given quarter to fail to meet Kaleyra's projections or market expectations.

The sales cycle between Kaleyra's initial contact with a potential client and the signing of a contract to provide technology offerings and services varies. As a result of the variability and length of the sales cycle, Kaleyra has a limited ability to forecast the timing of sales. A delay in or failure to complete transactions could harm Kaleyra's business and financial results, and could cause Kaleyra's financial results to vary significantly from quarter to quarter. Kaleyra's sales cycle varies widely, reflecting differences in Kaleyra's potential customers' decision-making processes, procurement requirements, and budget cycles, and is subject to significant risks over which Kaleyra has little or no control, including:

- Kaleyra's customers' budgetary constraints and priorities;
- the timing of Kaleyra's customers' budget cycles; and
- the length and timing of customers' approval processes.

The market for Kaleyra's products and Platform is new and unproven, may decline or experience limited growth and is dependent in part on developers continuing to adopt its Platform and use its products.

Kaleyra S.p.A. was founded in 1999. Kaleyra and its subsidiaries have been developing its Platform to enable developers and organizations to integrate voice, messaging and other communications capabilities into their software applications. This market is relatively new and unproven and is subject to a number of risks and uncertainties. Kaleyra believes that its revenue currently constitutes a portion of the total revenue in this market, and therefore, Kaleyra believes that its future success will depend in large part on the growth, if any, of this market. The utilization of APIs by developers and organizations to build communications functionality into their applications is still relatively new, and developers and organizations may not recognize the need for, or benefits of, Kaleyra products and Platform. Moreover, if they do not recognize the need for and benefits of Kaleyra products and Platform, they may decide to adopt alternative products and services to satisfy some portion of their business needs.

In order to grow Kaleyra's business and extend Kaleyra market position, Kaleyra intend to focus on educating developers and other potential customers about the benefits of Kaleyra products and Platform, expanding the functionality of Kaleyra products and bringing new technologies to market to increase market acceptance and use of Kaleyra's Platform. Kaleyra's ability to expand the market that Kaleyra products and Platform address depends upon a number of factors, including the cost, performance and perceived value associated with such products and Platform. The market for Kaleyra's products and Platform could fail to grow significantly or there could be a reduction in demand for Kaleyra products as a result of a lack of developer acceptance, technological challenges, competing products and services, decreases in spending by current and prospective customers, weakening economic conditions and other causes. If Kaleyra's market does not experience significant growth or demand for Kaleyra products decreases, then Kaleyra's business and operations could be harmed.

Kaleyra's Platform must integrate with a variety of network, hardware, mobile and software platforms and technologies, and its need to continuously modify and enhance Kaleyra's products and Platform to adapt to changes and innovation in these technologies. For example, Apple, Google and other cell-phone operating system providers or inbox service providers may develop new applications or functions intended to filter spam and unwanted phone calls, messages or other communications. Similarly, Kaleyra's network service providers may adopt new filtering technologies in an effort to combat spam or robocalling. Such technologies may inadvertently filter desired messages or calls to or from Kaleyra's customers. If cell-phone operating system providers, network service providers, Kaleyra's customers or their end-users adopt new software platforms or infrastructure, Kaleyra may be required to develop new versions of its products to work with those new platforms or infrastructure. This development effort may require significant resources, which would adversely affect Kaleyra's business, results of operations and financial condition. Any failure of Kaleyra's products and Platform to operate effectively with evolving or new platforms and technologies could reduce the demand for Kaleyra's products. If Kaleyra is unable to respond to market changes in a cost-effective manner, Kaleyra's products may become less marketable and less competitive or obsolete.

Kaleyra's future success depends in part on its ability to drive the adoption of its products by international customers.

In the years ended December 31, 2020 and 2019, Kaleyra derived 66.9% and 73.6% of its revenue, respectively, from customer accounts located in Italy and India. Revenue deriving from customer accounts located in the U.S. increased from 7.3% in 2019 to 17.3% in 2020, while revenue deriving from customer accounts located in the European countries other than Italy decreased from 12.1% in the year ended December 31, 2019 to 6.7% in the year ended December 31, 2020. Revenue derived from customer accounts located in the rest of the world increased from 7.1% in 2019 to 9.1% in 2020. This is in line with the expansion strategy out of Italy and India identified by Kaleyra. The future success of Kaleyra's business will depend, in part, on Kaleyra ability to expand its customer base worldwide in new geographies. If Kaleyra is unable to increase the revenue that it derives from international customers, Kaleyra's business and results of operations could be harmed.

Kaleyra's global operations are subject to complex risks, some of which might be beyond its control.

Kaleyra is headquartered in Milan, Italy, has a sizable presence in India, and operates in other countries throughout the world. In addition, Kaleyra's customers have operations throughout the world, and Kaleyra derives a substantial part of its revenue internationally. As a result, Kaleyra may be subject to risks inherently associated with international operations, including risks associated with foreign currency exchange rate fluctuations, difficulties in enforcing intellectual property and/or contractual rights, the burdens of complying with a wide variety of foreign laws and regulations, potentially adverse tax consequences, tariffs, quotas, and other barriers, potential difficulties in collecting trade receivables, international hostilities, terrorism, and natural disasters. Expansion of international operations also increases the likelihood of potential or actual violations of domestic and international anticorruption laws, such as the U.S. Foreign Corrupt Practices Act, or of U.S. and international export control and sanctions regulations. Kaleyra may also face difficulties integrating any new facilities in different countries into its existing operations, as well as integrating employees that it hires in different countries into its existing corporate culture. If Kaleyra is unable to manage the risks of its global operations, its business could be harmed.

Kaleyra is in the process of expanding its international operations, which exposes Kaleyra to significant risks.

Kaleyra is continuing to expand its international operations to increase its revenue from customers outside of Italy, India and the U.S. as part of Kaleyra's growth strategy. Between 2017 and 2019, Kaleyra's international headcount grew from 60 employees to 267 employees. Kaleyra expects to open additional international offices and hire employees to work at these offices in order to reach new customers and gain access to additional technical talent. Operating in international markets requires significant resources and management attention and will subject Kaleyra to regulatory, economic and political risks in addition to those Kaleyra already faces in Italy, India and the U.S. Because of Kaleyra's limited experience with international operations or with developing and managing sales in additional international markets beyond Italy and India, Kaleyra's international expansion efforts may not be successful.

In addition, Kaleyra will face risks in doing business internationally that could adversely affect its business, including:

- exposure to political developments in the United Kingdom ("*U.K.*"), including the departure of the U.K. from the EU in 2020, which has created an uncertain political and economic environment, instability for businesses and volatility in global financial markets;
- the difficulty of managing and staffing international operations and the increased operations, travel, infrastructure and legal compliance costs associated with servicing international customers and operating numerous international locations;
- Kaleyra's ability to effectively price its products in competitive international markets;
- new and different sources of competition;
- Kaleyra's ability to comply with EU GDPR, which went into effect on May 25, 2018;
- potentially greater difficulty collecting trade receivables and longer payment cycles;
- higher or more variable network service provider fees outside of the U.S.;
- the need to adapt and localize Kaleyra's products for specific countries;
- the need to offer customer support in various languages;
- difficulties in understanding and complying with local laws, regulations and customs in non-U.S. jurisdictions;
- understanding and reconciling different technical standards, data privacy and telecommunications regulations, registration and certification requirements outside the U.S., which could prevent customers from deploying Kaleyra's products or limit their usage;
- export controls and economic sanctions administered by the U.S. Department of Commerce Bureau of Industry and Security and the U.S. Treasury Department's Office of Foreign Assets Control;
- compliance with various anti-bribery and anti-corruption laws such as the U.S. Foreign Corrupt Practices Act and United Kingdom Bribery Act of 2010;
- tariffs and other non-tariff barriers, such as quotas and local content rules;
- more limited protection for intellectual property rights in some countries;
- adverse tax consequences;
- fluctuations in currency exchange rates, which could increase the price of Kaleyra's products outside of the U.S., increase the expenses of Kaleyra's international operations and expose Kaleyra to foreign currency exchange rate risk;
- currency control regulations, which might restrict or prohibit Kaleyra's conversion of other currencies into U.S. dollars;
- restrictions on the transfer of funds;
- deterioration of political relations between the U.S. and other countries; and
- political or social unrest or economic instability in a specific country or region in which Kaleyra operates, which could have an adverse impact on Kaleyra's operations in that location.

Also, due to costs from Kaleyra's international expansion efforts and network service provider fees outside of the U.S., which generally are higher than domestic rates, Kaleyra's gross margin for international customers is typically lower than its gross margin for domestic customers. As a result, Kaleyra's gross margin may be impacted and fluctuate as Kaleyra expands its operations and customer base worldwide.

Kaleyra's failure to manage any of these risks successfully could harm Kaleyra's business and international operations.

Kaleyra's operations are subject to regulation and require Kaleyra to obtain and maintain several governmental licenses and permits. If Kaleyra violates those regulatory requirements or fail to obtain and maintain those licenses and permits, including payment of related fees, if any, Kaleyra may not be able to conduct its business. Moreover, those regulatory requirements could change in a manner that significantly increases Kaleyra's costs or otherwise adversely affects Kaleyra's operations.

In the ordinary course of operating Kaleyra's network and providing its services, Kaleyra must obtain and maintain a variety of telecommunications and other licenses and authorizations. Kaleyra also must comply with a variety of regulatory obligations. There can be no assurance Kaleyra can maintain its licenses or that they will be renewed upon their expiration. Kaleyra's failure to obtain or maintain necessary licenses, authorizations or to comply with the obligations imposed upon license holders, including the payment of fees, may cause sanctions or additional costs, including the revocation of authority to provide services.

Kaleyra’s operations are subject to regulation at the national level and, often, at the state and local levels. Kaleyra’s operations will become subject to additional regulation by other countries as Kaleyra expands to international markets. Changes to existing regulations or rules, or the failure to regulate going forward in areas historically regulated on matters such as network neutrality, licensing fees, environmental, health and safety, privacy, intercarrier compensation, emergency 911 services interconnection and other areas, in general or particular to Kaleyra’s industry, may increase costs, restrict operations or decrease revenue. As Kaleyra expands internationally, Kaleyra will also become subject to telecommunications laws and regulations in the foreign countries where Kaleyra offers its products. Kaleyra’s international operations are subject to country-specific governmental regulation that may increase its costs or impact its products and Platform or prevent Kaleyra from offering or providing Kaleyra’s products in certain countries. Kaleyra’s inability or failure to comply with telecommunications and other laws and regulations could cause the temporary or permanent suspension of Kaleyra’s operations, and if Kaleyra cannot provide emergency calling functionality through its Platform to meet any new federal or state requirements, or any applicable requirements from other countries, the competitive advantages that Kaleyra currently has may not persist, adversely affecting Kaleyra ability to obtain and to retain enterprise customers which could have an adverse impact on Kaleyra’s business.

U.S. federal legislation and international laws impose certain obligations on the senders of commercial communications, which could minimize the effectiveness of Kaleyra’s Platform, and establish financial penalties for non-compliance, which could increase the costs of Kaleyra’s business.

The CAN-SPAM Act establishes certain requirements for commercial messages and transactional messages and specifies penalties for the transmission of messages that are intended to deceive the recipient as to source or content. Among other things, the CAN-SPAM Act, obligates the sender of commercial messages to provide recipients with the ability to “opt-out” of receiving future commercial communications from the sender. In addition, some U.S. states have passed laws regulating commercial communication practices that are significantly more restrictive and difficult to comply with than the CAN-SPAM Act. For example, Utah and Michigan prohibit the sending of communication messages that advertise products or services that minors are prohibited by law from purchasing (e.g., alcoholic beverages, tobacco products, illegal drugs) or that contain content harmful to minors (e.g., pornography) to message addresses listed on specified child protection registries. Some portions of these state laws may not be preempted by the CAN-SPAM Act. In addition, certain non-U.S. jurisdictions, such as Australia, Canada, and the EU, have enacted laws that regulate sending messages, and some of these laws are more restrictive than U.S. laws. For example, some foreign laws prohibit sending broad categories of messages unless the recipient has provided the sender advance consent to receipt of such messages, or in other words has “opted-in” to receiving such communications. If Kaleyra were found to be in violation of the CAN-SPAM Act, applicable state laws governing messages not preempted by the CAN-SPAM Act or foreign laws regulating the distribution of messages, whether as a result of violations by Kaleyra’s customers or its own acts or omissions, Kaleyra could be required to pay large penalties, which would adversely affect its financial condition, significantly harm Kaleyra’s business, injure Kaleyra’s reputation and erode customer trust. The terms of any injunctions, judgments, consent decrees or settlement agreements entered into in connection with enforcement actions or investigations against Kaleyra in connection with any of the foregoing laws may also require Kaleyra to change one or more aspects of the way Kaleyra operates its business, which could impair Kaleyra’s ability to attract and retain customers or could increase its operating costs.

Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for Kaleyra’s products.

The future success of Kaleyra’s business depends upon the continued use of the Internet as a primary medium for commerce, communications and business applications. U.S. federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require Kaleyra to modify its products and Platform in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees or other charges for accessing the Internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally or result in reductions in the demand for Internet-based products and services such as Kaleyra’s products and Platform. In addition, the use of the Internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability, cost, ease-of-use, accessibility and quality of service. The performance of the Internet and its acceptance as a business tool has been adversely affected by “viruses”, “worms”, and similar malicious programs. If the use of the Internet is reduced as a result of these or other issues, then demand for Kaleyra’s products could decline, which could impair Kaleyra’s business and reduce its financial results.

Certain of Kaleyra's products are subject to telecommunications-related regulations, and future legislative or regulatory actions could harm Kaleyra's business.

As Kaleyra continues to expand internationally, Kaleyra has become subject to telecommunications laws and regulations in the foreign countries where Kaleyra offers its products. For example, in Italy, Kaleyra holds a license to be a fixed-line operator and is subject to (1) the Electronic Communications Code, or the ECC, which has been enacted with Legislative Decree no. 259/2003, as amended, which transposed a package of European Directives adopted in 2002 and amended in 2009; (2) the National Numbering Plan, issued with AGCom's resolution no. 8/15/CIR as amended, which governs the usage of national numbers for the provision of electronic communications services as a whole; (3) resolutions on the use of alphanumeric indications for the identification of the calling subject in SMS (so-called Alias), that are periodically issued by AGCom, starting from AGCom's resolution no. 42/13/CIR; and (4) GDPR.

Kaleyra's international operations are subject to country-specific governmental regulation and related actions that have increased and may continue to increase Kaleyra's costs or impact its products and Platform or prevent Kaleyra from offering or providing Kaleyra's products in certain countries. Certain of Kaleyra's products may be used by customers located in countries where voice and other forms of IP communications may be illegal or require special licensing or in countries on a U.S. embargo list. Even where Kaleyra's products are reportedly illegal or become illegal or where users are located in an embargoed country, users in those countries may be able to continue to use Kaleyra's products in those countries notwithstanding the illegality or embargo. Kaleyra may be subject to penalties or governmental action if consumers continue to use its products in countries where it is illegal to do so, and any such penalties or governmental action may be costly and may harm Kaleyra's business and damage its brand and reputation. Kaleyra may be required to incur additional expenses to meet applicable international regulatory requirements or be required to discontinue those services if required by law or if Kaleyra cannot or will not meet those requirements. Any of the foregoing could harm Kaleyra's business.

If Kaleyra is unable to effectively process local number and toll-free number portability provisioning in a timely manner or to obtain or retain direct inward dialing numbers and local or toll-free numbers, Kaleyra's business and results of operations may be adversely affected.

Kaleyra's future success depends in part on its ability to procure large quantities of local and toll-free direct inward dialing numbers ("*DIDs*"), in the U.S. and in foreign countries at a reasonable cost and without restrictions. Kaleyra's ability to procure, distribute and retain DIDs depends on factors outside of Kaleyra's control, such as applicable local jurisdiction specific regulations, the practices of network service providers that provide DIDs, such as offering DIDs with conditional minimum volume call level requirements, the cost of these DIDs and the level of overall competitive demand for new DIDs.

In addition, in order to procure, distribute and retain telephone numbers from the EU or certain other regions, Kaleyra may be required to register with the local telecommunications regulatory authorities, some of which have been increasingly monitoring and regulating the categories of phone numbers that are eligible for provisioning to Kaleyra's customers. Kaleyra has registered and is in the process of registering in various countries in which Kaleyra does business, but in some countries, the regulatory regime around provisioning of phone numbers is unclear, subject to change over time, and sometimes may conflict from jurisdiction to jurisdiction. Furthermore, these regulations and governments' approaches to their enforcement, as well as Kaleyra's products and services, are still evolving and Kaleyra may be unable to maintain compliance with applicable regulations, or enforce compliance by Kaleyra's customers, on a timely basis or without significant cost. Also, compliance with these types of regulation may require changes in products or business practices that result in reduced revenue. If Kaleyra or its customers use phone numbers in these countries in a manner that violates applicable rules and regulations, Kaleyra may also be subject to significant penalties or governmental action, including government-initiated audits and, in extreme cases, may be precluded from doing business in that particular country. In the event of such non-compliance, Kaleyra may be forced to reclaim phone numbers from Kaleyra's customers, which could result in loss of customers, breach of contract claims, loss of revenue, reputational harm, and erosion of customer trust, all of which could harm Kaleyra's business and reputation.

Due to their limited availability, there are certain popular area code prefixes that Kaleyra generally cannot obtain. Kaleyra's inability to acquire or retain DIDs for its operations would make Kaleyra's voice and messaging products less attractive to potential customers in the affected local geographic areas. In addition, future growth in Kaleyra's customer base, together with growth in the customer bases of other providers of cloud communications, has increased, which increases Kaleyra's dependence on sufficiently large quantities of DIDs. It may become increasingly difficult to source larger quantities of DIDs as Kaleyra's scale and its need to pay higher costs for DIDs, and DIDs may become subject to more stringent regulation or conditions of usage such as the registration and on-going compliance requirements discussed above could harm Kaleyra's business.

Kaleyra customers' and other users' violation of Kaleyra's policies or other misuse of Kaleyra's Platform to transmit unauthorized, offensive or illegal messages, spam, phishing scams, and website links to harmful applications or for other fraudulent or illegal activity could damage Kaleyra's reputation, and Kaleyra may face a risk of litigation and liability for unauthorized, inaccurate, or fraudulent information distributed via Kaleyra's Platform.

The actual or perceived improper sending of text messages may subject Kaleyra to potential risks, including liabilities or claims relating to consumer protection laws. For example, the TCPA restricts telemarketing and the use of automatic text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If Kaleyra does not comply with these laws or regulations or if Kaleyra becomes liable under these laws or regulations due to the failure of Kaleyra's customers to comply with these laws by obtaining proper consent, Kaleyra could face direct liability.

Moreover, despite Kaleyra's ongoing and substantial efforts to limit such use, certain customers may use Kaleyra's Platform to transmit unauthorized, offensive or illegal messages, spam, phishing scams, and website links to harmful applications, reproduce and distribute copyrighted material or the trademarks of others without permission, and report inaccurate or fraudulent data or information. These issues also arise with respect to a portion of those users who use Kaleyra's Platform on a free trial basis. These actions are in violation of Kaleyra's policies. However, Kaleyra's efforts to defeat spamming attacks and other fraudulent activity will not prevent all such attacks and activity, such use of Kaleyra's Platform could damage Kaleyra's reputation and it could face claims for damages, copyright or trademark infringement, defamation, negligence, or fraud. Moreover, Kaleyra customers' and other users' promotion of their products and services through Kaleyra's Platform might not comply with U.S. federal, state, and foreign laws. Kaleyra relies on contractual representations made to Kaleyra by its customers that their use of Kaleyra's Platform will comply with Kaleyra's policies and applicable law, including, without limitation, Kaleyra's message communication policy. Although Kaleyra will retain the right to verify that customers and other users are abiding by certain contractual terms, Kaleyra's Authorized Use Policy and Kaleyra's message communication policy and, in certain circumstances, to review their distribution lists, Kaleyra's customers and other users are ultimately responsible for compliance with Kaleyra's policies, and it does not systematically audit Kaleyra's customers or other users to confirm compliance with Kaleyra's policies. Kaleyra cannot predict whether Kaleyra's role in facilitating its customers' or other users' activities would expose Kaleyra to liability under applicable law. Even if claims asserted against Kaleyra do not result in liability, Kaleyra may incur substantial costs in investigating and defending such claims. If Kaleyra is found liable for its customers' or other users' activities, Kaleyra could be required to pay fines or penalties, redesign business methods or otherwise expend resources to remedy any damages caused by such actions and to avoid future liability.

Kaleyra may be subject to governmental export controls and economic sanctions regulations that could impair Kaleyra's ability to compete in international markets due to licensing requirements and could subject Kaleyra to liability if Kaleyra is not in compliance with applicable laws.

Certain of Kaleyra's products and services may be subject to export control and economic sanctions regulations, including the U.S. Export Administration regulations, U.S. Customs regulations and various economic and trade sanctions regulations administered by the U.S. Treasury Department's Office of Foreign Assets Controls. Exports of Kaleyra's products and the provision of Kaleyra's services must be made in compliance with these laws and regulations. Although Kaleyra takes precautions to prevent its products from being provided in violation of such laws, Kaleyra is aware of previous exports of certain of Kaleyra's products to a small number of persons and organizations that are the subject of U.S. sanctions or located in countries or regions subject to U.S. sanctions. If Kaleyra fails to comply with these laws and regulations, Kaleyra and certain of its employees could be subject to substantial civil or criminal penalties, including: the possible loss of export privileges; fines, which may be imposed on Kaleyra and responsible employees or managers; and, in extreme cases, the incarceration of responsible employees or managers. Obtaining the necessary authorizations, including any required license, for a particular deployment may be time-consuming, is not guaranteed and may result in the delay or loss of sales opportunities. In addition, changes in Kaleyra's products or services, or changes in applicable export or economic sanctions regulations may create delays in the introduction and deployment of Kaleyra's products and services in international markets, or, in some cases, prevent the export of Kaleyra's products or provision of Kaleyra's services to certain countries or end-users. Any change in export or economic sanctions regulations, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could also result in decreased use of Kaleyra's products and services, or in its decreased ability to export Kaleyra's products or provide Kaleyra's services to existing or prospective customers with international operations. Any decreased use of Kaleyra's products and services or limitation on Kaleyra's ability to export its products and provide its services could harm Kaleyra's business.

Further, Kaleyra incorporates encryption technology into certain of its products. Various countries regulate the import of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit Kaleyra's customers' ability to import its products into those countries. Encryption products and the underlying technology may also be subject to export control restrictions. Governmental regulation of encryption technology and regulation of exports of encryption products, or Kaleyra's failure to obtain required approval for Kaleyra's products, when applicable, could harm Kaleyra's international sales and adversely affect Kaleyra's revenue. Compliance with applicable regulatory requirements regarding the export of Kaleyra's products and provision of Kaleyra's services, including with respect to new releases of Kaleyra's products and services, may create delays in the introduction of Kaleyra's products and services in international markets, prevent Kaleyra's customers with international operations from deploying its products and using Kaleyra's services throughout their globally-distributed systems or, in some cases, prevent the export of Kaleyra's products or provision of Kaleyra's services to some countries altogether.

Kaleyra faces a risk of litigation resulting from customer misuse of Kaleyra's services and software to make or send unauthorized calls and/or text messages in violation of the Telephone Consumer Protection Act.

Calls and/or text messages originated by Kaleyra's customers may subject Kaleyra to potential risks. For example, the TCPA restricts telemarketing and the use of technologies that enable automatic calling and/or text messages without proper consent. This may result in civil claims against Kaleyra and requests for information through third-party subpoenas or regulatory investigations. The scope and interpretation of the laws that are or may be applicable to the making and/or delivery of calls and/or text messages are continuously evolving and developing. If Kaleyra does not comply with these laws or regulations or if Kaleyra becomes liable under these laws or regulations due to the failure of Kaleyra's customers to comply with these laws by obtaining proper consent, Kaleyra could become subject to lawsuits, fines, civil penalties, potentially significant statutory damages, consent decrees, injunctions, adverse publicity, loss of user confidence in Kaleyra services, loss of users and other adverse consequences, which could harm Kaleyra's business.

The effects of increased regulation of IP-based service providers are unknown.

While the FCC has to date generally subjected IP-based service providers to less stringent regulatory oversight than traditional common carriers, the FCC has imposed certain regulatory obligations on providers of voice-over-internet protocol ("*VoIP*") services, including the obligations to contribute to the Universal Service Fund, to provide 911 services and/or to comply with the Communications Assistance for Law Enforcement Act. Some states have imposed taxes, fees and/or surcharges on VoIP telephony services. The imposition of additional regulations could have a material adverse effect on Kaleyra's business.

If Kaleyra experiences excessive credit card or fraudulent activity, Kaleyra could incur substantial costs.

Kaleyra's customers may choose to authorize Kaleyra to bill their credit card accounts directly for service fees that Kaleyra charges. If people pay for Kaleyra's services with stolen credit cards, Kaleyra could incur substantial third-party vendor costs for which Kaleyra may not be reimbursed. Further, Kaleyra's customers provide it with credit card billing information online, and Kaleyra does not review the physical credit cards used in these transactions, which increases Kaleyra's risk of exposure to fraudulent activity. Kaleyra also incur charges, which Kaleyra refers to as chargebacks, from the credit card companies from claims that the customer did not authorize the credit card transaction to purchase Kaleyra's services. If the number of unauthorized credit card transactions becomes excessive, Kaleyra could be assessed substantial fines for excess chargebacks, and Kaleyra could lose the right to accept credit cards for payment.

Kaleyra’s products may also be subject to fraudulent usage, including but not limited to revenue share fraud, domestic traffic pumping, subscription fraud, premium text message scams and other fraudulent schemes. Although Kaleyra’s customers are required to set passwords or personal identification numbers to protect their accounts, third parties have in the past been, and may in the future be, able to access and use their accounts through fraudulent means. Furthermore, spammers attempt to use Kaleyra’s products to send targeted and untargeted spam messages. Kaleyra cannot be certain that its efforts to defeat spamming attacks will be successful in eliminating all spam messages from being sent using Kaleyra’s Platform. In addition, a cybersecurity breach of Kaleyra’s customers’ systems could result in exposure of their authentication credentials, unauthorized access to their accounts or fraudulent calls on their accounts, any of which could harm Kaleyra’s reputation with its customers and result in the incurrence of substantial costs for Kaleyra.

Kaleyra may be liable for the information that content owners or distributors distribute over Kaleyra’s network.

The law relating to the liability of private network operators for information carried on or disseminated through their networks remains unsettled. While Kaleyra disclaims any liability for third-party content in Kaleyra’s services agreements, Kaleyra may become subject to legal claims relating to the content disseminated on Kaleyra’s network, even though such content is owned or distributed by Kaleyra customers or a customer of Kaleyra customers. For example, lawsuits may be brought against Kaleyra claiming that material distributed using Kaleyra’s network was inaccurate, offensive or violated the law or the rights of others. Claims could also involve matters such as defamation, invasion of privacy and copyright infringement. In addition, the law remains unclear over whether content may be distributed from one jurisdiction, where the content is legal, into another jurisdiction, where it is not. Companies operating private networks have been sued in the past, sometimes successfully, based on the nature of material distributed, even if the content is not owned by the network operator and the network operator has no knowledge of the content or its legality. It is not practical for Kaleyra to monitor all of the content distributed using Kaleyra’s network. Kaleyra may need to take costly measures to reduce Kaleyra’s exposure to these risks or to defend itself against such claims, which could increase Kaleyra’s costs and harm its results of operations.

Kaleyra has never paid dividends on its common stock, and does not anticipate paying any cash dividends on its common stock in the foreseeable future.

Kaleyra has never declared or paid cash dividends on its common stock. Kaleyra does not anticipate paying any cash dividends on its common stock in the foreseeable future. Kaleyra currently intends to retain all available funds and any future earnings to fund the development and growth of its business. As a result, capital appreciation, if any, of Kaleyra’s common stock will be stockholders’ sole source of gain for the foreseeable future.

Kaleyra will incur significant indebtedness as a result of the proposed Merger, which could have a material adverse effect on Kaleyra’s financial condition.

If the Merger closes and Kaleyra acquires mGage, it will incur substantial indebtedness of $200 million as a result of the Financing. In such event, Kaleyra will be obligated under substantially more indebtedness than it currently owes. Kaleyra, with the acquisition of mGage, may not be able to generate sufficient cash to service all of its indebtedness and may be forced to take other actions to satisfy its obligations under indebtedness that may not be successful. The inability in the future to repay such indebtedness when due would have a material adverse effect on Kaleyra.

Kaleyra’s substantial indebtedness as a result of the Financing could adversely affect our financial conditions.

As of December 31, 2020, Kaleyra’s total consolidated long term indebtedness to banks and other lenders was approximately $32 million. As part of the Financing, Kaleyra expects to issue $200 million in Merger Convertible Notes. Kaleyra’s indebtedness could have important consequences to its stockholders and the holders of its other securities including:

- increasing Kaleyra’s vulnerability to general adverse economic and industry conditions;
- requiring that a portion of Kaleyra’s cash flow from operations be used for the payment of interest on its debt, thereby reducing its ability to use its cash flow to fund working capital, capital expenditures, acquisitions and general corporate requirements;

- limiting Kaleyra’s ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions and general corporate requirements;
- limiting Kaleyra’s flexibility in planning for, or reacting to, changes in its business;
- restricting Kaleyra’s ability or the ability to pay dividends or make other payments; and
- placing Kaleyra at a competitive disadvantage to its competitors that have less indebtedness.

Kaleyra may be able to incur additional indebtedness in the future, including secured indebtedness. If new indebtedness is added to Kaleyra’s current indebtedness levels, the related risks that it faces could intensify.

Kaleyra has incurred significant transaction costs as a result of the proposed Merger and acquisition of mGage, which could have a material adverse effect on our financial condition.

Kaleyra has incurred and will continue to incur significant one-time transaction costs related to the proposed Merger and acquisition of mGage. These transaction costs include legal and accounting fees and expenses and filing fees, printing expenses and other related charges, including payments to be made to government authorities. Kaleyra may also incur additional unanticipated transaction costs in connection with the transaction. A portion of the transaction costs related to the proposed business combination have been incurred regardless of whether the transaction is completed. Additional costs will be incurred in connection with integrating the two companies’ businesses. Costs in connection with the transaction and integration may be higher than expected. These costs could adversely affect Kaleyra’s financial condition, operating results or prospects of the company following the completion of the Merger.

Risks Related to Kaleyra’s Financial Controls

Kaleyra has previously identified material weaknesses in its internal control over financial reporting. If Kaleyra’s remediation of these material weaknesses is not effective or if Kaleyra experiences additional material weaknesses in the future or otherwise fails to maintain an effective system of internal control over financial reporting in the future, Kaleyra may not be able to produce timely and accurate consolidated financial statements and comply with applicable regulations, which may adversely affect investor confidence and the value of our common stock.

Prior to the Business Combination, Kaleyra S.p.A. had been a private company with limited accounting personnel to adequately execute its accounting process and other supervisory resources with which to address its internal control over financial reporting. In connection with the audit of Kaleyra’s consolidated financial statements for the year ended December 31, 2019, Kaleyra identified material weaknesses in its internal control over financial reporting. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our consolidated financial statements will not be prevented or detected on a timely basis.

The identified material weaknesses included the following:

- Lack of review and approval process over journal entries; and
- Lack of timeliness, quality and existence of account reconciliations and review controls.

There were no material misstatements identified in the consolidated financial statements as a result of these material weaknesses.

During fiscal year 2020, Kaleyra has implemented processes and controls as part of its remediation efforts to address material weaknesses identified during the prior year. In particular, Kaleyra engaged third party consultants for the formalization of the Company’s internal controls, Section 404 of the Sarbanes-Oxley Act implementation, a new ERP system and implementation of a new consolidation tool. In addition, in the course of 2020 Kaleyra significantly improved the groupwide head-count in the Financial Reporting and Internal Control departments of Kaleyra.

Kaleyra cannot assure that the measures it has taken to date, and is continuing to implement, will be sufficient to avoid potential future material weaknesses. Accordingly, there could continue to be a reasonable possibility that a material misstatement of Kaleyra's consolidated financial statements would not be prevented or detected on a timely basis.

If Kaleyra fails to identify new material weaknesses in its internal control over financial reporting, if Kaleyra is unable to comply with the requirements of Section 404 of the Sarbanes-Oxley Act in a timely manner, if Kaleyra is unable to conclude that its internal control over financial reporting is effective, or if its independent registered public accounting firm is unable to express an opinion as to the effectiveness of its internal control over financial reporting when Kaleyra is no longer an emerging growth company, investors may lose confidence in the accuracy and completeness of Kaleyra's consolidated financial reports and the market price of Kaleyra's common stock could be negatively affected. As a result of such failures, Kaleyra could also become subject to investigations by the NYSE American, the SEC, or other regulatory authorities, and become subject to litigation from investors and stockholders, which could harm its reputation and financial condition or divert financial and management resources from Kaleyra's regular business activities.

Kaleyra must continue to develop effective business support systems to implement customer orders and to provide and bill for services.

Kaleyra depends on its ability to continue to develop effective business support systems. This complicated undertaking requires significant resources and expertise and support from third-party vendors. Following the development of the business support systems, the data migration must be completed for the full benefit of the systems to be realized. Business support systems are needed for:

- quoting, accepting and inputting customer orders for services;
- provisioning, installing and delivering services;
- providing customers with direct access to the information systems included in Kaleyra's Platform so that they can manage the services they purchase from Kaleyra, generally through web-based customer portals; and
- billing for services.

Because Kaleyra's business provides for continued rapid growth in the number of customers that Kaleyra serves, the volume of services offered, as well as the integration of any acquired companies' business support systems, if any, Kaleyra must continue to develop its business support systems on a schedule sufficient to meet proposed milestone dates. If Kaleyra fails to develop effective business support systems or complete the data migration into these systems, it could materially adversely affect Kaleyra's ability to implement its business plans, realize anticipated benefits from Kaleyra's acquisitions, if any, and meet Kaleyra's financial goals and objectives.

Risks Related to Kaleyra's Corporate Structure and Securities

Stockholders of Kaleyra may not be able to enforce judgments entered by U.S. courts against certain of its officers and directors.

Kaleyra is incorporated in the State of Delaware. However, some of our directors and executive officers reside outside of the U.S. As a result, stockholders of Kaleyra may not be able to effect service of process upon those persons within the U.S. or enforce against those persons judgments obtained in U.S. courts.

Kaleyra's second amended and restated certificate of incorporation provides, subject to limited exceptions, that the Court of Chancery of the State of Delaware be the sole and exclusive forum for certain stockholder litigation matters, which could limit Kaleyra's stockholders' ability to obtain a favorable judicial forum for disputes with Kaleyra or its directors, officers, employees or stockholders.

Kaleyra's second amended and restated certificate of incorporation requires, to the fullest extent permitted by law, that derivative actions brought in Kaleyra's name, actions against its directors, officers, and employees for breach of fiduciary duty and other similar actions may be brought only in the Court of Chancery in the State of Delaware and, if brought outside of Delaware, the stockholder bringing the suit will be deemed to have consented to service of process on such stockholder's counsel except any action (A) as to which the Court of Chancery in the State of Delaware determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), (B) which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, (C) for which the Court of Chancery does not have subject matter jurisdiction, or (D) any action arising under the Securities Act, as to which the Court of Chancery and the federal district court for the District of Delaware shall have concurrent jurisdiction. Any person or entity purchasing or otherwise acquiring any interest in shares of Kaleyra's capital stock shall be deemed to have notice of and consented to the forum provisions in its second amended and restated certificate of incorporation. This choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with Kaleyra or any of its directors, officers, or employees which may discourage lawsuits with respect to such claims, although Kaleyra's stockholders will not be deemed to have waived our compliance with federal securities laws and the rules and regulations thereunder. However, there is no assurance that a court would enforce the choice of forum provision contained in Kaleyra's second amended and restated certificate of incorporation. If a court were to find such provision to be inapplicable or unenforceable in an action, Kaleyra may incur additional costs associated with resolving such action in other jurisdictions, which could harm its business, operating results and financial condition.

Kalerya's second amended and restated certificate of incorporation provides that the exclusive forum provision will be applicable to the fullest extent permitted by applicable law. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder. As a result, the exclusive forum provision will not apply to suits brought to enforce any duty or liability created by the Exchange Act or any other claim for which the federal courts have exclusive jurisdiction.

The future sales of shares by existing stockholders and future exercise of registration rights may adversely affect the market price of Kaleyra's common stock.

Sales of a substantial number of shares of Kaleyra's common stock in the public market could occur at any time. If Kaleyra's stockholders sell, or the market perceives that Kaleyra's stockholders intend to sell, substantial amounts of our common stock in the public market, the market price of our common stock could decline.

In connection with their initial purchase of the Company's securities, the Company's initial stockholders were granted registration rights pursuant to the terms of a registration rights agreement. In connection with the Business Combination, the Company agreed to amend and restate this registration rights agreement with the Registration Rights Agreement. Pursuant to the Registration Rights Agreement, after the date of closing of the Business Combination, the sellers' representative under the Stock Purchase Agreement for the Business Combination, Cowen and Company, LLC ("Cowen") or the holders of at least a majority-in-interest of the then-outstanding shares issued to or issuable to the Company's initial stockholders, and the shares issued in the Business Combination (collectively, the "Business Combination Registrable Securities") will be entitled to make up to three demands (not counting any demand by Cowen to register our securities) that we register the Business Combination Registrable Securities. Such registration rights are subject to certain requirements and limitations as set forth in the Registration Rights Agreement. In addition, and subject to certain requirements and limitations as set forth in the Registration Rights Agreement, the holders of the Business Combination Registrable Securities have certain "piggy-back" registration rights with respect to registration statements filed subsequent to our consummation of the Business Combination. The Business Combination Registrable Securities were registered in accordance with the "piggy-back" registration rights for resale on a registration statement that the SEC declared effective in May 2020. The Company has also agreed to provide certain registration rights to unregistered shares of common stock and shares of common stock that may be issued pursuant to outstanding convertible notes with certain stockholders of the Company. Cowen currently holds an aggregate of 677,677 shares of common stock following Cowen's election to convert the outstanding amount of the outstanding convertible note into 303,171 shares of common stock, all of which are subject to such registration rights. Chardan Capital Markets, LLC, ("Chardan") currently holds 66,089 shares of common stock and a convertible note that is convertible at Chadan's option into 53,501 shares of common stock, all of which are subject to such registration rights.

In addition, Kaleyra intends to issue 1,600,000 shares of Kaleyra common stock as partial merger consideration to the existing stockholders of Vivial in connection with the Merger, and to register such trasanction and issuance on a registration statement on Form S-4. Furthermore, Kaleyra intends to issue 8,400,000 shares Kaleyra common stock to the PIPE Investors and the Merger Convertible Notes are convertible into up to 11,851,852 shares of Kaleyra common stock. Pursuant to the PIPE Subscription Agreements, Kaleyra agreed that, prior to the closing of the Merger, Kaleyra will file with the SEC (at Kaleyra's sole cost and expense) a registration statement registering the resale of the 8,400,000 shares of Kaleyra common stock being issued to the PIPE Investors (the "Resale Registration Statement"), and Kaleyra will use its commercially reasonable efforts to have the Resale Registration Statement declared effective upon the closing of the Merger, but no later than 60 calendar days (or 90 calendar days if the SEC notifies Kaleyra that it will review the Resale Registration Statement) after the closing of the Merger, subject to customary conditions and covenants. Kaleyra is also obligated to register the shares issuable upon conversion of the Merger Convertible Notes. Kaleyra agreed that, prior to the consummation of the Merger (the "Convertible Note Resale Registration Filing Deadline"), Kaleyra will file with the SEC a registration statement (the "Convertible Note Resale Registration Statement") registering the resale of the shares of common stock issuable upon conversion of the Notes (the "Convertible Note Registrable Securities"), and Kaleyra will use its commercially reasonable efforts to have the Convertible Note Resale Registration Statement declared effective as soon as practicable after the filing thereof, but no later than the 60th calendar day (or 90th calendar day if the SEC notifies Kaleyra that it will review the Convertible Note Resale Registration Statement) following the Convertible Note Resale Registration Filing Deadline.

Kaleyra's stockholders may experience dilution as a consequence of, among other transactions, the issuance of common stock in connection with the Merger and the Financing.

The issuance of common stock in connection with the Merger and the Financing may dilute the equity interest of our existing stockholders and may adversely affect prevailing market prices for our shares and/or warrants.

It is anticipated that, upon completion of the Merger: (i) Kaleyra's existing stockholders will retain an ownership interest of approximately 75.70% of the company; (ii) the existing stockholders of Vivial will will own approximately 3.89% of the company; and (iii) the PIPE Investors will own approximately 20.41% of the company. The ownership percentage with respect to the company following the Merger and the Financing does not take into account (i) warrants to purchase common stock that remain outstanding as of this time, (ii) conversion of the Merger Convertible Notes into up to 11,851,852 shares of Kaleyra common stock or (iii) conversion of the Business Combination Convertible Notes into shares of Kaleyra common stock pursuant to the Business Combination Convertible Notes and (iv) the issuance of any shares under the terms of the 2019 Equity Incentive Plan.

Conversion of the Merger Convertible Notes to be issued in the Financing will dilute the ownership interest of existing stockholders, or may otherwise depress the market price of Kaleyra common stock.

The conversion of some or all of the Merger Convertible Notes to be issued in the Financing will dilute the ownership interests of existing stockholders. Any sales in the public market of the shares of Kaleyra common stock issuable upon such conversion could adversely affect prevailing market prices of Kaleyra common stock. In addition, the existence of the Merger Convertible Notes may encourage short selling by market participants because the conversion of the Merger Convertible Notes could be used to satisfy short positions, or anticipated conversion of the Merger Convertible Notes into shares of Kaleyra common stock could depress the market price of Kaleyra common stock.

Warrants are exercisable for Kaleyra's common stock, and upon any exercise would increase the number of shares eligible for future resale in the public market and result in dilution to Kaleyra's stockholders.

Kaleyra has outstanding issued warrants to purchase a total of 7,374,938 shares of common stock. Each whole warrant is exercisable to purchase one share of common stock at $11.50 per share. To the extent such warrants are exercised, additional shares of common stock will be issued, which will result in dilution to the then existing holders of the common stock and increase the number of shares eligible for resale in the public market. Sales of substantial numbers of such shares in the public market could adversely affect the market price of the common stock.

Kaleyra has no obligation to net cash settle the warrants.

In no event does Kaleyra have any obligation to net cash settle the warrants. Furthermore, there are no contractual penalties for failure to deliver securities to the holders of the warrants upon exercise of the warrants. Accordingly, the warrants may expire worthless.

Kaleyra may redeem the unexpired warrants prior to their exercise at a time that is disadvantageous to warrant holders, thereby making their warrants worthless.

Kaleyra has the ability to redeem outstanding warrants at any time after they become exercisable and prior to their expiration, at a price of $0.01 per warrant, provided that the last reported sales price of the common stock equals or exceeds $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 Kaleyra sends the notice of redemption to the warrant holders. If and when the warrants become redeemable by the Kaleyra, we may exercise our redemption right even if we are unable to register or qualify the underlying securities for sale under all applicable state securities laws. Redemption of the outstanding warrants could force you (i) to exercise your warrants and pay the exercise price therefor at a time when it may be disadvantageous for you to do so, (ii) to sell your warrants at the then-current market price when you might otherwise wish to hold your warrants or (iii) to accept the nominal redemption price which, at the time the outstanding warrants are called for redemption, is likely to be substantially less than the market value of your warrants. None of the private placement warrants will be redeemable by Kaleyra so long as they are held by their initial purchasers or their permitted transferees.

Anti-takeover provisions contained in the second amended and restated certificate of incorporation as well as provisions of Delaware law, could impair a takeover attempt.

The second amended and restated certificate of incorporation contains provisions that may discourage unsolicited takeover proposals that stockholders may consider to be in their best interests. Kaleyra is also subject to anti-takeover provisions under Delaware law, which could delay or prevent a change of control. Together these provisions may make more difficult the removal of management and may discourage transactions that otherwise could involve payment of a premium over prevailing market prices for Kaleyra's securities.

The fundamental change repurchase feature of the Merger Convertible Notes that will be issued in the Financing may delay or prevent an otherwise beneficial attempt to take over Kaleyra.

The terms of the Merger Convertible Notes require Kaleyra to repurchase the Merger Convertible Notes that will be issued in the Financing for cash at the option of the holder in the event of a fundamental change and in certain circumstances require us to increase the conversion rate for conversions in connection with (i) a make-whole fundamental change or (ii) the delivery of a notice of redemption. A takeover of Kaleyra may trigger an option of the holder to require Kaleyra to repurchase the Merger Convertible Notes. These features may have the effect of delaying or preventing a takeover of Kaleyra that would otherwise be beneficial to investors in the Merger Convertible Notes or Kaleyra's other securities.

Kaleyra's structure may be inefficient from a tax perspective.

Kaleyra S.p.A. is a controlled foreign corporation of Kaleyra for U.S. federal income tax purposes. This means that a substantial part of the net income, if any, of Kaleyra S.p.A. and its non-U.S. subsidiaries will be taxable to Kaleyra without regard to whether a dividend is paid to Kaleyra, subject to available foreign tax credits and a special deduction. Moreover, because Kaleyra S.p.A. has a U.S. subsidiary, the resulting structure (sometimes referred to as a "sandwich structure") would be subject to multiple levels of tax. Generally speaking, it is difficult to simplify a sandwich structure without incurring taxes in one or more jurisdictions.

General Risk Factors

If Kaleyra is unable to expand or renew sales to existing clients, or attract new customers, Kaleyra's growth could be slower than it expects and its business may be harmed.

Kaleyra's future growth depends upon expanding sales of Kaleyra's technology offerings and services with existing customers and with new customers. Kaleyra's customers may not purchase Kaleyra's technology offerings and services, or Kaleyra's customers may reduce their purchasing volumes, if Kaleyra does not demonstrate the value proposition for their investment, and Kaleyra may not be able to replace existing customers with new customers. In addition, Kaleyra's customers may not renew their contracts with Kaleyra on the same terms, or at all, because of dissatisfaction with Kaleyra's service. If Kaleyra's customers do not renew their contracts, Kaleyra's revenue may grow more slowly than expected, may not grow at all, or may decline. Additionally, increasing incremental sales to Kaleyra's current client base may require increasingly sophisticated and costly sales efforts that are targeted at senior management. Kaleyra plans to continue expanding its sales efforts but it may be unable to hire qualified sales personnel, may be unable to successfully train those sales personnel that Kaleyra is able to hire, and sales personnel may not become fully productive on the timelines that it has projected, or at all. Additionally, although Kaleyra dedicates significant resources to sales and marketing programs, these sales and marketing programs may not have the desired effect and may not expand sales. Kaleyra cannot assure you that its efforts will increase sales to existing customers or additional revenue. If Kaleyra's efforts to upsell to its customers are not successful, its future growth may be limited.

Kaleyra's ability to achieve significant growth in revenue in the future will also depend upon its ability to attract new customers. This may be particularly challenging where an organization has already invested substantial personnel and financial resources to integrate competing technology offerings and services into its business, as such organization may be reluctant or unwilling to invest in new technology offerings and services. If Kaleyra fails to attract new customers and maintain and expand those client relationships, its revenue may grow more slowly than expected and its business may be harmed.

Kaleyra's business depends on customers increasing their use of Kaleyra's services and any loss of customers or decline in their use of Kaleyra's services could reduce Kaleyra's profitability.

Kaleyra's ability to grow and generate incremental revenue depends, in part, on Kaleyra's ability to maintain and grow its relationships with existing customers and to have them increase their usage of Kaleyra's Platform. If Kaleyra's customers do not increase their use of Kaleyra's services, then Kaleyra's revenue may decline and Kaleyra's results of operations may be harmed. Customers generally are charged based on the usage of Kaleyra's services. Many of Kaleyra's customers do not have long-term contractual financial commitments to Kaleyra and, therefore, many of Kaleyra's customers may reduce or cease their use of Kaleyra's services at any time without penalty or termination charges. Kaleyra cannot accurately predict customers' usage levels and the loss of customers or reductions in their usage levels of Kaleyra's services may each have a negative impact on Kaleyra's business, results of operations and financial condition and may cause Kaleyra's dollar-based net retention rate to decline in the future if Kaleyra's customers are not satisfied with Kaleyra's services. If a significant number of customers cease using, or reduce their usage of, Kaleyra's services, then Kaleyra may be required to spend significantly more on sales and marketing than Kaleyra's currently plan to spend in order to maintain or increase revenue from customers. Such additional sales and marketing expenditures could reduce Kaleyra's profitability and harm its business.

Demand for Kaleyra's technology offerings and services could be adversely affected by volatile, negative, or uncertain economic conditions and the effects of these conditions on Kaleyra's customers' businesses.

Kaleyra's revenue and profitability depend on the demand for its technology offerings and services, which could be negatively affected by numerous factors, many of which are beyond Kaleyra's control. Volatile, negative, or uncertain economic conditions affect Kaleyra's customers' businesses and the markets Kaleyra serves. Such economic conditions in Kaleyra's markets have undermined, and could in the future undermine, business confidence in Kaleyra's markets and cause Kaleyra's customers to reduce or defer their spending on new technology offerings and services, or may result in customers reducing, delaying or eliminating spending under existing contracts with Kaleyra, which would negatively affect Kaleyra's business. Growth in the markets Kaleyra serves could be at a slow rate, or could stagnate or contract, in each case for an extended period of time. Ongoing economic volatility and uncertainty and changing demand patterns affect Kaleyra's business in a number of other ways, including making it more difficult to accurately forecast client demand and effectively build Kaleyra's revenue and resource plans.

Economic volatility and uncertainty is particularly challenging because it may take some time for the effects and changes in demand patterns resulting from these and other factors to manifest themselves in Kaleyra's business and results of operations. Changing demand patterns from economic volatility and uncertainty could harm Kaleyra's business and results of operations.

Breaches of Kaleyra's networks or systems, or those of AWS or Kaleyra's other service providers, could compromise the integrity of its products, Platform and data, result in significant data losses and otherwise harm its business.

Kaleyra depends upon its information technology ("IT") systems to conduct virtually all of its business operations, ranging from Kaleyra's internal operations and research and development activities to its marketing and sales efforts and communications with Kaleyra's customers and business partners. Individuals or entities may attempt to penetrate Kaleyra's network security, or that of its Platform, and to cause harm to Kaleyra's business operations, including by misappropriating its proprietary information or that of its customers, employees and business partners or to cause interruptions of Kaleyra's products and Platform. In particular, cyberattacks and other malicious Internet-based activity continue to increase in frequency and in magnitude generally, and cloud-based companies have been targeted in the past. In addition to threats from traditional computer hackers, malicious code (such as malware, viruses, worms, and ransomware), employee theft or misuse, password spraying, phishing, credential stuffing, and denial-of-service attacks, Kaleyra also faces threats from sophisticated organized crime, nation-state, and nation-state supported actors who engage in attacks (including advanced persistent threat intrusions) that add to the risk to Kaleyra's systems (including those hosted on AWS or other cloud services), internal networks, its customers' systems and the information that they store and process. While Kaleyra devotes significant financial and personnel resources to implement and maintain security measures, because the techniques used by such individuals or entities to access, disrupt or sabotage devices, systems and networks change frequently and may not be recognized until launched against a target, Kaleyra may be required to make further investments over time to protect data and infrastructure as cybersecurity threats develop, evolve and grow more complex over time. Kaleyra may also be unable to anticipate these techniques, and Kaleyra may not become aware in a timely manner of such a security breach, which could exacerbate any damage Kaleyra experiences. Additionally, Kaleyra depends upon its employees and contractors to appropriately handle confidential and sensitive data, including customer data, and to deploy Kaleyra's IT resources in a safe and secure manner that does not expose Kaleyra's network systems to security breaches or the loss of data. Any data security incidents, including internal malfeasance by its employees or a third party's fraudulent inducement of Kaleyra's employees to disclose information, unauthorized access or usage, virus or similar breach or disruption of Kaleyra's or its service providers, such as AWS or service providers, could result in loss of confidential information, damage to Kaleyra's reputation, erosion of customer trust, loss of customers, litigation, regulatory investigations, fines, penalties and other liabilities. Accordingly, if Kaleyra's cybersecurity measures or those of AWS or Kaleyra's service providers, fail to protect against unauthorized access, attacks (which may include sophisticated cyberattacks), compromise or the mishandling of data by Kaleyra's employees and contractors, then Kaleyra's reputation, customer trust, business, results of operations and financial condition could be adversely affected. While Kaleyra maintains errors, omissions, and cyber liability insurance policies covering certain security and privacy damages, Kaleyra cannot be certain that its existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover the potentially significant losses that may result from a security incident or breach or that the insurer will not deny coverage as to any future claim.

Kaleyra's investments in new services and technologies may not be successful.

Kaleyra continues to invest in new services and technologies. The complexity of these solutions, Kaleyra's learning curve in developing and supporting them, and significant competition in the markets for these solutions could make it difficult for Kaleyra to market and implement these solutions successfully. Additionally, there is a risk that Kaleyra's customers may not adopt these solutions widely, which would prevent Kaleyra from realizing expected returns on these investments. Even if these solutions are successful in the market, they still rely on third-party hardware and software and Kaleyra's ability to meet stringent service levels. If Kaleyra is unable to deploy these solutions successfully or profitably, it could adversely impact its business.

If Kaleyra fails to adapt and respond effectively to rapidly changing technology, evolving industry standards, changing regulations, and changing customer needs, requirements or preferences, Kaleyra's products may become less competitive.

The market for communications in general, and cloud communications in particular, is subject to rapid technological change, evolving industry standards, changing regulations, as well as changing customer needs, requirements and preferences. The success of Kaleyra's business will depend, in part, on Kaleyra's ability to adapt and respond effectively to these changes on a timely basis. If Kaleyra is unable to develop new products that satisfy Kaleyra customers and provide enhancements and new features for Kaleyra's existing products that keep pace with rapid technological and industry change, Kaleyra business, results of operations and financial condition could be adversely affected. If new technologies emerge that are able to deliver competitive products and services at lower prices, more efficiently, more conveniently or more securely, such technologies could adversely impact Kaleyra's ability to compete effectively.

If Kaleyra loses any of its key personnel or is unable to attract and retain the talent required for its business, Kaleyra's business could be disrupted and its financial performance could suffer.

Kaleyra's success is heavily dependent upon its ability to attract, develop, engage, and retain key personnel to manage and grow its business, including Kaleyra's key executive, management, sales, services, and technical personnel.

Kaleyra's future success will depend to a significant extent on the efforts of Kaleyra's executive team including the leadership of Kaleyra's Chief Executive Officer, Dario Calogero, as well as the continued service and support of other key employees. Kaleyra's future success also will depend on its ability to attract and retain highly skilled technology specialists, engineers, and consultants, for whom the market is extremely competitive. All of Kaleyra's officers and key employees are at-will employees, meaning that they can terminate their employment with Kaleyra at any time. Kaleyra's inability to attract, develop, and retain key personnel could have an adverse effect on its relationships with its technology partners and customers and adversely affect Kaleyra's ability to expand its offerings of technology offerings and services. Moreover, Kaleyra's inability to train its sales, services, and technical personnel effectively to meet the rapidly changing technology needs of its customers could cause a decrease in the overall quality and efficiency of such personnel. Such consequences could harm Kaleyra's business.

Kaleyra's ability to attract and retain business and personnel may depend on its reputation in the marketplace.

Kaleyra believes its brand name and its reputation in the marketplace are important corporate assets that help distinguish Kaleyra's technology offerings and services from those of competitors and also contribute to Kaleyra's ability to recruit and retain talented personnel, in particular its engineers and consulting professionals. However, Kaleyra's corporate reputation is potentially susceptible to material damage by events such as disputes with customers, cybersecurity breaches, service outages, internal control deficiencies, delivery failures, or compliance violations. Similarly, Kaleyra's reputation could be damaged by actions or statements of current or former customers, directors, employees, competitors, vendors, partners, Kaleyra's joint ventures or joint venture partners, adversaries in legal proceedings, legislators, or government regulators, as well as members of the investment community or the media. There is a risk that negative information about Kaleyra, even if based on rumor or misunderstanding, could adversely affect its business. Damage to Kaleyra's reputation could be difficult, expensive and time-consuming to repair, could make potential or existing customers reluctant to select Kaleyra for new engagements, resulting in a loss of business, and could adversely affect Kaleyra's recruitment and retention efforts. Damage to Kaleyra's reputation could also reduce the value and effectiveness of Kaleyra's brand name and could reduce investor confidence in Kaleyra, adversely affecting its share price.

Kaleyra has experienced rapid internal growth as well as growth through acquisitions in recent periods and will experience further growth through the intended acquisition of mGage. If Kaleyra fails to manage its growth effectively, or its business does not grow as expected, Kaleyra's operating results may suffer.

Kaleyra's headcount and operations have grown substantially. Kaleyra had 350 employees as of December 31, 2020, as compared with 267 employees as of December 31, 2019. This growth has placed, and will continue to place, a significant strain on Kaleyra's operational, financial, and management infrastructure. Kaleyra anticipates further increases in headcount will be required to support increases in its technology offerings and continued expansion, including as a result of the Merger and the acquisition of mGage. To manage this growth effectively, Kaleyra must continue to improve its operational, financial, and management systems and controls by, among other things:

- effectively attracting, training, and integrating a large number of new employees, particularly technical personnel and members of Kaleyra's management and sales teams;
- further improving Kaleyra's key business systems, processes, and information technology infrastructure to support Kaleyra's business needs;
- enhancing Kaleyra's information and communication systems to ensure that Kaleyra's employees are well-coordinated and can effectively communicate with each other and Kaleyra's customers; and
- improving Kaleyra's internal control over financial reporting and disclosure controls and procedures to ensure timely and accurate reporting of Kaleyra's operational and financial results.

If Kaleyra fails to manage its expansion or implement Kaleyra's new systems, or if Kaleyra fails to implement improvements or maintain effective internal controls and procedures, Kaleyra's costs and expenses may increase more than expected and Kaleyra may not expand its client base, increase existing customer volumes and renewal rates, enhance its existing applications, develop new applications, satisfy its customers, respond to competitive pressures, or otherwise execute its business plan. If Kaleyra is unable to manage its growth, Kaleyra's operating results likely will be harmed.

Future acquisitions, including the acquisition of mGage, could disrupt Kaleyra's business and may divert management's attention, and if unsuccessful, harm Kaleyra's business.

Kaleyra has entered into the Merger Agreement to acquire mGage, and may choose to expand by making additional acquisitions that could be material to its business. Acquisitions involve many risks, including the following:

- an acquisition may negatively affect Kaleyra's results of operations and financial condition because it may require Kaleyra to incur charges or assume substantial debt or other liabilities, may cause adverse tax consequences or unfavorable accounting treatment, may expose Kaleyra to claims and disputes by third parties, including intellectual property claims and disputes, or may not generate sufficient financial return to offset additional costs and expenses related to the acquisition;
- Kaleyra may encounter difficulties or unforeseen expenditures in integrating the business, technologies, products, personnel, or operations of any company that it acquires, particularly if key personnel of the acquired company decide not to work for Kaleyra;
- an acquisition may disrupt its ongoing business, divert resources, increase Kaleyra's expenses, or distract its management;
- an acquisition may result in a delay or reduction of client purchases for both Kaleyra and the company it acquired due to client uncertainty about continuity and effectiveness of service from either company;
- Kaleyra may encounter difficulties in, or may be unable to, successfully sell any acquired technology offerings or services;
- an acquisition may involve the entry into geographic or business markets in which Kaleyra has little or no prior experience or where competitors have stronger market positions;

- the challenges inherent in effectively managing an increased number of employees in diverse locations;
- the potential strain on its financial and managerial controls and reporting systems and procedures;
- the potential known and unknown liabilities associated with an acquired company;
- Kaleyra's use of cash to pay for acquisitions would limit other potential uses for its cash;
- if Kaleyra incurs additional debt to fund such acquisitions, such debt may subject Kaleyra to additional material restrictions on its ability to conduct its business as well as additional financial maintenance covenants;
- the risk of impairment charges related to potential write-downs of acquired assets or goodwill in future acquisitions;
- to the extent that Kaleyra issues a significant amount of equity or equity-linked securities in connection with future acquisitions, existing stockholders may be diluted and earnings per share may decrease; and
- managing the varying intellectual property protection strategies and other activities of an acquired company.

Kaleyra may not succeed in addressing these or other risks or any other problems encountered in connection with the integration of any acquired business. The inability to integrate successfully the business, technologies, products, personnel, or operations of any acquired business, or any significant delay in achieving integration, could harm its business and results of operations.

The combination of the Kaleyra and mGage businesses may not lead to the growth and success of the combined business that Kaleyra believes will occur.

Although Kaleyra believes the combination of the Kaleyra and mGage businesses provides a significant commercial opportunity for growth, Kaleyra may not realize all of the synergies that it anticipates and may not be successful in implementing its commercialization strategy. The combined business will be subject to all of the risks and uncertainties inherent in the pursuit of growth in the CPaaS industry and Kaleyra may not be able to successfully sell its and mGage's products and services, or realize the anticipated benefits expected as part of the combination of the two businesses. If Kaleyra is not able to grow the combined business as a commercial enterprise, its financial condition will be negatively impacted.

Although we expect to realize certain benefits as a result of the proposed Merger, there is the possibility that following the Merger we may be unable to integrate successfully the business of mGage to realize the anticipated benefits of the Merger or do so within the intended timeframe.

We will be required to devote significant management attention and resources to integrating the business practices and operations of mGage with ours. Due to legal restrictions, prior to the closing of the Merger, we and mGage have only been able to conduct limited planning regarding the integration of mGage into Kaleyra after completion of the Merger and we have not yet determined the exact nature of how the businesses and operations of mGage will be run following the Merger. Potential difficulties we may encounter as part of the integration process include the following:

- the costs of integration and compliance and the possibility that the full benefits anticipated to result from the proposed Merger will not be realized;
- any delay in the integration of management teams, strategies, operations, products and services;
- diversion of the attention of management as a result of the Merger;
- lack of going-forward commitment of mGage customers, based on fatigue, loss of trust, disapproval or the directions of mGage pre-acquisition, or Kaleyra post-acquisition;
- loss of customers that will consider Kaleyra to be a competitor post-acquisition, or due to the acquisition of a customer by a competitor to Kaleyra;

- differences in business backgrounds, corporate cultures and management philosophies that may delay successful integration;
- the ability to create and enforce uniform standards, controls, procedures, policies and information systems;
- the challenge of integrating complex systems, technology, networks and other assets of mGage into those of Kaleyra in a manner that minimizes any adverse impact on customers, suppliers, employees and other constituencies;
- potential unknown liabilities and unforeseen increased expenses or delays associated with the Merger, including costs to integrate mGage;
- the disruption of, or the loss of momentum in, our ongoing businesses; and
- the potential unknown and undisclosed technical deficiencies and lack of required features and functionalities at the mGage products and services that will prevent the deployment and sale of those products and services. It is only through our interactions with the customers during the months following the acquisition that we will be able to define whether our products are salable and deployable whatsoever, or are not competitive, and hence will not be capable of generating meaningful revenue.

Any of these factors could adversely affect the ability of Kaleyra following the Merger to benefit financially from the Merger, maintain relationships with customers, suppliers, employees and other constituencies or its ability to achieve the anticipated benefits of the Merger or could reduce or even completely diminish the earnings or otherwise adversely affect the business and financial results of Kaleyra after the Merger.

The proposed Merger may not be accretive, or even dilutive and may cause dilution to Kaleyra's earnings per share, which may harm the market price of Kaleyra common stock following the Merger.

While the proposed Merger is expected to be accretive to Kaleyra's future earnings per share, there can be no assurance with respect to the timing and scope of the accretive effect or whether it will be accretive at all. Kaleyra following the Merger could encounter additional transaction and integration-related costs or other factors such as the failure to realize all of the benefits anticipated in the Merger or a downturn in its business. All of these factors could cause dilution to Kaleyra's earnings per share following the Merger, decrease the expected accretive effect of the Merger or even cause meaningful losses to Kaleyra, and cause a decrease in the price of shares of Kaleyra common stock following the Merger.

Kaleyra following the proposed Merger will incur significant transaction and integration related costs in connection with the Merger.

Kaleyra expects to incur costs associated with integrating the operations of mGage following the closing of the proposed Merger. The amount of these costs could be material to the financial position and results of operations of Kaleyra following the Merger. A substantial amount of such expenses will be comprised of transaction costs related to the Merger, facilities and systems consolidation costs, and employee-related costs. Kaleyra will also incur fees and costs related to formulating integration plans and performing these activities. Additional unanticipated costs may be incurred in the integration of the two companies' businesses. The elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may not offset incremental transaction and other integration related costs in the near term.

Kalerya may not have discovered undisclosed liabilities and product deficiencies of mGage.

Kaleyra's due diligence review of mGage may not have discovered undisclosed liabilities and product and service deficiencies of mGage. If mGage has undisclosed liabilities or product or service deficiencies, Kaleyra as a successor owner may be responsible for such undisclosed liabilities. Kaleyra has tried to control its exposure to undisclosed liabilities by obtaining certain protections as contemplated and provided for under the Merger Agreement, including representations and warranties from mGage regarding undisclosed liabilities, however, such representations and warranties expire by their terms on the completion of the Merger. There can be no assurance that such provisions in the Merger Agreement will protect Kaleyra against any undisclosed liabilities or product or service deficiencies being discovered or provide an adequate remedy for any undisclosed liabilities that are discovered. Such undisclosed liabilities could have an adverse effect on the business and results of operations of Kaleyra and may adversely affect the value of Kaleyra common stock after the consummation of the Merger.

Uncertainties associated with the Merger may cause a loss of employees and may otherwise materially adversely affect the future business and operations of Kaleyra following the Merger.

Kaleyra's success following the Merger will depend upon the ability of Kaleyra to retain senior management and key employees of Kaleyra and mGage following the Merger. In some of the fields in which Kaleyra and mGage operate, there are only a limited number of people in the job market who possess the requisite skills, and it may be increasingly difficult for Kaleyra following the Merger to hire personnel over time. Kaleyra following the Merger will operate in many geographic locations where the labor markets, especially for software engineers, are particularly competitive.

Current and prospective employees of Kaleyra and mGage may experience uncertainty about their roles with Kaleyra following the Merger. In addition, key employees may depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain with Kaleyra following the Merger. The loss of services of certain senior management or key employees of Kaleyra and mGage or the inability to hire new personnel with the requisite skills could restrict the ability of Kaleyra following the Merger to develop new products or enhance existing products in a timely manner, or to sell products to customers or to manage the business of Kaleyra following the Merger effectively. Also, the business, financial condition and results of operations of Kaleyra following the Merger could be materially adversely affected by the loss of any of its key employees, by the failure of any key employee to perform in his or her current position, or by Kaleyra's inability to attract and retain skilled employees, particularly engineers.

Kaleyra may experience quarterly fluctuations in its operating results due to a number of factors, which makes its future results difficult to predict and could cause its operating results to fall below expectations.

Kaleyra's quarterly operating results have fluctuated in the past and Kaleyra expects them to fluctuate in the future due to a variety of factors, many of which are outside of Kaleyra's control. As a result, Kaleyra's past results may not be indicative of its future performance and comparing Kaleyra's operating results on a period-to-period basis may not be meaningful. In addition to the other risks described in this Annual Report, factors that may affect Kaleyra's quarterly operating results include:

- changes in spending on collaboration and technology offerings and services by Kaleyra's current or prospective customers;
- pricing Kaleyra's technology offerings and services effectively so that Kaleyra is able to attract and retain customers without compromising its operating results;
- attracting new customers and increasing Kaleyra's existing customers' use of Kaleyra's technology offerings and services;
- the mix between wholesale and retail maintenance new contracts and renewals;
- client renewal rates and the amounts for which agreements are renewed;
- seasonality and its effect on client demand;
- awareness of Kaleyra's brand;
- changes in the competitive dynamics of Kaleyra's market, including consolidation among competitors or customers and the introduction of new technologies and technology enhancements;
- changes to the commission plans, quotas, and other compensation-related metrics for Kaleyra's sales representatives;
- the amount and timing of payment for operating expenses, particularly sales and marketing expense;
- Kaleyra's ability to manage its existing business and future growth, domestically and internationally;
- unforeseen costs and expenses related to the expansion of Kaleyra's business, operations, and infrastructure, including disruptions in Kaleyra's hosting network infrastructure and privacy and data security; and

- general economic and political conditions in Kaleyra's domestic and international markets.

Kaleyra may not be able to accurately forecast the amount and mix of future technology offerings and services, size or duration of contracts, revenue, and expenses and, as a result, Kaleyra's operating results may fall below its estimates. Risks related to confidentiality and security provisions or privacy laws will increase as Kaleyra continues to grow its cloud-based offerings and services and store and process increasingly large amounts of Kaleyra's customers' confidential information and data and host or manage parts of Kaleyra's customers' businesses, especially in industries involving particularly sensitive data such as the financial services industry and the healthcare industry. The loss or unauthorized disclosure of sensitive or confidential client or employee data, including personal data, whether through breach of computer systems, systems failure, employee negligence, fraud or misappropriation, or otherwise, could damage Kaleyra's reputation and cause it to lose customers. Similarly, unauthorized access to or through Kaleyra's information systems and networks or those Kaleyra develops or manages for its customers, whether by Kaleyra's employees or third parties, could result in negative publicity, legal liability, and damage to Kaleyra's reputation, which could in turn harm Kaleyra's business and results of operations.

If Kaleyra causes disruptions in its customers' businesses or provides inadequate service, Kaleyra's customers may have claims for substantial damages against Kaleyra, which could cause Kaleyra to lose customers, have a negative effect on Kaleyra's reputation, and adversely affect its results of operations.

If Kaleyra makes errors in the course of delivering services for its customers or business partners, or fails to consistently meet its service level obligations or other service requirements of Kaleyra's customers, these errors or failures could disrupt Kaleyra's client's business, which could result in a reduction in its revenue or a claim for substantial damages against Kaleyra. In addition, a failure or inability by Kaleyra to meet a contractual requirement could subject Kaleyra to penalties, cause Kaleyra to lose customers or damage Kaleyra's brand or corporate reputation, and limit Kaleyra's ability to attract new business.

The services Kaleyra provides are often critical to Kaleyra's customers' businesses. Certain of Kaleyra's client contracts require Kaleyra to comply with security obligations including maintaining network security and backup data, ensuring Kaleyra's network is virus-free, maintaining business continuity planning procedures, and verifying the integrity of employees that work with Kaleyra's customers by conducting background checks. Any failure in a client's system, failure of Kaleyra's data center, cloud or other offerings, or breach of security relating to the services Kaleyra provides to the client could damage Kaleyra's reputation or result in a claim for substantial damages against Kaleyra. Any significant failure of Kaleyra's equipment or systems, or any major disruption to basic infrastructure in the locations in which Kaleyra operates, such as power and telecommunications, could impede Kaleyra's ability to provide services to Kaleyra's customers, have a negative impact on Kaleyra's reputation, cause Kaleyra to lose customers, and adversely affect its results of operations.

Under Kaleyra's client contracts, Kaleyra's liability for breach of its obligations is in some cases limited pursuant to the terms of the contract. Such limitations may be unenforceable or otherwise may not protect it from liability for damages. In addition, certain liabilities, such as claims of third parties for which Kaleyra may be required to indemnify its customers, are generally not limited under Kaleyra's contracts. The successful assertion of one or more large claims against Kaleyra in amounts greater than those covered by Kaleyra's current insurance policies could harm Kaleyra's financial condition. Even if such assertions against it are unsuccessful, Kaleyra may incur reputational harm and substantial legal fees.

Kaleyra's technology offerings and services could infringe upon the intellectual property rights of others or Kaleyra might lose its ability to utilize the intellectual property of others.

Kaleyra cannot be sure that its brand, technology offerings, and services, including, for example, the software solutions of others that Kaleyra offers to its customers, do not infringe on the intellectual property rights of third parties, and these third parties could claim that Kaleyra or its customers are infringing upon their intellectual property rights. These claims could harm Kaleyra's reputation, cause Kaleyra to incur substantial costs or prevent Kaleyra from offering some services or solutions in the future or require Kaleyra to rebrand. Any related proceedings could require Kaleyra to expend significant resources over an extended period of time. In most of Kaleyra's contracts, Kaleyra agrees to indemnify its customers for expenses and liabilities resulting from claimed infringements of the intellectual property rights of third parties. Any claims or litigation in this area, regardless of merit, could be time-consuming and costly, damage Kaleyra's reputation, and/or require Kaleyra to incur additional costs to obtain the right to continue to offer a service or solution to its customers. If Kaleyra cannot secure this right at all or on reasonable terms, or, alternatively, substitute a non-infringing technology, Kaleyra's business, results of operations, or financial condition could be harmed. Similarly, if Kaleyra is unsuccessful in defending a trademark claim, Kaleyra could be forced to re-brand, which could harm its business, results of operations, or financial condition. Additionally, in recent years, individuals and firms have purchased intellectual property assets where their sole or primary purpose is to assert claims of infringement against technology providers and customers that use such technology. Any such action naming Kaleyra or its customers could be costly to defend or lead to an expensive settlement or judgment against Kaleyra. Moreover, such an action could result in an injunction being ordered against Kaleyra's client or Kaleyra's own services or operations, causing further damages.

If Kaleyra is unable to protect its intellectual property rights from unauthorized use or infringement by third parties, its business could be adversely affected.

Kaleyra's success depends, in part, upon its ability to protect its proprietary methodologies and other intellectual property. Existing laws offer only limited protection of Kaleyra's intellectual property rights, and the protection in some countries in which Kaleyra operates or may operate in the future may be very limited. Kaleyra relies upon a combination of confidentiality policies, nondisclosure and other contractual arrangements, and trade secret, copyright, and trademark laws to protect its intellectual property rights. These laws are subject to change at any time and could further limit its ability to protect its intellectual property. There is uncertainty concerning the scope of available intellectual property protection for software and business methods, which are fields in which Kaleyra relies on intellectual property laws to protect its rights. The validity and enforceability of any intellectual property right Kaleyra obtains may be challenged by others and, to the extent it has enforceable intellectual property rights, those intellectual property rights may not prevent competitors from reverse engineering its proprietary information or independently developing technology offerings and services similar to or duplicative of Kaleyra. Further, the steps Kaleyra takes in this regard might not be adequate to prevent or deter infringement or other misappropriation of its intellectual property by competitors, former employees or other third parties, and Kaleyra might not be able to detect unauthorized use of, or take appropriate and timely steps to enforce, its intellectual property rights. Enforcing Kaleyra's rights might also require considerable time, money, and oversight, and Kaleyra may not be successful in enforcing its rights.

Kaleyra's use of open source software could negatively affect its ability to sell Kaleyra's products and subject Kaleyra to possible litigation.

Kaleyra's products and Platform incorporate open source software, and Kaleyra expects to continue to incorporate open source software in its products and Platform in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on Kaleyra's ability to commercialize its products and Platform. Moreover, although Kaleyra has implemented policies to regulate the use and incorporation of open source software into Kaleyra's products and Platform, Kaleyra cannot be certain that it has not incorporated open source software in Kaleyra products or Platform in a manner that is inconsistent with such policies. If Kaleyra fails to comply with open source licenses, Kaleyra may be subject to certain requirements, including requirements that it offer Kaleyra's products that incorporate the open source software for no cost, that Kaleyra make available source code for modifications or derivative works Kaleyra creates based upon, incorporating or using the open source software and that it license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that Kaleyra has not complied with the conditions of one or more of these licenses, Kaleyra could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from generating revenue from customers using products that contained the open source software and required to comply with onerous conditions or restrictions on these products. In any of these events, Kaleyra and its customers could be required to seek licenses from third parties in order to continue offering Kaleyra's products and Platform and to re-engineer Kaleyra's products or Platform or discontinue offering its products to customers in the event re-engineering cannot be accomplished on a timely basis. Any of the foregoing could require Kaleyra to devote additional research and development resources to re-engineer Kaleyra's products or Platform, which could result in customer dissatisfaction and could harm Kaleyra's business.

If Kaleyra is unable to collect its receivables from, or bill its unbilled services to its customers, its business and results of operations could be adversely affected.

Kaleyra's business depends on its ability to successfully obtain payment from its customers of the amounts they owe Kaleyra for technology offerings sold or services performed. Kaleyra typically evaluates the financial condition of its customers and usually bills and collects on relatively short cycles. Kaleyra maintains allowances against receivables and unbilled services. Actual losses on client balances could differ from those that Kaleyra currently anticipate and, as a result, Kaleyra might need to adjust its allowances. There is no guarantee that Kaleyra will accurately assess the creditworthiness of its customers. Macroeconomic conditions could also result in financial difficulties for Kaleyra's customers, including limited access to the credit markets, insolvency, or bankruptcy, and, as a result, could cause customers to delay payments to Kaleyra, request modifications to their payment arrangements that could increase Kaleyra's receivables balance, or default on their payment obligations to Kaleyra. Timely collection of client balances also depends on Kaleyra's ability to complete its contractual commitments and bill and collect its contracted revenue. If Kaleyra is unable to meet its contractual requirements, it might experience delays in collection of and/or be unable to collect its client balances. In addition, if Kaleyra experiences an increase in the time to bill and to collect for its services, Kaleyra's cash flows could be negatively impacted.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. Furthermore, the most recent global financial crisis caused extreme volatility and disruptions in the capital and credit markets. A severe or prolonged economic downturn, including due to the impact of the COVID-19 pandemic, could result in a variety of risks to our business, including a reduced ability to raise additional capital when needed on acceptable terms, or at all. Any of the foregoing could arm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

Kaleyra's products and Platform and its business are subject to a variety of U.S. and international laws and regulations, including those regarding data protection and information security, and Kaleyra customers may be subject to regulations related to the handling and transfer of certain types of sensitive and confidential information. Any failure of Kaleyra's products to comply with or enable its customers and channel partners to comply with applicable laws and regulations could harm Kaleyra's business.

Kaleyra and its customers that use Kaleyra's products may be subject to data protection-related laws and regulations that impose obligations in connection with the collection, processing and use of personal data, financial data, health or other similar data. The U.S. federal and various state and foreign governments have adopted or proposed limitations on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information of individuals. The U.S. Federal Trade Commission and numerous state attorneys general are applying federal and state consumer protection laws to impose standards on the online collection, use and dissemination of data, and to the security measures applied to such data.

Similarly, many foreign countries and governmental bodies, including the EU member states, have laws and regulations concerning the collection and use of personally identifiable information obtained from individuals located in the EU or by businesses operating within their jurisdiction, which are often more restrictive than those in the U.S. laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personally identifiable information that identifies or may be used to identify an individual, such as names, telephone numbers, message addresses and, in some jurisdictions, IP addresses and other online identifiers.

For example, in April 2016 the EU adopted the GDPR, which took full effect on May 25, 2018. GDPR enhances data protection obligations for businesses and requires service providers (data processors) processing personal data on behalf of customers to cooperate with European data protection authorities, implement security measures and keep records of personal data processing activities. Noncompliance with the GDPR can trigger fines equal to or greater of €20 million or 4% of global annual revenues. Given the breadth and depth of changes in data protection obligations, preparing to meet the requirements of GDPR has required significant time and resources, including a review of Kaleyra's technology and systems currently in use against the requirements of GDPR. There are also additional EU laws and regulations (and member states' implementations thereof) which govern the protection of consumers and of electronic communications. If Kaleyra's efforts to comply with GDPR or other applicable EU laws and regulations are not successful, Kaleyra may be subject to penalties and fines that would adversely impact Kaleyra's business and results of operations, and Kaleyra's ability to conduct business in the EU could be significantly impaired.

Furthermore, outside of the EU, Kaleyra continues to see increased regulation of data privacy and security, including the adoption of more stringent subject matter specific state laws in the U.S. For example, on June 28, 2018, California enacted the CCPA, which took effect on January 1, 2020. The CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase Kaleyra's compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent state privacy legislation in the U.S., which could increase Kaleyra's potential liability and adversely affect its business.

Kaleyra continues to see jurisdictions imposing data localization laws, which require personal information, or certain subcategories of personal information to be stored in the jurisdiction of origin. These regulations may inhibit Kaleyra's ability to expand into those markets or prohibit Kaleyra from continuing to offer services in those markets without significant additional costs. The uncertainty and changes in the requirements of multiple jurisdictions may increase the cost of compliance, delay or reduce demand for Kaleyra's services, restrict Kaleyra's ability to offer services in certain locations, impact Kaleyra's customers' ability to deploy its solutions in certain jurisdictions, or subject Kaleyra to sanctions, by national data protection regulators.

Additionally, although Kaleyra endeavors to have its products and Platform comply with applicable laws and regulations, these and other obligations may be modified, they may be interpreted and applied in an inconsistent manner from one jurisdiction to another, and they may conflict with one another, other regulatory requirements, contractual commitments or Kaleyra's internal practices.

Kaleyra also may be bound by contractual obligations relating to its collection, use and disclosure of personal, financial and other data or may find it necessary or desirable to join industry or other self-regulatory bodies or other privacy- or data protection-related organizations that require compliance with their rules pertaining to privacy and data protection.

Kaleyra expects that there will continue to be new proposed laws, rules of self-regulatory bodies, regulations and industry standards concerning privacy, data protection and information security in the U.S, the EU and other jurisdictions, and Kaleyra cannot yet determine the impact such future laws, rules, regulations and standards may have on Kaleyra's business. Moreover, existing U.S. federal and various state and foreign privacy- and data protection-related laws and regulations are evolving and subject to potentially differing interpretations, and various legislative and regulatory bodies may expand current or enact new laws and regulations regarding privacy- and data protection-related matters. Because global laws, regulations and industry standards concerning privacy and data security have continued to develop and evolve rapidly, it is possible that Kaleyra or its products or Platform may not be, or may not have been, compliant with each such applicable law, regulation and industry standard and compliance with such new laws or to changes to existing laws may impact Kaleyra's business and practices, requires Kaleyra to expend significant resources to adapt to these changes, or to stop offering Kaleyra's products in certain countries. These developments could harm Kaleyra's business.

Any failure or perceived failure by Kaleyra, its products or its Platform to comply with new or existing U.S., EU or other foreign privacy or data security laws, regulations, policies, industry standards or legal obligations, or any security incident that results in the unauthorized access to, or acquisition, release or transfer of, personally identifiable information or other customer data may result in governmental investigations, inquiries, enforcement actions and prosecutions, private litigation, fines and penalties, adverse publicity or potential loss of business.

Kaleyra is subject to privacy and data security obligations in the U.S. Any failure to comply with applicable laws, regulations or contractual obligations may harm Kaleyra's business. The Federal Communications Commission ("FCC"), other federal agencies or state attorneys general could fine or subject Kaleyra to other adverse actions that may negatively impact Kaleyra's business reputation. If Kaleyra is subject to an investigation or suffers a breach, Kaleyra may incur costs or be subject to forfeitures and penalties that could reduce Kaleyra's profitability.

Kaleyra is subject to privacy and data security laws and regulations that impose obligations in connection with the collection, processing and use of personal data. Federal and state laws or proposed laws impose limits on, or requirements regarding, the collection, distribution, use, security and storage of personally identifiable information ("PII") of individuals. Kaleyra sees increased regulation of data privacy and security, including the adoption of more stringent subject matter specific state laws in the U.S. For example, in 2018, California enacted the CCPA, which became effective on January 1, 2020. As discussed in the above Risk Factor, the CCPA gives California residents expanded rights to access and delete their personal information, opt out of certain personal information sharing, and receive detailed information about how their personal information is used. The CCPA provides for civil penalties for violations, as well as a private right of action for data breaches that is expected to increase data breach litigation. The CCPA may increase Kaleyra's compliance costs and potential liability. Some observers have noted that the CCPA could mark the beginning of a trend toward more stringent state privacy legislation in the U.S., which could increase Kaleyra's potential liability and adversely affect its business.

Kaleyra also may be bound by contractual obligations relating to Kaleyra's collection, use and disclosure of personal data or may find it necessary or desirable to join industry or other self-regulatory bodies or other privacy or security related organizations that require compliance with their rules pertaining to privacy and data protection.

Kaleyra is subject to individual or joint jurisdiction of the FCC, the Federal Trade Commission, and state attorneys general with respect to privacy and data security obligations. If Kaleyra was to suffer or if one of Kaleyra's customers were to suffer a breach, Kaleyra may be subject to the jurisdiction of a variety of federal agencies' jurisdictions as well as state attorneys general. Kaleyra may have to comply with a variety of data breach laws at the federal and state levels, comply with any resulting investigations, as well as offer mitigation to customers and potential end-users of certain customers to which Kaleyra provides services. Kaleyra could also be subject to fines, forfeitures and other penalties that may adversely impact Kaleyra's business.

Any failure or perceived failure by Kaleyra, its products or its Platform to comply with new or existing U.S. privacy or data security laws, regulations, policies, industry standards or contractual or legal obligations, or any security incident that results in the unauthorized access to, or acquisition, release or transfer of, PII or other customer data may result in governmental investigations, inquiries, enforcement actions and prosecutions, private litigation, fines and penalties, adverse publicity or potential loss of business.

The storage, processing and use of personal information and related data subjects Kaleyra to evolving governmental laws and regulation, commercial standards, contractual obligations and other legal obligations related to consumer and data privacy, which may have a material impact on Kaleyra's costs, use of Kaleyra's services, or expose Kaleyra to increased liability.

U.S. federal, state, local and foreign laws and regulations, commercial obligations and industry standards, each provide for obligations and restrictions with respect to data privacy and security, as well as the collection, storage, retention, protection, use, processing, transmission, sharing, disclosure and protection of personal information and other customer data, including customer proprietary network information under applicable federal law. The evolving nature of these obligations and restrictions subjects Kaleyra to the risk of differing interpretations, inconsistency or conflicts among countries or rules, and creates uncertainty regarding their application to Kaleyra's business.

These obligations and restrictions may limit Kaleyra's ability to collect, store, process, use, transmit and share data with Kaleyra's customers, employees and third-party providers and to allow Kaleyra's customers to collect, store, retain, protect, use, process, transmit, share and disclose data with others through Kaleyra's services. Compliance with, and other burdens imposed by, such obligations and restrictions could increase the cost of Kaleyra's operations and impact its ability to market its services through effective segmentation.

Failure to comply with obligations and restrictions related to applicable data protection laws, regulations, standards, and codes of conduct, as well as Kaleyra's own posted privacy policies and contractual commitments could subject Kaleyra to lawsuits, fines, criminal penalties, statutory damages, consent decrees, injunctions, adverse publicity, loss of user confidence in Kaleyra's services, and loss of users, which could materially harm Kaleyra's business. Because these obligations and restrictions have continued to develop and evolve rapidly, it is possible that Kaleyra may not be, or may not have been, compliant with each such obligation and restriction. Additionally, third-party contractors may have access to customer or employee data. If these or other third-party vendors violate obligations and restrictions related to applicable data protection laws or Kaleyra's policies, such violations may also put Kaleyra's customers' or employees' information at risk and could in turn harm Kaleyra's business.

Changes in laws or regulations, or a failure to comply with any laws and regulations, may adversely affect Kaleyra's business, investments and results of operations.

Kaleyra is subject to laws, regulations and rules enacted by national, regional and local governments. In particular, Kaleyra is required to comply with certain SEC, NYSE American and other legal or regulatory requirements, including the NYSE American upon the transfer of its listing. Compliance with, and monitoring of, applicable laws, regulations and rules may be difficult, time consuming and costly. Those laws, regulations and rules and their interpretation and application may also change from time to time and those changes could have a material adverse effect on Kaleyra's business, investments and results of operations. In addition, a failure to comply with applicable laws, regulations and rules, as interpreted and applied, could have a material adverse effect on Kaleyra's business and results of operations.

Unfavorable conditions in Kaleyra's industry or the global economy or reductions in spending on information technology and communications could lower Kaleyra's revenue and harm its business.

Kaleyra's results of operations may vary based on the impact of changes in Kaleyra's industry or the global economy on Kaleyra's customers. Kaleyra's results of operations depend in part on demand for information technology and cloud communications. In addition, Kaleyra's revenue is dependent on the usage of Kaleyra's products, which in turn is influenced by the scale of business that Kaleyra's customers are conducting. To the extent that weak economic conditions result in a reduced volume of business for, and communications by, Kaleyra's customers and prospective customers, demand for, and use of, Kaleyra's products may decline. Furthermore, weak economic conditions may make it more difficult to collect on outstanding trade receivables. Kaleyra has generated a portion of its revenue from small and medium-sized businesses, and Kaleyra expects this to continue to increase in the foreseeable future. Small and medium-sized business may be affected by economic downturns to a greater extent than enterprises, and typically have more limited financial resources, including capital borrowing capacity, than enterprises. If Kaleyra's customers reduce their use of Kaleyra's products, or prospective customers delay adoption or elect not to adopt Kaleyra products, as a result of a weak economy, this could lower Kaleyra's revenue and harm its business.

Kaleyra may require additional capital to support Kaleyra's business, and this capital might not be available on acceptable terms, if at all.

Kaleyra intends to continue to make investments to support Kaleyra's business and may require additional funds. In particular, Kaleyra may seek additional funds to develop new products and enhance Kaleyra's Platform and existing products, expand Kaleyra's operations, including Kaleyra's sales and marketing organizations and Kaleyra's presence outside of the U.S., improve Kaleyra's infrastructure or acquire complementary businesses, technologies, services, products and other assets. In addition, Kaleyra may use a portion of its cash to satisfy tax withholding and remittance obligations related to outstanding restricted stock units. Accordingly, Kaleyra may need to engage in equity or debt financings to secure additional funds. If Kaleyra raises additional funds through future issuances of equity or convertible debt securities, in addition to the Financing, Kaleyra's stockholders could suffer significant dilution, and any new equity securities Kaleyra issues could have rights, preferences and privileges superior to those of holders of Kaleyra's common stock. Any debt financing that Kaleyra may secure in the future could involve restrictive covenants relating to Kaleyra's capital raising activities and other financial and operational matters, which may make it more difficult for Kaleyra to obtain additional capital and to pursue business opportunities. Kaleyra may not be able to obtain additional financing on terms favorable to Kaleyra, if at all. If Kaleyra is unable to obtain adequate financing or financing on terms satisfactory to Kaleyra when Kaleyra requires it, Kaleyra's ability to continue to support its business growth, scale its infrastructure, develop product enhancements and to respond to business challenges could be significantly impaired and could harm Kaleyra's business.

Kaleyra's business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and to interruption by man-made problems such as power disruptions, computer viruses, data security breaches or terrorism.

A significant natural disaster, such as an earthquake, fire or flood, occurring at Kaleyra's headquarters, at one of Kaleyra's other facilities or where a business partner is located could adversely affect Kaleyra's business, results of operations and financial condition. Further, if a natural disaster or man-made problem were to affect Kaleyra's service providers, this could adversely affect the ability of Kaleyra's customers to use its products and Platform. In addition, natural disasters and acts of terrorism could cause disruptions in Kaleyra's or its customers' businesses, national economies or the world economy as a whole. Kaleyra also rely on its network and third-party infrastructure and enterprise applications and internal technology systems for Kaleyra's engineering, sales and marketing, and operations activities. Although Kaleyra maintains incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, Kaleyra may be unable to continue its operations and may endure system interruptions, reputational harm, delays in Kaleyra's development activities, lengthy interruptions in service, breaches of data security and the loss of critical data.

In addition, computer malware, viruses and computer hacking, fraudulent use attempts and phishing attacks have become more prevalent in Kaleyra's industry, have occurred on Kaleyra's Platform in the past and may occur on Kaleyra's Platform in the future. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, any failure to maintain performance, reliability, security, integrity and availability of Kaleyra's products and technical infrastructure to the satisfaction of Kaleyra's users may harm Kaleyra's reputation and Kaleyra's ability to retain existing users and attract new users.

Kaleyra is unable to predict the extent to which the global COVID-19 pandemic may adversely impact Kaleyra's business operations, financial performance, results of operations and stock price.

The COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all of the regions in which Kaleyra sells its products and services and conduct its business operations. Kaleyra also has its headquarters in Milan, Italy, which has been severely affected by the first wave of COVID-19 and the resulting government lockdowns to attempt to contain the spread of COVID-19. A second wave of COVID-19 pandemic is currently affecting a large number of countries across the globe, and additional government restrictions are expected to reduce the resurgence in the pandemic infections. The magnitude and duration of the resulting decline in business activity cannot currently be estimated with any degree of certainty and threatens to (1) negatively impact the demand for its products and services, especially in those locations subject to "shelter in place" restrictions or similar government orders, (2) restrict its sales operations and marketing efforts, and (3) disrupt other important business activities in its various locations, some of which are also in areas affected by COVID-19. For example, in response to the COVID-19 pandemic, certain industry events that Kaleyra sponsors or at which Kaleyra presents or at which we present and certain customer events have been canceled, postponed or moved to virtual-only experiences; Kaleyra is encouraging all of its encouraging all of our employees to work remotely; and Kaleyra may deem it advisable to similarly alter, postpone or cancel entirely additional customer, employee or industry events in the future. Additionally, Kaleyra may see its services carrying less revenue-generating traffic in areas subject to "shelter in place" restrictions or related government orders as the population of those areas refrain from traveling and normal commerce activities. Accordingly, Kaleyra expects the COVID-19 pandemic to potentially have a negative impact on its sales and its results of operations in those areas adversely affected by COVID-19, the size and duration of which Kaleyra are currently unable to predict. In addition, Kaleyra's implementation of business continuity plans in a fast-moving public health emergency could have an adverse effect on its internal controls (potentially giving rise to significant discrepancies or material weaknesses) and increase our vulnerability to information technology and other systems discrepancies. Furthermore, concerns over the economic impact of COVID-19 have caused extreme volatility in financial and other capital markets which has and may continue to adversely impact Kaleyera's stock price and its ability to access capital.

If Kaleyra's goodwill or intangible assets become impaired, Kaleyra may be required to record a significant charge to earnings.

Kaleyra reviews its intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. As of December 31, 2020, Kaleyra carried a net $24.2 million of goodwill and intangible assets, net. An adverse change in market conditions, particularly if such change has the effect of changing one of Kaleyra's critical assumptions or estimates, could result in a change to the estimation of fair value that could result in an impairment charge to Kaleyra's goodwill or intangible assets. Any such charges may adversely affect Kaleyra's results of operations.

Changes in the international and U.S. taxation business activities or the adoption of other tax reform policies could materially impact Kaleyra's business, results of operations and financial condition.

Changes to tax laws in jurisdictions where Kaleyra currently does business may be enacted in the future and could impact the tax treatment of Kaleyra's earnings. Due to the expansion of Kaleyra's business activities into new geographic regions, any changes in the taxation of such activities may increase Kaleyra's worldwide effective tax rate. An increase in overall tax rate could reduce Kaleyra's cash flow and lower Kaleyra's overall profitability.

Kaleyra's ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited.

As of December 31, 2020, Kaleyra had federal, state and foreign net operating loss ("NOL") carryforwards totaling $27.5 million, $27.8 million and $7.2 million, respectively. However, Kaleyra's ability to utilize these NOLs to offset taxable income may be limited in the future. A corporation that undergoes an "ownership change" is typically subject to limitations on its ability to utilize its pre-ownership change NOLs to offset future taxable income. In general, under the U.S. Internal Revenue Code of 1986, as amended (the "Code"), an ownership change occurs if the aggregate stock ownership of certain stockholders (generally 5% stockholders, applying certain look-through and aggregation rules) increases by more than 50 percentage points over such stockholders' lowest percentage ownership during the testing period (generally three years). Purchases or sales of Kaleyra's common stock in amounts greater than specified levels could create a limitation on Kaleyra's ability to utilize our NOLs for tax purposes in the future. Limitations imposed on Kaleyra's ability to utilize NOLs could cause U.S. federal and state income taxes to be paid earlier than would be paid if such limitations were not in effect.

Furthermore, Kaleyra may not be able to generate sufficient taxable income to utilize Kaleyra's NOLs before they expire. In addition, NOLs incurred in one state generally are not available to offset income earned in a different state and there may be periods during which the use of NOLs is suspended or otherwise limited for state tax purposes, which could accelerate or permanently increase state taxes owed.

Kaleyra's global operations and structure subject Kaleyra to potentially adverse tax consequences.

Kaleyra generally conducts Kaleyra global operations through subsidiaries and report Kaleyra's taxable income in various jurisdictions worldwide based upon Kaleyra's business operations in those jurisdictions. In particular, Kaleyra's intercompany relationships are subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Also, Kaleyra's tax expense could be affected depending on the applicability of withholding and other taxes (including withholding and indirect taxes on software licenses and related intercompany transactions) under the tax laws of certain jurisdictions in which Kaleyra has business operations. The relevant revenue and taxing authorities may disagree with positions Kaleyra has taken generally, or Kaleyra's determinations as to the value of assets sold or acquired or income and expenses attributable to specific jurisdictions. If such a disagreement were to occur, and Kaleyra's position were not sustained, Kaleyra could be required to pay additional taxes, interest and penalties, which could result in one-time tax charges, higher effective tax rates, reduced cash flows and lower overall profitability of Kaleyra's operations.

Certain government agencies in jurisdictions where Kaleyra and its affiliates do business have had an extended focus on issues related to the taxation of multinational companies. In addition, the Organization for Economic Co-operation and Development is conducting a project focused on base erosion and profit shifting in international structures, which seeks to establish certain international standards for taxing the worldwide income of multinational companies. As a result of these developments, the tax laws of certain countries in which Kaleyra and its affiliates do business could change on a prospective or retroactive basis, and any such changes could increase Kaleyra's liabilities for taxes, interest and penalties, and therefore could harm Kaleyra's business, cash flows, results of operations and financial position.

If Kaleyra is not able to maintain and enhance Kaleyra's brand and increase market awareness of Kaleyra and its services, then Kaleyra's business could be harmed.

Kaleyra believes that maintaining and enhancing Kaleyra's brand identity and increasing market awareness of Kaleyra and its services are critical to achieving widespread acceptance of Kaleyra and its Platform, as well as to strengthen Kaleyra's relationships with its existing customers and to Kaleyra's ability to attract new customers. The successful promotion of Kaleyra's brand will depend largely on Kaleyra's continued marketing efforts, Kaleyra's ability to continue to offer high quality services and Kaleyra's ability to successfully differentiate Kaleyra's services from competing products and services. Kaleyra's brand promotion activities may not be successful or yield increased revenue. In addition, independent industry analysts often provide reviews of Kaleyra's services and competing products and services, which may significantly influence the perception of Kaleyra's services in the marketplace. If these reviews are negative or not as strong as reviews of Kaleyra's competitors' services, then Kaleyra's brand may be harmed.

From time to time, Kaleyra's customers have complained about Kaleyra's services, such as complaints about Kaleyra's pricing and customer support. If Kaleyra does not handle customer complaints effectively, then Kaleyra's brand and reputation may suffer, Kaleyra's customers may lose confidence in Kaleyra and they may reduce or cease their use of Kaleyra's services. In addition, many of Kaleyra's customers post and discuss on social media about products and services, including Kaleyra's products and its Platform. Kaleyra's success depends, in part, on Kaleyra's ability to generate positive customer feedback and minimize negative feedback on social media channels where existing and potential customers seek and share information. If actions Kaleyra takes or changes it makes to its services or Platform upset these customers, then their online commentary could negatively affect Kaleyra's brand and reputation. Complaints or negative publicity about Kaleyra, its services or Platform could harm Kaleyra's ability to attract and retain customers.

The promotion of Kaleyra's brand also requires Kaleyra to make substantial expenditures, and Kaleyra anticipates that these expenditures will increase as Kaleyra's market becomes more competitive and as Kaleyra expands into new markets. To the extent that these activities increase revenue, this revenue still may not be enough to offset the increased expenses Kaleyra incurs. If Kaleyra does not successfully maintain and enhance its brand, then Kaleyra's business may not grow, Kaleyra may see its pricing power reduced relative to competitors and Kaleyra may lose customers, all of which could lower Kaleyra's revenue and harm its business.

Any failure to deliver and maintain high-quality customer support may adversely affect Kaleyra's relationships with its customers and prospective customers and could adversely affect Kaleyra's reputation, business, results of operations and financial condition.

Many of Kaleyra's customers depend on Kaleyra's customer support team to assist them in deploying or using Kaleyra's services effectively, to help them resolve post-deployment issues quickly and to provide ongoing support. If Kaleyra does not devote sufficient resources or are otherwise unsuccessful in assisting Kaleyra's customers effectively, it could adversely affect Kaleyra's ability to retain existing customers and could prevent prospective customers from adopting Kaleyra's services. Kaleyra may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. Kaleyra also may be unable to modify the nature, scope and delivery of its customer support to compete with changes in the support services provided by Kaleyra's competitors. Increased demand for customer support, without corresponding revenue, could increase Kaleyra's costs and harm its business and operations. Kaleyra's sales are highly dependent on Kaleyra's business reputation and on positive recommendations from existing customers. Any failure to deliver and maintain high-quality customer support, or a market perception that Kaleyra does not maintain high-quality customer support, could harm Kaleyra's reputation and business.

Indemnity provisions in various agreements potentially expose Kaleyra to substantial liability for intellectual property infringement and other losses.

Kaleyra's agreements with customers and other third parties typically include indemnification or other provisions under which Kaleyra agrees to indemnify or otherwise be liable to them for losses suffered or incurred as a result of claims of intellectual property infringement, damages caused by Kaleyra to property or persons or other liabilities relating to or arising from Kaleyra's services or Platform or other acts or omissions. The term of these contractual provisions often survives termination or expiration of the applicable agreement. Large indemnity payments or damage claims from a contractual breach could harm Kaleyra's business. Although Kaleyra normally contractually limit its liability with respect to such obligations, Kaleyra may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could harm Kaleyra's relationship with that customer and other current and prospective customers and reduce demand for its services.

Kaleyra is subject to litigation in the ordinary course of business, and uninsured judgments or a rise in insurance premiums may adversely affect Kaleyra's results of operations.

In the ordinary course of business, Kaleyra is subject to various claims and litigation. Any such claims, regardless of merit, could be time-consuming and expensive to defend and could divert management's attention and resources. In accordance with customary practice, Kaleyra maintains insurance against some, but not all, of these potential claims. Kaleyra may elect not to obtain insurance if Kaleyra believes that the cost of available insurance is excessive relative to the risks presented. The levels of insurance Kaleyra maintains may not be adequate to fully cover any and all losses or liabilities. Further, Kaleyra may not be able to maintain insurance at commercially acceptable premium levels or at all. If any significant judgment, claim (or a series of claims) or other event is not fully insured or indemnified against, it could have a material adverse impact on Kaleyra's business, financial condition and results of operations. There can be no assurance as to the actual amount of these liabilities or the timing thereof. Kaleyra cannot be certain that the outcome of current or future litigation will not harm its business and results of operations.

Defects or errors in Kaleyra's services could diminish demand for Kaleyra's services, harm Kaleyra's business and subject Kaleyra to liability.

Kaleyra's customers use its services for important aspects of their businesses, and any errors, defects or disruptions to Kaleyra's services and any other performance problems with Kaleyra's services could damage its customers' businesses and, in turn, hurt Kaleyra's brand and reputation. Kaleyra provides regular updates to Kaleyra's services, which have in the past contained, and may in the future contain, undetected errors, failures, vulnerabilities and bugs when first introduced or released. Real or perceived errors, failures or bugs in Kaleyra's services could result in negative publicity, loss of or delay in market acceptance of Kaleyra's Platform, loss of competitive position, lower customer retention or claims by customers for losses sustained by them. In such an event, Kaleyra may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem. In addition, Kaleyra may not carry insurance sufficient to compensate Kaleyra for any losses that may result from claims arising from defects or disruptions in Kaleyra's services. As a result, Kaleyra's brand and reputation could be harmed.

If Kaleyra does not file and maintain a current and effective prospectus relating to the common stock issuable upon exercise of the warrants, holders will only be able to exercise such warrants on a "cashless basis."

If Kaleyra does not maintain a current and effective prospectus relating to the common stock issuable upon exercise of the warrants at the time that holders wish to exercise such warrants, they will only be able to exercise them on a "cashless basis" provided that an exemption from registration is available. As a result, the number of shares of common stock that holders will receive upon exercise of the warrants will be fewer than it would have been had such holder exercised its warrant for cash. Further, if an exemption from registration is not available, holders would not be able to exercise on a cashless basis and would only be able to exercise their warrants for cash if a current and effective prospectus relating to the common stock issuable upon exercise of the warrants is available. Under the terms of the warrant agreement, Kaleyra has agreed to use its best efforts to meet these conditions and to maintain a current and effective prospectus relating to the common stock issuable upon exercise of the warrants until the expiration of the warrants. However, Kaleyra cannot assure you that it will be able to do so. If Kaleyra is unable to do so, the potential "upside" of the holder's investment in Kaleyra may be reduced or the warrants may expire worthless.

There is no guarantee that the warrants will continue to be in the money, and they may expire worthless and the terms of warrants may be amended.

The exercise price for the warrants is $11.50 per share of common stock. There is no guarantee that the public warrants will continue to be in the money prior to their expiration, and as such, the warrants may expire worthless.

In addition, the warrants were issued in registered form under a warrant agreement with Continental Stock Transfer & Trust Company, as warrant agent. The warrant agreement provides that the terms of the warrants may be amended without the consent of any holder to cure any ambiguity or correct any defective provision, but requires the approval by the holders of at least 65% of the then outstanding public warrants to make any other change. Accordingly, Kaleyra may amend the terms of the warrants in a manner adverse to a holder if holders of at least 65% of the then outstanding public warrants approve of such amendment. Although Kaleyra's ability to amend the terms of the warrants with the consent of at least 65% of the then outstanding public warrants is unlimited, examples of such amendments could be amendments to, among other things, increase the exercise price of the warrants, shorten the exercise period or decrease the number of shares and their respective affiliates and associates have of common stock purchasable upon exercise of a warrant.

If Kaleyra fails to introduce or acquire new products or services that achieve broad market acceptance on a timely basis, or if its products or services are not adopted as expected, the Kaleyra will not be able to compete effectively.

Kaleyra operates in a highly competitive, quickly changing environment, and Kaleyra's future success depends on its ability to develop or acquire, and introduce new products and services that achieve broad market acceptance. Kaleyra's ability to successfully introduce and market new products is unproven. Because Kaleyra has a limited operating history and the market for its products, including newly acquired or developed products, is rapidly evolving, it is difficult to predict Kaleyra's operating results, particularly with respect to any new products that it may introduce. Kaleyra's future success will depend in large part upon its ability to identify demand trends in the market in which it will operate and quickly develop or acquire, and design, manufacture and sell, products and services that satisfy these demands in a cost-effective manner.

In order to differentiate Kaleyra's products and services from competitors' products, Kaleyra will need to increase focus and capital investment in research and development, including software development. If any products currently sold by, and services offered by, Kaleyra do not continue, or if Kaleyra's new products or services fail to achieve widespread market acceptance, or if Kaleyra is unsuccessful in capitalizing on opportunities in the market in which Kaleyra operates, our future growth may be slowed and its business, results of operations and financial condition could be materially adversely affected. Successfully predicting demand trends is difficult, and it is very difficult to predict the effect that introducing a new product or service will have on existing product or service sales. It is possible that Kaleyra may not be successful with its new products and services, and as a result Kaleyra's future growth may be slowed and our business, results of operations and financial condition could be materially adversely affected. Also, Kaleyra may not be able to respond effectively to new product or service announcements by competitors by quickly introducing competitive products and services.

In addition, Kaleyra may acquire companies and technologies in the future. In these circumstances, Kaleyra may not be able to successfully manage integration of the new product and service lines with our existing suite of products and services. If Kaleyra is unable to effectively and successfully further develop these new product and service lines, Kaleyra may not be able to increase or maintain sales (as compared to sales of Kaleyra on a standalone basis), and our gross margin (as compared to sales of Kaleyra on a standalone basis) may be adversely affected.

Furthermore, the success of Kaleyra's new products will depend on several factors, including, but not limited to, market demand costs, timely completion and introduction of these products, prompt resolution of any defects or bugs in these products, Kaleyra's ability to support these products, differentiation of new products from those of the Kaleyra's competitors, market acceptance of these products, delays and quality issues in releasing new products and services. The occurrence of one or more of the foregoing factors may result in lower quarterly revenue than expected, and Kaleyra may in the future experience product or service introductions that fall short of its projected rates of market adoption.

If Kaleyra's products fail to achieve and sustain sufficient market acceptance, Kaleyra's revenue will be adversely affected.

Kaleyra's success will depend on its ability to develop and market products that are recognized and accepted as reliable, enabling and cost-effective. Some potential customers of Kaleyra may already use products similar to what Kaleyra currently offers and similar to what Kaleyra may offer in the future and may be reluctant to replace those products with what Kaleyra currently offers or which Kaleyra may offer in the future. Market acceptance of Kaleyra's products and technology will depend on many factors, including Kaleyra's ability to convince potential customers that Kaleyra's products and technology are an attractive alternative to existing products and technology. Prior to adopting Kaleyra's products and technology, some potential customers may need to devote time and effort to testing and validating Kaleyra's systems. Any failure of Kaleyra's systems to meet these customer benchmarks could result in potential customers choosing to retain their existing systems or to purchase systems other than Kaleyra's.

If Kaleyra's performance does not meet the expectations of investors, stockholders or financial analysts, the market price of its securities may decline.

If Kaleyra's performance does not meet the expectations of investors or securities analysts, the market price of its securities may decline. In addition, fluctuations in the price of Kaleyra's securities could contribute to the loss of all or part of your investment. The trading price of Kaleyra's securities could be volatile and subject to wide fluctuations in response to various factors, some of which are beyond Kaleyra's control. Any of the factors listed below could have a material adverse effect on your investment in Kaleyra's securities and these securities may trade at prices significantly below the price you paid for them. In such circumstances, the trading price of Kaleyra's securities may not recover and may experience a further decline.

Factors affecting the trading price of Kaleyra's securities may include:

- actual or anticipated fluctuations in Kaleyra's quarterly financial results or the quarterly financial results of companies perceived to be similar to Kaleyra;
- changes in the market's expectations about Kaleyra's operating results;
- success of competitors;
- Kaleyra's operating results failing to meet the expectation of securities analysts or investors in a particular period;
- changes in financial estimates and recommendations by securities analysts concerning Kaleyra or the market in general;
- operating and stock price performance of other companies that investors deem comparable to Kaleyra's;
- Kaleyra's ability to market new and enhanced services and products on a timely basis;
- changes in laws and regulations affecting Kaleyra's business;
- commencement of, or involvement in, litigation involving Kaleyra;
- changes in Kaleyra's capital structure, such as future issuances of securities or the incurrence of additional debt;
- the volume of shares of Kaleyra's securities available for public sale;
- any major change in the Board of Directors (the "Board") or management;
- sales of substantial amounts of common stock by Kaleyra's directors, executive officers or significant stockholders or the perception that such sales could occur; and
- general economic and political conditions such as recessions, interest rates, fuel prices, international currency fluctuations and acts of war or terrorism.

Broad market and industry factors may materially harm the market price ofKaleyra's securities irrespective of its operating performance. The stock market in general and the NYSE American have experienced price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the particular companies affected. The trading prices and valuations of these stocks, and of Kaleyra's securities, may not be predictable. A loss of investor confidence in the market for retail stocks or the stocks of other companies which investors perceive to be similar to Kaleyra could depress its stock price regardless of its business, prospects, financial condition or results of operations. A decline in the market price of Kaleyra's securities also could adversely affect its ability to issue additional securities and its ability to obtain additional financing in the future.

If securities or industry analysts cease publishing research or reports about Kaleyra, its business, or its market, or if they change their recommendations regarding its securities adversely, the price and trading volume of its securities could decline.

The trading market for Kaleyra's securities will be influenced by the research and reports that industry or securities analysts may publish about Kaleyra, its business, its market, or its competitors. If any of the analysts who currently or in the future may cover Kaleyra, change their recommendation regarding its stock adversely, or provide more favorable relative recommendations about Kaleyra's competitors, the price of its securities would likely decline. If any analyst who may cover Kaleyra were to cease coverage of Kaleyra or fail to regularly publish reports on it, Kaleyra could lose visibility in the financial markets, which could cause its stock price or trading volume to decline.

There may be a limited public market for the shares of common stock of Kaleyra, and the ability of the stockholders of Kaleyra to dispose of their common stock may be limited.

Kaleyra's common stock is traded on the NYSE American. Kaleyra cannot foresee the degree of liquidity that will be associated with its common stock. A holder of the common stock may not be able to liquidate his, her or its investment in a short time period or at the market prices that currently exist at the time the holder decides to sell. The market price for the common stock may fluctuate in the future, and such volatility may bear no relation to Kaleyra's performance.

A market for Kaleyra's securities may not continue, which would adversely affect the liquidity and price of its securities.

The price of Kaleyra's securities may fluctuate significantly due to the market's reaction to Kaleyra and general market and economic conditions. An active trading market for Kaleyra's securities may never develop or, if developed, it may not be sustained. In addition, the price of Kaleyra's securities can vary due to general economic conditions and forecasts, Kaleyra's general business condition and the release of its financial reports. Additionally, if Kaleyra's securities become delisted from the NYSE American for any reason, and are quoted on the OTC Bulletin Board, an inter-dealer automated quotation system for equity securities that is not a national securities exchange, the liquidity and price of Kaleyra's securities may be more limited than if its securities were quoted or listed on the NYSE American or another national securities exchange. You may be unable to sell your securities unless a market can be established or sustained.

There can be no assurance that Kaleyra will be able to comply with the continued listing standards of the NYSE American.

Kaleyra's common stock and warrants are currently listed on the NYSE American. If the NYSE American delists Kaleyra's securities from trading on its exchange for failure to meet the listing standards, Kaleyra and its stockholders could face significant material adverse consequences including:

- a limited availability of market quotations for Kaleyra's securities;
- a determination that the common stock is a "penny stock" which will require brokers trading in its common stock to adhere to more stringent rules, possibly resulting in a reduced level of trading activity in the secondary trading market for the common stock;
- a limited amount of analyst coverage; and
- a decreased ability to issue additional securities or obtain additional financing in the future.

Kaleyra qualifies as an emerging growth company, and Kaleyra's decision to comply with reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

Kaleyra is an "emerging growth company," and, for as long as Kaleyra continues to be an emerging growth company, Kaleyra currently intends to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, but not limited to, not being required to have its independent registered public accounting firm audit Kaleyra's internal control over financial reporting under Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in its registration statements, periodic reports and proxy statements (including the registration statement of which this prospectus forms a part) and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. Kaleyra will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of the IPO; (ii) the first fiscal year after its annual gross revenue is $1.07 billion or more; (iii) the date on which Kaleyra has, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (iv) the end of any fiscal year in which the market value of its common stock held by non-affiliates exceeded $700 million as of the end of the second quarter of that fiscal year.

Kaleyra cannot predict whether investors will find its common stock less attractive if Kaleyra chooses to rely on these exemptions while Kaleyra is an emerging growth company. If some investors find its common stock less attractive as a result of any choices to reduce future disclosure, there may be a less active trading market for its common stock and the price of its common stock may be more volatile.

Under the JOBS Act, emerging growth companies can also delay adopting new or revised accounting standards until such time as those standards apply to private companies. Kaleyra has availed itself of this exemption from new or revised accounting standards and, therefore, Kaleyra may not be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

Kaleyra leases 13 properties, with its headquarters in Milan, Italy. Kaleyra maintains a global footprint with additional leased facilities located in Vienna, Virginia; New York, New York; Palo Alto, California; Bengaluru, India; Chennai, India; Cochin, India; Delhi, India; Kolkata, India; Mumbai, India; Singapore; Dubai, United Arab Emirates; and Munich, Germany. Kaleyra believes that its current facilities are adequate to meet its ongoing needs and that, if it requires adjusted or additional space, it will be able to obtain additional facilities on commercially reasonable terms, or further consolidate facilities. Going forward, Kaleyra will continue to assess its facilities requirements and make appropriate adjustments as needed and dictated by the business.

Kaleyra operates 29 data centers, including cloud platforms operated by Amazon Web Services, and Kaleyra maintains private clouds on behalf of its customers. The Kaleyra private cloud devices are custom-built hardware running Kaleyra's Platform and, thus, can be deployed virtually anywhere. Kaleyra currently runs these private cloud devices out of its headquarters in Milan, Italy.

Item 3. Legal Proceedings.

From time to time, Kaleyra may be involved in litigation relating to claims arising out of its operations in the normal course of business. Kaleyra is not currently involved in any material legal proceedings as a defendant.

On October 17, 2018, Kaleyra filed a claim against Vodafone Italia S.p.A. ("Vodafone") before the Court of Milan seeking compensation in the amount of €6.1 million ($7.5 million at the December 31, 2020 exchange rate) for all the damages suffered as a consequence of the illicit and anticompetitive conduct of Vodafone, as previously determined by the Italian Antitrust Authority (namely, Autorità Garante della Concorrenza e del Mercato or AGCM) in their decisions issued on December 13, 2017; Vodafone has appealed that sanctioning resolution before the Italian Regional Administrative Court.

The deadline for filing a counterclaim by Vodafone has passed and according to Italian Law, Vodafone is no longer entitled to file a counterclaim against Kaleyra in these proceedings. Both Kaleyra and Vodafone have filed their final pleadings on October 1, 2019 and October 21, 2019.

The Court of Milan has decided to suspend the procedure, through order no. 1570 on May 18, 2020. The decision of the Court of Milan is based on procedural reasons only (concerning the unprecedented definition of the relationship between administrative and civil proceedings in the case at hand) and does not analyze or take into any consideration the merits of the action brought by Kaleyra. The procedural suspension ordered by the Court of Milan shall last until the appeal brought by Vodafone before the Italian Regional Administrative Court against the decision of the Italian Antitrust Authority is concluded with a definitive judgment. Accordingly, following the order of suspension issued by the Civil Court of Milan, on August 10, 2020, Kaleyra filed a request to speed up the scheduling of the hearing in relation to the pending appeal before the Italian Regional Administrative Court brought by Vodafone Italia. The Court upheld Kaleyra's request and the hearing has taken place on February 24, 2021. Accordingly, the parties submitted their final defenses. The decision is expected to be released in the second quarter of fiscal year 2021. The outcome of such action cannot be determined at this time. Therefore, no recognition of these actions has been made in the consolidated financial statements of the Company.

On April 16, 2019, Kaleyra filed a claim against Telecom Italia S.p.A and Telecom Italia Sparkle S.p.A. before the Court of Milan seeking compensation in the amount of €8.3 million ($10.2 million at the December 31, 2020 exchange rate) for damages suffered after the illicit conduct of both counterparts, determined by the Italian Antitrust Authority in the decision issued on December 13, 2017.

At the first hearing before the Court of Milan held for the appearance of the parties on December 11, 2019, the judge reserved the decision on the possible suspension of the case in consideration of the appeal brought by Telecom Italia S.p.A and Telecom Italia Sparkle S.p.A. against the Italian Antitrust Authority's decision of December 13, 2017 before the Regional Administrative Court, which is currently pending.

By order issued on December 14, 2019, the judge released his reserve and referred the issue concerning the relation between the assessment of the pending administrative case and the one to be carried out in the civil case to a panel composed of three judges. The case was therefore adjourned for a hearing on April 29, 2020 where the parties had to file their final pleadings.

On April 9, 2020, following the measures taken by the Italian legislator for the Covid-19 pandemic, the above-mentioned hearing was postponed to and then held on October 7, 2020. At the hearing of October 7, 2020, the parties exposed their closing arguments and the decision on the preliminary question as to the suspension of the civil proceedings has been reserved to a panel composed of three judges. The parties also submitted written observations concerning the preliminary question.

On January 7, 2021, the Court issued an order by which the civil proceedings have been suspended until the decision in the pending administrative case – which was deemed to be prejudicial to the civil one – becomes final (i.e., it is no longer subject to appeal). The order was communicated to the parties via certified electronic mail on January 11, 2021.

In light of the average duration of cases before the Italian Administrative Courts and the Defendants' interest in both having the Italian Competition Authority's Decision annulled and procrastinating the administrative case (on which the civil proceedings now depend pursuant to the above-mentioned order) for dilatory purposes, the civil case is unlikely to proceed in the short term. In order to speed up the administrative proceedings (and thus the civil case), on February 9, 2021, Kaleyra filed an application with the Administrative Court of Latium requesting that the hearing on the merits of the case be held as soon as possible. However, neither the outcome of Kaleyra's civil action nor its duration is predictable at this time.

The outcome of such civil action cannot be determined at this time. Therefore, no recognition of these actions has been made in the consolidated financial statements of the Company.

In addition to the above, Kaleyra has appealed the resolutions issued by the Italian Communications Authority (namely, Autorità per le Garanzie nelle Comunicazioni or AGCom) concerning their request for the annual fee to AGCom for years 2016, 2017, 2018, 2019 and 2020.

The first instance proceeding against AGCom's resolutions for the 2016 contribution was successful for Kaleyra and the Italian Regional Administrative Court annulled the resolutions Kaleyra had appealed (judgement no. 2161/2019). However, AGCom filed its second instance appeal before the Council of State seeking the overruling of the Court's decision. The appeal has been regularly discussed at the hearing of September 17, 2020 and the Council of State issued its decision number 6175/2020 on October 13, 2020, overruling in part the Regional Court Decision. AGCom will have to recalculate the annual contribution due from Kaleyra for year 2016. However, the annual contribution is not considered material to Kaleyra's consolidated financial statements.

For the annual contribution to AGCom relating the years 2017, 2018, 2019 and 2020 the legal proceedings are currently pending before the Italian Regional Administrative Court and no hearing has been scheduled yet. However, the European Court of Justice ("ECJ") has already delivered its decision on the request for a preliminary ruling submitted by the Council of State on the relevant EU law (case C-399/18). Such decision was delivered on April 29, 2020, in accordance with a simplified procedure due to the previous issuance by the ECJ of a number of judgements on the matter.

Item 4. Mine Safety Disclosures.

None.

PART II

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

(a) Market Information

Kaleyra's common stock and warrants began trading on the NYSE American under the symbols "KLR" and "KLR WS", on November 26, 2019 and December 2, 2019, respectively, subject to ongoing review of Kaleyra's satisfaction of all listing criteria post-Business Combination.

(b) Holders

As of December 31, 2020, there were thirty-nine holders of record of our common stock and five holders of record of our warrants.

(c) Dividends

We have not paid any cash dividends on our shares of common stock to date and do not intend to pay cash dividends. The payment of cash dividends in the future will be dependent upon our revenues and earnings, if any, capital requirements and general financial condition of the Company. The payment of any dividends will be within the discretion of our then Board. It is the present intention of our Board to retain all earnings, if any, for use in our business operations and, accordingly, our Board does not anticipate declaring any dividends in the foreseeable future.

(d) Securities Authorized for Issuance Under Equity Compensation Plans

Equity Compensation Plan Information

The following table reflects information for our 2019 Equity Incentive Plan as of December 31, 2020.

Plan Category	(a) Number of securities to be issued upon vesting of Restricted Stock Units	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plan (excluding securities reflected in column(a))
Equity compensation plans approved by security holders*	3,331,037	$ 0.00	530,667

* The terms of our 2019 Equity Incentive Plan provide for an annual increase in the number of shares of our common stock authorized under the plan, effective as of the first day of each subsequent fiscal year, pursuant to the terms and conditions underlined in the plan. On January 1, 2021, the number of additional shares available for issuance under our 2019 Equity Incentive Plan was automatically increased by 1,514,434 shares.

Item 6. Selected Financial Data.

The following selected financial data are qualified in their entirety by, and should be read in conjunction with, the more detailed information contained in the consolidated financial statements, the notes thereto and the information set forth in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Annual Report on Form 10-K.

	Year Ended December 31, 2020	Year Ended December 31, 2019
	(in thousands, except share and per share data)	
Revenue	$ 147,368	$ 129,558
Cost of revenue	122,932	103,205
Gross profit	24,436	26,353
Operating expenses:		
Research and development	9,745	5,310
Sales and marketing	12,866	6,031
General and administrative	28,195	17,431
Total operating expenses	50,806	28,772
Loss from operations	(26,370)	(2,419)
Other income, net	112	136
Financial expense, net	(1,475)	(439)
Foreign currency loss	(1,353)	(517)
Loss before income tax expense (benefit)	(29,086)	(3,239)
Income tax expense (benefit)	(2,276)	2,273
Net loss	$ (26,810)	$ (5,512)
Net loss per common share, basic and diluted	$ (1.09)	$ (0.48)
Weighted-average shares used in computing net loss per common share, basic and diluted	24,652,004	11,603,381

	As of December 31, 2020	As of December 31, 2019
	(in thousands)	
Balance Sheet Data:		
Cash and cash equivalents	$ 32,970	$ 16,103
Restricted cash	—	20,894
Total assets	118,502	117,404
Debt for forward share purchase agreements	483	34,013
Bank and other borrowings, current and noncurrent portion	42,772	23,698
Lines of credit	5,273	3,627
Notes payable, current and noncurrent portion	10,200	18,578
Total liabilities	125,931	156,178
Total stockholders' equity (deficit)	(7,429)	(38,774)

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

You should read the following management's discussion and analysis in conjunction with the audited consolidated financial statements of Kaleyra as of December 31, 2020 and 2019 and for the years there ended and the related notes. The discussion below includes forward-looking statements about Kaleyra's business, operations and industry that are based on current expectations that are subject to uncertainties and unknown or changed circumstances. Kaleyra's actual results may differ materially from these expectations as a result of many factors, including those risks and uncertainties described in the sections entitled "Risk Factors" and "Special Note Regarding Forward Looking Statements."

OVERVIEW

On November 25, 2019, the Company (f/k/a GigCapital, Inc.) completed the acquisition of Kaleyra S.p.A., pursuant to the terms of a Stock Purchase Agreement. In connection with the Closing, the Company changed its name from GigCapital, Inc. to Kaleyra, Inc. GigCapital Inc. was incorporated in Delaware on October 9, 2017 for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses. Kaleyra S.p.A. is a cloud communications software provider delivering secure APIs and connectivity solutions in the API/Communication Platform as a Service or CPaaS market, headquartered in Milan, Italy and with operations in Italy, India, Dubai and the U.S.

Kaleyra S.p.A. is a result of the expansion of the former Ubiquity, which was founded in Milan, Italy in 1999.

After securing a leading market position in mobile messaging in the Italian financial services industry, Kaleyra S.p.A. sought to expand its products and geographic offerings. Ubiquity acquired Solutions Infini in Bangalore, India beginning in 2017 and Buc Mobile in Vienna, Virginia in 2018. It was rebranded Kaleyra S.p.A. in February 2018.

On April 23, 2020, Kaleyra strengthened its commitment to delivering solutions for the financial services industry with the launchby Buc Mobile of k-lab, a dedicated innovation lab for new product development to support enterprise mobile communications. This innovation lab is the center of excellence dedicated to supporting Kaleyra in developing new solutions to enhance customer experiences, and in particular, for the financial service companies to be served by Kaleyra in the U.S. markets.

On July 29, 2020, Kaleyra registered a German branch of Kaleyra S.p.A. with the German Chamber Tax Authority of Commerce. Kaleyra established its branch in Germany, by far the most important country in Europe to Kaleyra after Italy, to expand Kaleyra's footprint in Central Europe and the Nordic countries and allow it to leverage Kaleyra's trusted business solutions for customers in additional jurisdictions.

Kaleyra's subsidiary, Campaign Registry Inc., a systems initiative to reduce spam by collecting robotically driven campaign information and processing and sharing that information with mobile operators and the messaging ecosystem, began its soft launch during the second quarter of fiscal year 2020, ending up with its first revenue contracts in the second half of the year.

On February 18, 2021, Kaleyra executed the Merger Agreement for the acquisition of the business known as mGage, a leading global mobile messaging provider. Kaleyra will acquire mGage for a total purchase price of approximately $215 million, subject to adjustments. The consideration to mGage shareholders will consist of cash in the amount of $195 million and 1,600,000 shares of Kaleyra common stock. The Merger and the acquisition of mGage is expected to be consummated in the second fiscal quarter of 2021. In support of the consummation of the Merger, on February 18, 2021, Kaleyra entered into the PIPE Subscription Agreements with the PIPE Investors, pursuant to which, among other things, Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, an aggregate of 8,400,000 shares of Kaleyra common stock to the PIPE Investors at $12.50 per share, and Kaleyra also entered into the Convertible Note Subscription Agreements with the Convertible Note Investors, pursuant to which Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, $200 million aggregate principal amount of unsecured Merger Convertible Notes. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Kaleyra provides its customers and business partners with a trusted cloud communicationsPlatform that seamlessly integrates software services and applications for business-to-consumer communications between Kaleyra's customers and their end-user customers and partners on a global basis. These communications are increasingly managed through mobile network operators as the gateway to reach end-user consumers' mobile devices. Kaleyra's Platform enables these communications by integrating mobile alert notifications and interactive capabilities to reach and engage end-user customers. It does so, coupled with a "software as a service" (SaaS) business model, creating what is generally referred to as a "cloud communications platform as a service", or simply CPaaS. Kaleyra's solutions include identity authentication, mobile and voice notifications on transactions, and banking services authorizations, most notably via different integrated mobile channels through its Platform.

Kaleyra's vision is to be the CPaaS provider which best aligns with its customers' communication requirements, or most trusted provider, in the world. This requires a combination of security, compliance and integration capabilities that protects the integrity and privacy of Kaleyra's customers' and business partners' transactions and includes other key features such as ease of provisioning, reliable network connectivity, high availability for scaling, redundancy, embedded regulatory compliance, configurable monitoring and reporting. Kaleyra believes the percentage of CPaaS customers that will require security, compliance and integration will represent an increasingly larger portion of the market, particularly with the expected exponential growth of transactional-by-nature cloud communications applications, better enabling Kaleyra to set itself apart from its competition.

During the year ended December 31, 2020, Kaleyra processed nearly 26 billion billable messages and 4 billion voice calls. Kaleyra organizes its efforts in four principal offices in New York, New York, Vienna, Virginia, Milan, Italy and Bangalore, India with an employee base of 350 employees.

Kaleyra has more than 3,500 customers and business partners worldwide across industry verticals such as financial services, ecommerce and transportation. In 2020 and 2019, there were zero and one customer, Telecom Italia S.p.A., which individually accounted for more than 10% of Kaleyra's consolidated total revenues, respectively. Kaleyra has multiple, large European commercial banks as business partners, with one of these partners, Intesa Sanpaolo S.p.A. accounting for more than 10% of Kaleyra's business volume in 2020 and 2019.

For the fiscal year ended December 31, 2020, 93% of revenues came from customers which have been on the Platform for at least one year. Although Kaleyra continues to expand by introducing new customers to the Platform, the breadth and stability of its existing customers provide it with a solid base of revenue upon which it can continue to innovate and make investment to strengthen its product portfolio, expand its global presence, and in particular into the North America and Asia-Pacific markets with the acquired Solutions Infini and Buc Mobile businesses, recruit world-class talent and target accretive acquisitions to capitalize on its growing market penetration opportunities and value creation.

Kaleyra's underlying technology used in the Platform is the same across all of its communication services which can generally be described as "omnichannel mobile-first interactive notifications via a public or private cloud implementation." These services include programmable voice/Interactive Voice Response (IVR) configurations, inbound/outbound short message service capabilities, hosted telephone numbers, and other types of IP communications services such as e-mail and WhatsApp®.

Kaleyra's customers are enterprises which use digital, mobile communications in the conduct of their business. Kaleyra's Platform enables these communications by integrating mobile alert notifications and interactive capabilities to reach and engage end-user customers. Kaleyra enables its customers and business partners to connect enterprise software and applications to mobile network operators by providing a single simple interface by which Kaleyra can undertake as necessary to make upgrades in its service offerings to account for new end-user consumer behavior changes and progress (such as adding WhatsApp® integration).

Kaleyra services a broad base of customers throughout the world operating in diverse businesses and regions. Kaleyra's business is generated by providing data to the telecommunications provider and transmitting message data from its customers or business partners. Kaleyra has a concentration of business within the financial services industry that serves their major European banking end-user customers. With each relationship Kaleyra is the link between the financial institutions and their unique, end-user customers. In linking these two parties, Kaleyra's Platform leverages the telecommunications provider to transmit critical message data to these end-user customers.

For the years 2020 and 2019, all of Kaleyra's revenue was derived from its messaging products in the CPaaS market. Please see the section below titled "Factors Affecting Comparability of Results" for further information regarding these acquisitions.

Kaleyra's revenue is primarily driven by the number of messages delivered and voice calls connected to its customers and business partners. Kaleyra's fees vary depending on the contract. In 2020, the number of messages delivered to customers decreased by 6%, while the number of voice calls connected to customers increased by 15%, compared to the prior year. The number of messages delivered to customers was affected by the spread of the COVID-19 pandemic which resulted in significant fluctuations in Kaleyra's services carrying less revenue-generating traffic in areas subject to "shelter in place" restrictions or related government orders, particularly during the second quarter of fiscal year 2020. The increase in voice calls connected to its customers was mainly the result of higher voice activities, particularly during the second half of 2020, following the reduced COVID-19 restrictions in India.

Kaleyra's business partners in Italy mainly consist of banks and other credit card issuers that connect to their customers (end-user customers) sending highly secured and reliable messages through Kaleyra's platform.

Volume increase has been driven by the increased number of digital payments transactions made by the end-user customers (such as credit card transactions and other digital payments) and by the increasing penetration rate of digital payments in the underlying payments markets. Kaleyra is exposed to fluctuations of the currencies in which its transactions are denominated. Specifically, a material portion of Kaleyra's revenues and purchases are denominated in Euro and Indian Rupees.

FACTORS AFFECTING COMPARABILITY OF RESULTS

The Business Combination

The Business Combination is accounted for as a reverse recapitalization in accordance with accounting principles generally accepted in the U.S. ("US GAAP"). Under this method of accounting, Kaleyra, Inc. will be treated as the "acquired" company for financial reporting purposes. Accordingly, for accounting purposes, the business combination is treated as the equivalent of Kaleyra S.p.A. issuing stock for the net assets of Kaleyra, Inc., accompanied by a recapitalization.

The net assets of Kaleyra, Inc. are stated at historical cost, with no goodwill or other intangible assets recorded. Reported amounts from operations included herein prior to the Business Combination are those of Kaleyra S.p.A. The shares and earnings per share available to holders of Kaleyra's common stock, prior to the Business Combination, have been retrospectively adjusted reflecting the exchange ratio established in the Business Combination.

As consideration for the Business Combination, on November 25, 2019 (the "Business Combination Date"), Kaleyra issued, in the aggregate, 10,687,106 shares of common stock to the Sellers. Furthermore, on April 29, 2020, as additional consideration for the Business Combination as an earn-out, Kaleyra issued 1,763,633 shares of its common stock to the Sellers.

In addition, as consideration for the Business Combination, on November 25, 2019 Kaleyra issued unsecured convertible promissory notes to each of Esse Effe S.p.A ("Esse Effe") and Maya Investments Limited ("Maya") in the amount of \$6.0 million and \$1.5 million, respectively, and also issued other unsecured promissory notes to each of Esse Effe and Maya in the identical respective amounts. See "Liquidity and Capital Resources" below.

In connection with the Business Combination, Kaleyra incurred direct and incremental costs of approximately \$7.7 million, consisting of legal and professional fees, which are included in general and administrative expenses in the consolidated statement of operations in 2019.

Acquisition of Solutions Infini

In June 2018, Kaleyra S.p.A. completed the business combination of Solutions Infini, a technology developer and platform provider for bulk messaging services, headquartered in Bangalore, India (the "Solutions Infini Acquisition"). Before control was achieved in June 2018, the investment in Solutions Infini was accounted for as a joint venture. The acquisition of Solutions Infini added significant value to Kaleyra from a technology, talent and product perspective.

The base purchase price payable as consideration for all of the shares of Solutions Infini was equal to INR 1.0 billion, subject to variations if Solutions Infini reached targeted levels of earnings before interest, taxes, depreciation and amortization (“EBITDA”) and net financial position for the years ended March 31, 2018 and a target level of EBITDA for the year ended March 31, 2019. According to the purchase agreement, Kaleyra was entitled to acquire all the shares of Solutions Infini in different stages and with multiples payments. In particular, based on the terms of the purchase agreement, in 2017 Kaleyra paid $8.1 million, in July 2018 paid $6.6 million and in July 2019 paid $5.1 million (including $770,000 originally due in July 2020).

Acquisition of Buc Mobile

On July 31, 2018, Kaleyra S.p.A. acquired 100% of the outstanding shares of Buc Mobile, a company headquartered in Vienna, Virginia in the U.S. and incorporated under the laws of the State of Delaware, operating in the Application to Person (A2P) transactional and promotional messaging business (the “Buc Mobile Acquisition”). The acquisition of Buc Mobile provided an opportunity for Kaleyra S.p.A. to acquire a technology platform designed for high-volume transactions and an experienced U.S. based management team.

The purchase price for the Buc Mobile Acquisition was an aggregate sum of $6.3 million payable as consideration for all of the shares of Buc Mobile to be paid in cash in three different installments, specifically: $2.3 million was paid on July 31, 2018, $2.0 million was paid on July 31, 2019, and $2.0 million, originally due in July 2020, was paid in advance on July 31, 2019. In addition, Kaleyra, Inc. agreed to issue 3,543 new shares of common stock to the former stockholders of Buc Mobile which were provided to them as additional consideration for the transaction at the date of the business combination.

COVID-19

The current COVID-19 pandemic has affected and will continue to affect economies and business around the world. To date, various governmental authorities and private enterprises have implemented numerous measures to contain the pandemic, such as travel bans and restrictions, quarantines, shelter-in-place orders and shutdowns, which have led to severe disruptions to the global economies that may continue for a prolonged duration and trigger a recession or a period of economic slowdown. The magnitude and duration of the resulting decline in business activity and operations cannot be measured with any degree of certainty. Indeed, during the pandemic, Kaleyra experienced fluctuations in its services carrying less revenue-generating traffic in areas subject to “shelter in place” restrictions or related government orders. Nonetheless, in fiscal year 2020, Kaleyra accounted for increasing revenues once compared to the previous year, despite a negative impact in terms of gross marginality. At this stage, the extent and duration of the pandemic, and its foreseeable unfolding following the worldwide vaccine campaigns, is still uncertain and difficult to predict. Kaleyra is actively monitoring and managing its response and assessing actual and potential impacts to its operating results and financial condition, which could also impact trends and expectations.

Restricted Stock Units (“RSUs”)

In November 2019, Kaleyra adopted its 2019 Equity Incentive Plan (the “EIP”). Following its adoption, in December 2019, RSUs were granted to certain employees, directors and advisory board members of Kaleyra for a total of 3,336,095 RSUs shares with an aggregate grant date fair value of $27.5 million, based on a per share grant date fair value of $8.25. In particular:

- The Board of Directors adopted a form of Restricted Stock Unit award Agreement and agreed to grant to certain employees of Kaleyra or its subsidiaries (i) 931,243 restricted stock units that would vest in one year from the grant date, (ii) 124,723 restricted stock units that would vest upon the final determination, if any, that the Business Combination’s definition of 2019 targeted adjusted EBITDA is achieved, and (iii) 124,718 restricted stock units that would vest upon the final determination, if any, that the Business Combination’s definition of 2020 targeted adjusted EBITDA is achieved.
- The Board of Directors of Kaleyra agreed to grant to certain employees, directors and advisory board members of Kaleyra a total of 2,020,411 RSUs. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vests February 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from February 1, 2021.

- The Board of Directors of Kaleyra and certain advisory board members were granted a total of 135,000 RSUs. These RSUs have no performance conditions and vest 40% on February 1, 2020 with the remaining RSUs vesting ratably over the subsequent three quarters.

On March 24, 2020, the Board's Compensation Committee approved the grant of 113,506 RSUs to a new manager of the Company. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vest on February 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from February 1, 2021.

In May 2020, the Board approved the grant of 447,714 RSUs to three new managers and two new advisory board members of Kaleyra. These RSUs have no performance conditions and vest as follows:

- 435,714 RSUs under this vesting timeline: (i) 25% of the shares vest on May 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from May 1, 2021;
- 8,000 RSUs vest on August 1, 2020 and 4,000 RSUs on November 1, 2020.

On August 6, 2020, the Board's Compensation Committee approved the grant of 500,200 RSUs to sixty-nine employees of the Company as part of Kaleyra's retention plan. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vest on August 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from August 1, 2021.

On November 5, 2020, the Board's Compensation Committee approved the grant of 233,810 RSUs to twenty-five employees of the Company, five directors and four advisory board members of Kaleyra. These RSUs have no performance conditions and vest as follows:

- 66,000 RSUs under this vesting timeline: (i) 25% of the shares vest on November 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from November 1, 2021;
- 167,810 RSUs vest in four equal quarterly installments starting from February 1, 2021.

On December 16, 2020, the Board's Compensation Committee approved the grant of 95,500 RSUs to eleven employees of the Company as part of Kaleyra's retention plan. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vest on February 1, 2022 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from February 1, 2022.

RSUs compensation expense for the year ended December 31, 2020 was $19.1 million of which $4.0 million is recorded in research and development, $3.9 million in sales and marketing, and $11.2 million in general and administrative.

RSUs compensation expense for the year ended December 31, 2019 was $996,000 of which $299,000 is recorded in research and development, $115,000 in sales and marketing, and $582,000 in general and administrative.

As of December 31, 2020, there was $13.6 million of unrecognized compensation cost related to non-vested RSUs.

Stock-Based Compensation

As mentioned above, in November 2019, Kaleyra adopted its 2019 EIP. The EIP provides for the award of stock-based compensation, as noted in the Restricted Stock Units section above.

Preference shares liabilities and accrued performance bonuses

Preference shares liabilities amounting to zero and $2.5 million as of December 31, 2020 and 2019, respectively, represent the Company's obligation to purchase in 2020 the preference shares from certain employees of Solutions Infini as a part of the Solutions Infini 2018 Purchase Agreement.

On February 19, 2020, Kaleyra signed a modification of the 2018 Solutions Infini Purchase Agreement to reduce the price of the preference shares to be purchased from the eligible employees of Solutions Infini in July 2020 to their face value, amounting to Indian Rupee 10.0 per each preference share. As a result of this modification, the total preference shares obligation was reduced to Indian Rupee 132,000 ($2,000 at the July 31, 2020 exchange rate) and paid in full on July 31, 2020.

On January 31, 2020, Kaleyra had agreed to pay to the eligible employees of the preference shares, performance bonuses for a total amount of $3.5 million, to be paid in 2020, as a replacement of the preference shares obligation.

On March 24, 2020, given the prevailing situation of the COVID-19 pandemic both globally and in India, Kaleyra agreed with two of the eligible employees to delay payment of their performance bonuses, for a total amount of $1.4 million, and evaluate the timeline for payment thereof at a later date.

During fiscal year 2020, the previously outstanding performance bonus obligation payable to the eligible employees was paid in two different installments of $1.4 million on August 31, 2020, following the resolution of the Board of Directors of Solutions Infini, and of $883,000 on November 30, 2020.

As of December 31, 2020, the outstanding performance bonus obligation payable to the other eligible employees amounted to $1.2 million. This amount is included in the consolidated balance sheets line item “Payroll and payroll related accrued liabilities”.

Subsequent to December 31, 2020, the previously outstanding performance bonus obligation payable to the other eligible employees was agreed to be paid in two different installments of $826,000 on February 15, 2021, and $343,000 (at the February 15, 2021 exchange rate) on April 15, 2021, under the full and final settlement agreements signed with the other eligible employees. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

As a result of the modification of the 2018 Solutions Infini Purchase Agreement described above, $2.5 million of preference shares obligation was reversed to the statement of operations for the year ended December 31, 2020 and $3.7 million of performance bonuses were recorded in the same period resulting in a $1.2 million net impact to the consolidated statement of operations (before tax).

For the year ended December 31, 2020 and 2019, the net impact of the preference shares amendment and the performance bonus agreements, on loss before income tax expense (benefit) was as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Research and development	$ 524	$ —
Sales and marketing	1,093	—
General and administrative	(30)	—
Financial expense, net	(417)	—
Total	$ 1,170	$ —

In addition, the accrual of the performance bonuses mentioned above resulted in a $920,000 tax deduction for the year ended December 31, 2020, as, unlike preference shares costs, performance bonus expenses are deductible for tax purposes.

Key Business Metrics

Revenue

Kaleyra’s revenue is generated primarily from usage-based fees earned from the sale of communication services offered through software solutions to large enterprises, as well as small and medium-sized customers. Revenue can be billed in advance or in arrears depending on the terms of the agreement; for the majority of customers, revenue is invoiced on a monthly basis in arrears.

Cost of Revenue and Gross Profit

Cost of revenue consists primarily of costs of communications services purchased from network service providers. Cost of revenue also includes the cost of Kaleyra’s cloud infrastructure and technology platform, amortization of capitalized internal-use software development costs related to the platform applications and amortization of developed technology acquired in the business combinations.

Gross profit is equal to the revenue less cost of revenue associated with delivering the communication services to Kaleyra's customers.

Operating Expenses

Kaleyra's operating expenses include research and development expense, sales and marketing expense, general and administrative expense, transactions costs and depreciation and amortization, excluding the depreciation and amortization expense related to the technology platform.

Research and Development Expense

Research and development expense consists primarily of personnel costs, the costs of the technology platform used for staging and development, outsourced engineering services, amortization of capitalized internal-use software development costs (other than those related to the technology platform) and an allocation of general overhead expenses. Kaleyra capitalizes the portion of its software development costs that meet the criteria for capitalization.

Sales and Marketing Expense

Sales and marketing expense is comprised of compensation, variable incentive compensation, benefits related to Kaleyra's sales personnel, along with travel expenses, other employee related costs including stock-based compensation, and expenses related to advertising, marketing programs and events.

General and Administrative Expense

General and administrative expense is comprised of compensation and benefits of administrative personnel, including variable incentive pay and stock-based compensation, and other administrative costs such as facilities expenses, professional fees, and travel expenses.

RESULTS OF OPERATIONS

Comparison of the years ended December 31, 2020 and 2019 is as follows ($ in thousands):

	Year Ended December 31,			
	2020	2019	$ Change	% Change
Revenue	$ 147,368	$ 129,558	$ 17,810	14 %
Cost of revenue (1)	122,932	103,205	19,727	19 %
Gross profit	24,436	26,353	(1,917)	(7 %)
Operating expenses:				
Research and development (2)	9,745	5,310	4,435	84 %
Sales and marketing (1)(2)	12,866	6,031	6,835	NM
General and administrative (2)	28,195	17,431	10,764	62 %
Total operating expenses	50,806	28,772	22,034	77 %
Loss from operations	(26,370)	(2,419)	23,951	NM
Other income, net	112	136	(24)	(18 %)
Financial expense, net	(1,475)	(439)	1,036	NM
Foreign currency loss	(1,353)	(517)	836	NM
Loss before income tax expense (benefit)	(29,086)	(3,239)	25,847	NM
Income tax expense (benefit)	(2,276)	2,273	(4,549)	NM
Net loss	$ (26,810)	$ (5,512)	$ 21,298	NM

NM = Not meaningful

(1) For the year ended December 31, 2020 and 2019, the expense includes amortization of acquired intangibles as noted in the table below(in thousands).

	Year Ended December 31,	
	2020	2019
Cost of revenue	$ 633	$ 653
Sales and marketing	986	1,098
Total	$ 1,619	$ 1,751

(2) Operating expenses include stock-based payments. The expense for 2020 and 2019 related to RSUs are as follows (in thousands), net of capitalized stock-based compensation expenses.

	Year Ended December 31,	
	2020	2019
Research and development	$ 3,984	$ 299
Sales and marketing	3,934	115
General and administrative	11,199	582
Total	$ 19,117	$ 996

Revenue

In 2020, revenue increased by $17.8 million, or 14%, compared to 2019. This increase was mainly driven by an increase in higher connectivity business that generated significant transaction volumes during fiscal year 2020.

Cost of Revenue and Gross Profit

In 2020, cost of revenue increased by $19.7 million, or 19%, compared to 2019. The increase in cost of revenue was primarily attributable to the increase in connectivity business, partially offset by the effects of the renegotiation of agreements in premium services. In 2020, gross profit decreased by 7% compared to 2019 mainly as a result of the effects of higher connectivity costs temporarily incurred during the initial delivery phase of new customer accounts that generated significant transaction volumes in the year ended December 31, 2020, partially offset by the above described effects in premium services.

Operating Expenses

In 2020, research and development expenses increased by $4.4 million, or 84%, compared to 2019. Research and development expenses included $4.0 million for the stock-based compensation and a net impact of $524,000 for the Solutions Infini performance bonuses and preference shares amendment in the year ended December 31, 2020, compared to $299,000 and zero in the year ended December 31, 2019, respectively. Excluding such costs and the $2.4 million capitalized software development costs, compared to $583,000 capitalized costs in the year ended December 31, 2019, research and development expenses would have increased by $2.0 million mainly due to an increase in the headcount compared to the prior year.

In 2020, sales and marketing expenses increased by $6.8 million compared to 2019. Sales and marketing expenses included $3.9 million of stock-based compensation and a net impact of $1.1 million for the Solutions Infini performance bonuses and preference shares amendment in the year ended December 31, 2020, compared to $115,000 and zero in the year ended December 31, 2019, respectively. Excluding such costs, sales and marketing expense would have increased by $1.9 million. Such increase was primarily driven by an increase in headcount compared to the prior year.

In 2020, general and administrative expenses increased by $10.8 million, or 62%, compared to 2019. General and administrative expenses included (i) $11.2 million of stock-based compensation in the year ended December 31, 2020, compared to $582,000 in the year ended December 31, 2019; and (ii) $4.9 million transaction costs, special performance bonus costs and costs pertaining to initial public company compliance in the year ended December 31, 2020 as compared to $8.3 million transaction costs and costs pertaining to initial public company compliance in the year ended December 31, 2019. Excluding such costs, general and administrative expenses would have increased by $3.5 million. Such increase was primarily driven by an increase in headcount compared to the prior year.

Other Income, Net

In 2020, other income, net decreased by $24,000, or 18%, compared to 2019. Such decrease is mainly attributable to the fact that in 2019 this item included certain government incentives received by Kaleyra in connection with research and development activities which were not received in 2020.

Financial Expense, Net

In 2020, financial expense, net increased by $1.0 million, compared to 2019. Such increase is attributable to an increase in financial expenses in 2020 compared to 2019, combined with a decrease in financial income in 2020 compared to 2019. Financial expenses increased by $708,000, or 64%, in 2020 compared to 2019, mainly due to Kaleyra's higher interest expense accrued on bank and other borrowings, debt for forward share purchase agreements and notes payable compared to prior year. The increase in interest expense was partially offset by the reversal of interest expense previously accrued on the Solutions Infini preference share obligations related to the amendment signed in January 2020. Excluding such non-recurring preference share interest reversal of $417,000, financial expense would have increased by $1.1 million in the year ended December 31, 2020 compared to the prior year. Financial income decreased by $328,000, or 49%, in 2020 compared to 2019, primarily due to lower gains on derivatives as the Company no longer has foreign currency exchange derivatives and due to lower income on marketable securities in 2020, partially offset by an increase in interest income.

Foreign Currency Loss

In 2020, foreign currency loss increased by $836,000, compared to 2019. Such change was mainly attributable to the effects of the fluctuation of the Indian Rupee and Euro against the U.S. dollar.

Income Tax Expense (Benefit)

In 2020 and in 2019, income tax benefit and income tax expense amounted to $2.3 and $2.3 million, respectively. As a percentage of loss before income taxes in 2020 and 2019, income tax benefit and income tax expense accounted for 8% and 70%, respectively. The income tax benefit in 2020 is principally due to the deferred tax benefit related to the net operating loss carryforwards.

LIQUIDITY AND CAPITAL RESOURCES

As of December 31, 2020, Kaleyra had $33.0 million of cash, $4.8 million of short-term investments and no restricted cash (compared to $16.1 million, $5.1 million and $20.9 million as of December 31, 2019, respectively). Of the $37.8 million in cash and short-term investments, $17.2 million was held in Italy, $10.0 million was held in India with the remainder held in U.S. banks. Restricted cash as of December 31, 2019 was held in the Unites States and consisted of cash deposited into savings or escrow accounts with two financial institutions as collateral for Kaleyra's respective obligations under each of the forward share purchase agreements with Glazer Capital, LLC and Yakira Capital Management, Inc. Such obligations were satisfied in May 2020, and as a result, Kaleyra no longer has any restricted cash.

The consolidated balance sheet as of December 31, 2020 includes total current assets of $85.0 million and total current liabilities of $88.8 million, resulting in net liabilities due within the next 12 months of $3.7 million.

On June 24, 2020, the Company entered into an Underwriting Agreement (the "Underwriting Agreement") with Oppenheimer & Co. Inc. and Nomura Securities International, Inc. acting as joint book-running managers and as representatives of the underwriters named therein (collectively, the "Underwriters") relating to the issuance and sale of 7,777,778 shares of the Company's common stock, par value $0.0001 per share (the "Offering"). The price to the public in the Offering was $4.50 per share, before underwriting discounts and commissions. Under the terms of the Underwriting Agreement, the Company granted the Underwriters an option, exercisable for 30 days, to purchase up to an additional 1,166,666 shares of common stock. The Offering closed on June 29, 2020 and resulted in net proceeds to the Company of approximately $32.0 million, after deducting underwriting discounts and commissions and Offering expenses payable by the Company. On July 22, 2020, the Underwriters issued notice under the terms of the Underwriting Agreement that they were partially exercising and closed on their option to purchase an additional 984,916 shares of common stock of the Company at the public offering price less underwriting discounts. On the settlement date of July 24, 2020, the additional net proceeds from the overallotment option amounted to $4.2 million, after deducting underwriting discounts and commissions and Offering expenses payable by the Company.

On June 30, 2020, following the Offering described above, the Company used approximately $5.5 million of the net proceeds to repay debt, consisting of: (i) the previously outstanding promissory note in the amount of $400,000 issued to Northland Securities, Inc., (ii) the previously outstanding promissory notes issued to the Founders and certain of their affiliates in the aggregate amount of $3.6 million, and (iii) the previously outstanding promissory note issued to the former holder of capital stock of Kaleyra S.p.A., Maya Investments Limited, in the amount of $1.5 million. In July 2020, the Company also used the Offering proceeds to pay the previously outstanding promissory note issued to the former holder of capital stock of Kaleyra S.p.A., Esse Effe, in the amount of $6.0 million.

Further, subsequent to December 31, 2020, in accordance with the terms of the Confirmation,Nomura Global Financial Products, Inc. fully terminated the OTC Equity Prepaid Forward Transaction and made a payment in the aggregate amount of $17.0 million to Kaleyra. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Also subsequent to December 31, 2020, and for the purposes of raising the cash portion of the consideration for the proposed Merger,on February 18, 2021, Kaleyra entered into the PIPE Subscription Agreements with the PIPE Investors, pursuant to which, among other things, Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, an aggregate of 8,400,000 shares of Kaleyra common stock to the PIPE Investors at $12.50 per share, and Kaleyra also entered into the Convertible Note Subscription Agreements with the Convertible Note Investors, pursuant to which Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, $200 million aggregate principal amount of unsecured Merger Convertible Notes. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Management currently plans to retain the cash in the jurisdictions where these funds are currently held. Kaleyra believes its cash, cash flows from operations and availability of borrowings will be sufficient to support its planned operations for at least the next 12 months.

Kaleyra finances its operations through a combination of cash generated from operations and from borrowings under Kaleyra bank facilities primarily with banks located in Italy. Kaleyra's long-term cash needs primarily include meeting debt service requirements, working capital requirements and capital expenditures.

Kaleyra may also pursue strategic acquisition opportunities, such as the proposed acquisition of mGage, that may impact its future cash requirements. There are a number of factors that may negatively impact its available sources of funds in the future including the ability to generate cash from operations, obtain additional financing or refinance existing short-term debt obligations, including those related to acquisitions completed in prior periods and including the obligation related to the forward share purchase agreements in case the third-parties involved exercise their put options. The amount of cash generated from operations is dependent upon factors such as the successful execution of Kaleyra's business strategies and worldwide economic conditions. The amount of debt available under future financings is dependent on Kaleyra's ability to maintain adequate cash flow for debt service and sufficient collateral, and general financial conditions in Kaleyra's market.

As noted above, Kaleyra entered into the Convertible Note Subscription Agreements with the Convertible Note Investors, pursuant to which Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, $200 million aggregate principal amount of unsecured Merger Convertible Notes. Subject to the terms of the Merger Convertible Notes, Kaleyra may opportunistically raise additional debt capital, subject to market and other conditions, to refinance its existing capital structure at a lower cost of capital and extend the maturity period of certain debt. Additionally, Kaleyra may also raise debt capital for strategic opportunities which may include acquisitions of additional companies, and general corporate purposes. If additional financing is required from outside sources, Kaleyra may not be able to raise it on terms acceptable to it or at all. If Kaleyra is unable to raise additional capital when desired, Kaleyra's business, operating results and financial condition may be adversely affected.

Kaleyra has a number of long-standing business and banking relationships with major Italian commercial banks where it maintains both cash accounts and a credit relationship. Historically, Kaleyra has used cash generated from operations to fund its growth and investment opportunities. As Kaleyra's management made the decision to expand its operations outside of Italy and acquired additional companies, it took on certain additional financing in order to fund cash payments due on the acquisitions. As of December 31, 2020, Kaleyra's total bank and other borrowings, including amounts drawn under the revolving credit line facilities was $48.0 million ($27.4 million as of December 31, 2019).

Kaleyra has credit line facilities of $7.7 million as of December 31, 2020, of which $5.3 million has been used. As of December 31, 2019, Kaleyra had credit line facilities of $5.6 million, of which $3.7 million had been used. Amounts drawn under the credit line facilities are collateralized by specific customer trade receivables and funds available under the line are limited based on eligible receivables.

Promissory Note payable to suppliers

On April 16, 2020, in connection with the Business Combination, Kaleyra entered into a Settlement Agreement and Release (the "Settlement Agreement") with its financial advisory service firms, Cowen and Chardan (collectively the "Service Firms"), pursuant to which it agreed to pay an affiliate of Cowen, Cowen Investments II LLC ("Cowen Investments"), and Chardan, in full satisfaction of all amounts owed to the Service Firms as of December 31, 2019, $5.4 million in the aggregate, as follows: (i) $2.7 million in the aggregate in common stock of Kaleyra (the "Settlement Shares") to be issued the business day prior to the filing of a resale registration statement for such Settlement Shares (the "Bank Resale Registration Statement"), (ii) convertible notes totaling $2.7 million in the aggregate with a maturity date three years after issuance and bearing interest at five percent (5%) per annum (but with lower interest rates if the notes are repaid earlier than one year or two years after issuance) and with interest paid in arrears to the payee on March 15, June 15, September 15 and December 15 of each year, with such convertible notes to also be issued the business day prior to the filing of the Bank Resale Registration Statement and (iii) in the event that the Beneficial Ownership Limitation (as defined below) would otherwise be exceeded upon delivery of the Settlement Shares above, a warrant agreement also to be entered into with and issued to the Services Firms the business day prior to the filing of the Bank Resale Registration Statement, whereby the amount of common stock of Kaleyra by which the Beneficial Ownership Limitation would otherwise have been exceeded upon delivery of the Settlement Shares will be substituted for by warrants with an exercise price of $0.01 per share issued pursuant to a warrant agreement (the "Bank Warrant Agreement") and the common stock underlying the Bank Warrant Agreement (the "Bank Warrant Shares"). The Beneficial Ownership Limitation shall initially be 4.99% of the number of shares of the common stock outstanding of Kaleyra immediately after giving effect to the issuance of these shares of common stock. The number of Settlement Shares was calculated using as the price per Settlement Share an amount equal to a fifteen percent (15%) discount to the ten-day (10-day) trailing dollar volume-weighted average price for the common stock of Kaleyra on the NYSE American stock exchange (the "VWAP") on the business day immediately prior to the date on which Kaleyra files the Bank Resale Registration Statement. In addition, the price per share for determining the number of shares of common stock of Kaleyra to be issued upon the conversion of the convertible notes shall be a five percent (5%) premium to the ten-day (10-day) trailing VWAP as of the date immediately prior to the issuance date of the convertible notes, rounded down to the nearest whole number.

On May 1, 2020, in connection with the Settlement Agreement, Kaleyra issued: (i) an aggregate of 440,595 Settlement Shares to Cowen Investments and Chardan, consisting of 374,506 Settlement Shares issued to Cowen Investments, and 66,089 Settlement Shares issued to Chardan; and (ii) convertible promissory notes in the aggregate principal amount of $2.7 million to Cowen Investments and Chardan, consisting of a convertible promissory note in the principal amount of $2.3 million issued to Cowen Investments (the "Cowen Note") and a convertible promissory note in the principal amount of $405,000 issued to Chardan (the "Chardan Note"). The unpaid principal of the Cowen Note is convertible at the option of Cowen Investments into 303,171 shares of common stock of Kaleyra, if there has been no principal reduction, and the unpaid principal of the Chardan Note is convertible at the option of Chardan into 53,501 shares of common stock of Kaleyra, if there has been no principal reduction. As the Beneficial Ownership Limitation was not triggered by the issuance of the Settlement Shares, no Bank Warrant Agreement was necessary and no warrants were issued.

As of December 31, 2020, the outstanding amount of the Cowen Note was $2.3 million and accrued interest was $63,000. As of December 31, 2020, the outstanding amount of the Chardan Note was $405,000 and accrued interest was $14,000.

Subsequent to December 31, 2020, Cowen Investments elected to convert the outstanding amount of the Cowen Note into 303,171 shares of common stock, par value $0.0001 per share of Kaleyra, pursuant to the terms of the Cowen Note. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Notes Payable to the Sellers

As mentioned above, at the Closing of the Business Combination, Kaleyra issued unsecured convertible promissory notes to each of Esse Effe and Maya in the amount of $6.0 million and $1.5 million, respectively, and also issued other unsecured promissory notes to each of Esse Effe and Maya in the identical respective amounts (the "Notes payable to the Sellers"). Interest on the Notes Payable to the Sellers will accrue at a fixed interest rate equal to the one-year U.S. dollar LIBOR interest rate published in The Wall Street Journal on the date of the Business Combination, plus a margin of one percent (1%) per annum. The principal amount of $1.5 million plus accrued interest of $26,000 for the unsecured non-convertible promissory note held by Maya was paid in full by the Company on June 30, 2020, and no amount remains outstanding for such note. On July 2, 2020, the previously outstanding amount of the unsecured promissory note held by Esse Effe was repaid in full, with a total of $6.0 million in principal and $105,000 in accrued interest being paid to Esse Effe.

Subsequent to December 31, 2020, on the fifteen-month anniversary of the Business Combination Date or February 25, 2021, the fifty percent (50%) of the previously outstanding amount of the unsecured convertible promissory notes held by Esse Effe and Maya was repaid, with a total of $3.0 million and $750,000 in principal and $176,000 and $44,000 in accrued interest being paid to Esse Effe and Maya, respectively, pursuant to the terms of the Convertible Notes.

Notes Payable to the Founders

Prior to the closing of the Business Combination, the Company had issued to several of its stockholders or their affiliates (collectively, the "Founders") various promissory notes that were due to be paid in full upon the closing of the Business Combination (such notes referred to collectively as either the "Extension Notes" or the "Working Capital Notes"). In conjunction with the completion of the Business Combination, Kaleyra and each of GigAcquisitions, LLC (the "Sponsor") and an affiliate of the Sponsor, GigFounders, LLC, agreed to amend and restate the Extension Notes and Working Capital Notes held by them to provide that in lieu of repaying such promissory notes in full upon the closing of the Business Combination, the outstanding principal balance of such amended and restated notes (the "Amended Extension Notes" and the "Amended Working Capital Notes"), plus all accrued and unpaid interest (as described below) and fees due under the Amended Extension Notes and Amended Working Capital Notes, shall, upon the receipt by Kaleyra , whether in a debt or equity financing event by Kaleyra (which may include the receipt of cash from third parties with which Kaleyra has entered into forward share purchase agreements), of cash proceeds in an amount not less than $11.5 million (the "Financing Proceeds"), be due and payable no later than ten business days after Kaleyra receives the Financing Proceeds. The other holders of Extension Notes and Working Capital Notes similarly agreed to amend and restate these notes to exchange them into Amended Extension Notes and Amended Working Capital Notes after the closing of the Business Combination. Interest on the Amended Extension Notes and Amended Working Capital Notes accrued at a fixed interest rate equal to the one-year U.S. dollar LIBOR interest rate published in The Wall Street Journal on the closing of the Business Combination, which is one and ninety-one hundredths percent (1.91%), plus a margin of one percent (1%) per annum. All interest was computed on the basis of a 365-day year and the actual number of days elapsed. None of the Amended Extension Notes or Amended Working Capital Notes were convertible into securities of Kaleyra. All principal and accrued interest for the Amended Extension Notes and Amended Working Capital Notes was paid in full by the Company on June 30, 2020, and no amount remains outstanding for such notes.

Forward Share Purchase Agreements obligations

In 2019, Kaleyra entered into certain forward share purchase agreements or similar arrangements with third parties including: Greenhaven Road Capital Fund 1, LP, Greenhaven Road Capital Fund 2, LP (together, "Greenhaven"); Yakira Capital Management, Inc. ("Yakira"), Kepos Alpha Fund L.P, ("KAF"), Glazer Capital, LLC ("Glazer") and Nomura Global Financial Products, Inc. ("NGFP"). In connection with such forward share purchase agreements or similar arrangements, Kaleyra assumed the obligations to repurchase its own shares at a fixed price subject to certain condition described in the agreements. As of December 31, 2020, Kaleyra's debt for forward share purchase agreements amounted to $483,000. Pursuant to the terms of the Confirmation, as amended, Kaleyra had prepaid $17.0 million for its potential forward repurchase of the Nomura Shares from NGFP, but would owe, in the event of a forward repurchase, an amount equal to the product of (x) $10.5019, (y) the Accrual Percentage (as defined below), and (z) the number of shares being repurchased from NGFP. The "Accrual Percentage" is 3.50% per annum, ending on November 25, 2021. Subsequent to December 31, 2020, in accordance with the terms of the Confirmation, NGFP fully terminated the Forward Transaction and made a payment in the aggregate amount of $17.0 million to Kaleyra. Following the payment mentioned above, the Forward Transaction with NGFP has terminated pursuant to terms of the Confirmation, and as a result the Company has no further obligations, except for the amount of accrued interest payable to NGFP. See Note 10 – Debt For Forward Share Purchase Agreements and Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

On February 7, 2020, the Yakira Purchase Agreement was amended (the “First Yakira Amendment”). The First Yakira Amendment provides that Kaleyra may be obligated to purchase some or all of 43,930 shares that resulted from the conversion of rights if Yakira exercises an option to sell such shares to Kaleyra at a purchase price of $10.93 per share (which is an increase from $10.50 per share) as soon as practicable on or after the six-month anniversary of the Business Combination Date. On May 9, 2020, Kaleyra entered into a second amendment to the forward share purchase agreement with Yakira (the “Second Yakira Amendment”). The Second Yakira Amendment provides that Kaleyra will purchase from Yakira these 43,930 shares as soon as practicable on or after (but no later than the fifth business day after) December 31, 2020.

On May 11, 2020, Yakira issued notice under the Yakira Purchase Agreement for Kaleyra to repurchase 1,084,150 shares of common stock at $10.6819 per share, for an aggregate purchase price of $11.6 million, with such payment to be made with restricted cash previously placed in an escrow account with an escrow agent pursuant to the terms of the Yakira Purchase Agreement, plus an additional $4,000. These shares were repurchased by Kaleyra on May 18, 2020 and are unrelated to the 43,930 shares discussed above. As a result of this repurchase, no cash remains in the escrow account in accordance with the terms of the Yakira Purchase Agreement.

In addition, on December 11, 2020, Kaleyra entered into the third amendment to the forward share purchase agreement with Yakira (the “Third Yakira Amendment”). The Third Yakira Amendment provides that Kaleyra will purchase from Yakira its 43,930 subject shares as soon as practicable on or after March 31, 2021, at a purchase price of $11.00 per share.

As of December 31, 2020, the Company’s debt in connection with the Yakira Purchase Agreement amounted to $483,000.

Subsequent to December 31, 2020, Yakira informed the Company that it had sold all but 219 shares in the open market at a price above $11.00 per share that were subject to the Third Yakira Amendment. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Long-term financial obligations

Long-term financial obligations, excluding forward share purchase agreements and similar arrangement obligations, the Notes Payable to the Sellers, the Notes Payable to the Founders, and credit line facilities, consisted of the following ($ in thousands):

	As of December 31,		Maturity	Interest Contractual Rate	Interest Nominal Rate As of December 31,	
	2020	2019			2020	2019
UniCredit S.p.A. (Line A Tranche (1)	$ 3,235	$ 3,609	January 2023	Euribor 3 months + 3.10%	2.80%	2.80%
UniCredit S.p.A. (Line A Tranche (2)	153	167	May 2023	Euribor 3 months + 3.10%	2.80%	2.80%
UniCredit S.p.A. (Line B)	3,030	3,229	November 2023	Euribor 3 months + 2.90%	2.60%	2.60%
UniCredit S.p.A. (Line C)	2,521	2,787	February 2023	Euribor 3 months + 3.90%	3.36%	3.53%
Intesa Sanpaolo S.p.A. (Line 1)	931	988	April 2022	Euribor 3 months + 1.80%	1.26%	1.88%
Intesa Sanpaolo S.p.A. (Line 2)	4,292	4,183	April 2024	Euribor 3 months + 2.60%	2.06%	2.60%
Intesa Sanpaolo S.p.A. (Line 3)	9,688	—	June 2026	Euribor 3 months + 1.65%	1.11%	—
Intesa Sanpaolo S.p.A. (Line 4)	6,734	—	July 2026	Euribor 3 months + 1.70%	1.16%	—
UBI Banca S.p.A. (Line 1)	209	332	August 2021	Euribor 3 months +1.25%	1.25%	1.25%
UBI Banca S.p.A. (Line 2)	1,031	1,499	October 2021	Euribor 3 months +1.95%	1.41%	1.55%
Monte dei Paschi di Siena S.p.A. (Line 1)	328	521	April 2022	0.95 %	0.95%	0.95%
Monte dei Paschi di Siena S.p.A. (Line 2)	2,037	—	June 2023	1.50 %	1.50%	—
Banco BPM S.p.A. (Line 1)	1,056	1,336	June 2023	Euribor 3 months + 2.00%	2.00%	2.00%
Banco BPM S.p.A. (Line 2)	—	3,893	September 2022	Euribor 3 months + 2.00%	—	2.00%
Banco BPM S.p.A. (Line 3)	6,355	—	March 2024	Euribor 3 months + 3.00%	2.46%	—
Simest 1	307	280	December 2023	0.50 %	0.50%	0.50%
Simest 2	305	279	December 2023	0.50 %	0.50%	0.50%
Simest 3	560	512	December 2023	0.50 %	0.50%	0.50%
Finlombarda S.p.A.	—	83	December 2020	0.50 %	0.50%	0.50%
Total bank and other borrowings	42,772	23,698				
Less: current portion	10,798	7,564				
Total long-term portion	$ 31,974	$ 16,134				

All bank and other borrowings are unsecured borrowings of Kaleyra.

Liquidity

Kaleyra funds its short- and long-term liquidity needs through a combination of cash on hand, cash flows generated from operations, and borrowings under credit facilities. Kaleyra's management regularly monitors certain liquidity measures to monitor performance.

The consolidated balance sheet as of December 31, 2020 includes total current assets of $85.0 million and total current liabilities of $88.8 million, resulting in net liabilities due within the next 12 months of $3.7 million. In addition, as of December 31, 2020 the Company had a stockholders' deficit of $7.4 million.

The Company's business operations continued to grow in line with expectations showing positive operating margins (excluding non-recurring costs). However, the Business Combination generated significant obligations including (i) $13.1 million of liabilities related to non-recurring Business Combination transaction related costs; (ii) $15.0 million of deferred consideration to sellers in the Business Combination transaction (iii) $13.2 million of net obligations under certain forward share purchase agreements entered into by GigCapital, Inc. prior to the Business Combination; and (iv) $3.6 million of notes payable acquired as a result of the Business Combination. As of December 31, 2020, the Company still had the following remaining obligations as a result of the Business Combination:

(i) $2.7 million of liabilities related to non-recurring Business Combination transaction related costs;

(ii) $7.5 million of deferred consideration to sellers in the Business Combination transaction; and

(iii) $483,000 of obligations under certain forward share purchase agreements entered into by GigCapital Inc. prior to the Business Combination.

On June 24, 2020, the Company entered into an Underwriting Agreement (the “Underwriting Agreement”) with Oppenheimer & Co. Inc. and Nomura Securities International, Inc. acting as joint book-running managers and as representatives of the underwriters named therein (collectively, the “Underwriters”) relating to the issuance and sale of 7,777,778 shares of the Company’s common stock, par value $0.0001 per share (the “Offering”). The price to the public in the Offering was $4.50 per share, before underwriting discounts and commissions. Under the terms of the Underwriting Agreement, the Company has granted the Underwriters an option, exercisable for 30 days, to purchase up to an additional 1,166,666 shares of common stock at the public offering price less underwriting discounts. The Offering closed on June 29, 2020 and resulted in net proceeds to the Company of approximately $32.0 million, after deducting underwriting discounts and commissions and Offering expenses payable by the Company, assuming no exercise by the Underwriters of their option to purchase additional shares of common stock.

On July 22, 2020, the Underwriters issued notice under the terms of the Underwriting Agreement, that they were partially exercising and closed on their option to purchase an additional 984,916 shares of common stock of the Company at the public offering price less underwriting discounts. On the settlement date of July 24, 2020, the additional net proceeds from the overallotment option amounted to $4.2 million, after deducting underwriting discounts and commissions and Offering expenses payable by the Company.

Further, subsequent to December 31, 2020, in accordance with the terms of the Confirmation,Nomura Global Financial Products, Inc. fully terminated the OTC Equity Prepaid Forward Transaction and made a payment in the aggregate amount of $17.0 million to Kaleyra. In addition, subsequent to December 31, 2020, Yakira informed the Company that it had sold all but 219 shares in the open market at a price above $11.00 per share that were subject to the Third Yakira Amendment. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Also subsequent to December 31, 2020, and for the purposes of raising the cash portion of the consideration for the proposed Merger,on February 18, 2021, Kaleyra entered into the PIPE Subscription Agreements with the PIPE Investors, pursuant to which, among other things, Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, an aggregate of 8,400,000 shares of Kaleyra common stock to the PIPE Investors at $12.50 per share, and Kaleyra also entered into the Convertible Note Subscription Agreements with the Convertible Note Investors, pursuant to which Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, $200 million aggregate principal amount of unsecured Merger Convertible Notes. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Assuming the consummation of the Merger, and considering the effects of the Offering and the Financing described above and the typical financial cycle of Kaleyra, Kaleyra’s management believes that the Company’s cash, cash flows from operations, debt and equity financings and availability of borrowings, will be sufficient to support its planned operations for at least the next 12 months from the date these consolidated financial statements were issued.

Cash Flows

The following table summarizes cash flows for the periods indicated (in thousands):

	Year Ended December 31,	
	2020	2019
Net cash provided by (used in) operating activities	$ (12,322)	$ 6,453
Net cash provided by (used in) investing activities	(3,168)	17,687
Net cash provided by financing activities	9,727	4,702
Effect of exchange rate changes on cash, cash equivalents and restricted cash	1,736	(52)
Net increase (decrease) in cash, cash equivalents and restricted cash	$ (4,027)	$ 28,790

In the year ended December 31, 2020, cash used in operating activities was $12.3 million, primarily consisting of the net loss of $26.8 million and net cumulative changes in operating assets and liabilities of $3.0 million, partially offset by $17.5 million of non-cash items. Non-cash items consisted primarily of $19.1 million of stock-based compensation expense and $2.8 million of depreciation and amortization expense partially offset by $2.5 million settlement on the preference share liability and $2.7 million change in deferred tax assets.

In the year ended December 31, 2019, cash provided by operating activities was $6.5 million, primarily consisting of net loss of $5.5 million adjusted for non-cash items, mainly including $2.6 million of depreciation and amortization expense, $2.1 million of non-cash compensation expense for stock-based compensation and preference shares, $716,000 of allowance for doubtful accounts, $657,000 of non-cash interest expense and $5.6 million of net cumulative changes in operating assets and liabilities.

In the year ended December 31, 2020, cash used in investing activities was $3.2 million, primarily consisting of $7.9 million of purchases of short-term investments, $0.4 million of purchases of property and equipment, and $3.0 million to fund the cost of internally developed software, partially offset by $8.2 million of proceeds from the sale of short-term investments.

In the year ended December 31, 2019, cash provided by investing activities was $17.7 million, primarily consisting of $21.7 million of cash, cash equivalents and restricted cash acquired in the reverse merger and $3.9 million of proceeds from sale of marketable securities, partially offset by $5.9 million of purchases of marketable securities, $1.4 million of purchases of property and equipment and $602,000 to fund the cost of internally developed software.

In the year ended December 31, 2020, cash provided by financing activities was $9.7 million, primarily consisting of $36.2 million in net proceeds from the public offering of the Company's common stock, $24.4 million in proceeds from borrowings on term loans and net drawings of $1.3 on the available lines of credit, partially offset by $8.7 million of repayments on term loans, $30.4 million of repurchases of common stock related to forward share purchase agreements, $1.5 million of payments related to aggregate sale price differences under the forward share purchase agreements, and $11.5 million of repayments on notes payable.

In the year ended December 31, 2019, cash provided by financing activities was $4.7 million, primarily consisting of $16.7 million in proceeds from borrowing on term loans and net drawings of $2.0 million on the available lines of credit, partially offset by $9.1 million of payment of deferred consideration for the Solutions Infini and Buc Mobile acquisitions and by $4.8 million of payments on term loans.

Contractual Obligations and Other Commitments

The following table summarizes the obligations as of December 31, 2020, as derived from the audited consolidated financial statements of Kaleyra as of that date.The table should be read in connection with the footnotes describing certain events occurring after December 31, 2020 (in thousands).

	Payment due by period				
	Total	2021	2022-2024	2025-2026	Thereafter
Bank and other borrowings	$ 42,772	$ 10,798	$ 25,930	$ 6,044	$ —
Line of credit	5,273	5,273	—	—	—
Capital lease obligations	378	151	208	19	—
Operating lease obligations (1)	2,299	559	1,282	458	—
Convertible notes payable to the Sellers (2)	7,500	7,500	—	—	—
Other notes payable (3)	2,700	—	2,700	—	—
Debt for forward share purchase agreements (4)	483	483	—	—	—
Total	$ 61,405	$ 24,764	$ 30,120	$ 6,521	$ —

(1) The Company has an option to extend its Milan office lease in 2026 for a period of 6 years under the same terms and conditions of the existing contract.

(2) Fifty percent (50%) of the outstanding principal balance of the noteswas due and paid on the fifteen-month anniversary of the Business Combination Date. The remaining outstanding principal balance of the notes plus all accrued and unpaid interest and fees due under the notes will be due and payable in full on the twenty-four-month anniversary of the Business Combination Date. In the event that Kaleyra receives, at any time while principal on the notes remains outstanding, cash proceeds of an equity financing (the "Financing") in an amount not less than $50.0 million (the "Financing Proceeds"), fifty percent (50%) of the outstanding principal balance of the notes will be due and payable no later than ten business days after Kaleyra receives such Financing Proceeds. In the event of a Financing where at any time Kaleyra receives cash proceeds of such Financing in an amount not less than $75.0 million (the "Payoff Financing Proceeds"), one hundred percent (100%) of the remaining outstanding principal balance of the notes, plus all accrued and unpaid interest and fees due under the notes will be due and payable no later than ten business days after Kaleyra receives such Payoff Financing Proceeds. The date which is the earlier of (a) the twenty-four-month anniversary of the Business Combination Date, or (b) the date payment is received from Payoff Financing Proceeds, is the "Maturity Date". Subsequent to December 31, 2020, on the fifteen-month anniversary of the Business Combination Date or February 25, 2021, the fifty percent (50%) of the previously outstanding amount of Business Combination Convertible Notes held by Esse Effe and Maya was repaid, with a total of $3.0 million and $750,000 in principal and $176,000 and $44,000 in accrued interest being paid to Esse Effe and Maya, respectively, pursuant to the terms of the Business Combination Convertible Notes.

(3) On May 1, 2020, the Company issued to Cowen Investments and Chardan convertible promissory notes in the aggregate principal amount of $2.7 million with a maturity date three years after issuance consisting of the Cowen Note in the principal amount of $2.3 million issued to Cowen and the Chardan Note in the principal amount of $405,000 issued to Chardan, as a partial settlement of the amounts owed to Cowen and Chardan for financial advisory services provided by Cowen and Chardan to Kaleyra S.p.A. in connection with the previously consummated Business Combination. The unpaid principal of the Cowen Note is convertible at the option of Cowen into 303,171 shares of common stock of the Company, if there has been no principal reduction, and the unpaid principal of the Chardan Note is convertible at the option of Chardan into 53,501 shares of common stock of the Company, if there has been no principal reduction. Subsequent to December 31, 2020, Cowen Investments elected to convert the outstanding amount of the Cowen Note into 303,171 shares of common stock, par value $0.0001 per share of Kaleyra, pursuant to the terms of the Cowen Note. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

(4) Pursuant to the third amendment to the forward share purchase agreement with Yakira (the "Third Yakira Amendment") dated December 11, 2020 Kaleyra shall purchase from Yakira the remaining 43,930 subject shares as soon as practicable on or after March 31, 2021, at a purchase price of $11.00 per share. As a result, as of December 31, 2020, the Company's debt in connection with the Yakira Purchase Agreement amounted to $483,000. Subsequent to December 31, 2020, Yakira informed the Company that it sold all but 219 shares in the open market at a price above $11.00 per share that were subject to the Third Yakira Amendment. See Note 27 – Subsequent Events in the consolidated financial statements in Item 8 of this Annual Report for further details.

Off-Balance Sheet Arrangements

During the years ended December 31, 2020 and 2019, Kaleyra did not have any relationships with any entities or financial partnerships, such as structured finance or special purposes entities established for the purpose of facilitating off-balance sheet arrangements or for other purposes.

Seasonality

Kaleyra's results are affected by the business cycles of its customer base, which generally results in stronger revenue in the fourth quarter of the financial year. Kaleyra believes this variability is largely due to the market's demand for its customers' and/or business partners' services due to higher levels of purchasing activity in the holiday season. As a result of its historically higher portion of sales in the fourth quarter of each year, its cost of revenue increases during such period relative to any increase in revenue. The increase in cost of revenue and other impacts of seasonality may affect profitability in a given quarter.

Taxes

Kaleyra files income tax returns in the U.S. and in foreign jurisdictions including Italy, India, and Switzerland.

For the years ended December 31, 2020 and 2019, Kaleyra's consolidated effective tax rate was negative 8% and 70%, respectively. The change in the effective tax rate is primarily due to the decrease of costs non-deductible for tax purposes recorded in 2020 compared to 2019 and to the increase in valuation allowance in 2020 compared to 2019. As of December 31, 2020, Kaleyra had $4.9 million of undistributed earnings and profits generated by a foreign subsidiary (Solutions Infini) for which no deferred tax liabilities have been recorded, since Kaleyra intends to indefinitely reinvest such earnings in the subsidiary to fund the international operations and certain obligations of the subsidiary. Should the above undistributed earnings be distributed in the form of dividends or otherwise, the distributions would result in $737,000 amount of tax.

As of December 31, 2020, the Company has federal, state and foreign net operating loss carryforwards totaling $27.5 million, $27.8 million and $7.2 million, respectively. If not utilized, federal net operating losses of $5.4 million will expire at various dates from 2026 through 2037, and $22.1 million have an indefinite life. State net operating losses of $27.8 million will expire at various dates from 2037 through 2040. Foreign net operating losses originated in Switzerland and will expire at various dates from 2023 through 2027.

Critical Accounting Policies and Estimates

The consolidated financial statements are prepared in accordance with US GAAP applicable for an "emerging growth company" as defined in the JOBS Act. The JOBS Act provides, among others, that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. In particular, an emerging growth company can delay the adoption of certain accounting standards until those standards would apply to private companies. For the purpose of these consolidated financial statements, Kaleyra availed itself of an extended transition period for complying with new or revised accounting standards and, as a result, did not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies.

Preparation of these financial statements requires Kaleyra to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. Kaleyra bases the estimates on historical experience and on various other assumptions that it believes to be reasonable. In many instances, Kaleyra could have reasonably used different accounting estimates and in other instances changes in the accounting estimates are reasonably likely to occur from period to period. Actual results could differ significantly from the estimates. To the extent that there are material differences between these estimates and actual results, the future financial statement presentation, financial condition, results of operations and cash flows will be affected. Kaleyra believes that the accounting policies discussed below are critical to understanding the historical and future performance, as these policies relate to the more significant areas involving judgments and estimates.

Revenue Recognition

Kaleyra derives the revenue primarily from usage-based fees earned from the sale of communications services offered through software solutions to large enterprises, as well as small and medium-sized customers. Revenue can be billed in advance or in arrears depending on the term of the agreement; for the majority of customers revenue is invoiced on a monthly basis in arrears.

Effective January 1, 2019, Kaleyra adopted Accounting Standards Codification ("ASC") 606, "Revenue from Contracts with Customers", which replaced the existing revenue recognition guidance, ASC 605, and outlines a single set of comprehensive principles for recognizing revenue under US GAAP. Among other things, ASC 606 requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate unit at which to record revenue, which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those products or services.

Kaleyra did not record any adjustment to the beginning retained earnings as of January 1, 2019 in connection with the adoption of the new standard.

Prior to the adoption of ASC 606, Kaleyra recognized the majority of its revenue according to the usage by its customers in the period in which that usage occurred. ASC 606 continues to support the recognition of revenue over time, and on a usage basis, for the majority of Kaleyra's contracts due to continuous transfer of control to the customer.

Revenue Recognition Policy

Revenue is recognized upon transfer of control of promised products or services to customers in an amount that reflects the consideration Kaleyra expects to receive in exchange for those products or services. Kaleyra enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for credits and any taxes collected from customers, which are subsequently remitted to governmental authorities.

Kaleyra determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Nature of Products and Services

Kaleyra's revenue is primarily derived from usage-based fees earned from the sale of communications services offered through software solutions to large enterprises, as well as small and medium-sized customers.

Platform access is considered a monthly series comprising of one performance obligation and usage-based fees are recognized as revenue in the period in which the usage occurs. Revenue from usage-based fees represented 98% of total revenue, in both the years ended December 31, 2020 and 2019.

Subscription-based fees are derived from certain term-based contracts, such as with the sales of short codes and customer support. Term-based contracts revenue is recognized on a ratable basis over the contractual term of the arrangement beginning on the date that the service is made available to the customer. Revenue from term-based fees represented 2% of total revenue, in both the years ended December 31, 2020 and 2019.

No significant judgments are required in determining whether products and services are considered distinct performance obligations and should be accounted for separately versus together, or to determine the stand-alone selling price.

Kaleyra's arrangements do not contain general rights of return. The contracts do not provide customers with the right to take possession of the software supporting the applications. Amounts that have been invoiced are recorded in trade receivables and in revenue or deferred revenue depending on whether the revenue recognition criteria have been met.

Restricted Stock Units

Kaleyra measures and recognizes the compensation expense for RSUs granted to employees and directors, based on the fair value of the award on the grant date.

RSUs give an employee an interest in company stock but they have no tangible value until vesting is complete. RSUs are equity classified and measured at the fair market value of the underlying stock at the grant date and recognized as expense over the related service or performance period. Kaleyra elected to account for forfeitures as they occur. The fair value of stock awards is based on the quoted price of our common stock on the grant date. Compensation cost for RSUs is recognized using the straight-line method over the requisite service period.

Stock-Based Compensation

Kaleyra accounts for stock-based compensation in accordance with the authoritative guidance on stock compensation. Under the fair value recognition provisions of this guidance, stock-based compensation is measured at the grant date based on the fair value of the award and is recognized as expense, over the requisite service period, which is generally the vesting period of the respective award.

As mentioned above, in November 2019, Kaleyra adopted its 2019 EIP. The EIP provides for the award of stock-based compensation. In 2020, Kaleyra granted RSUs to certain employees, directors and advisory board members of the Company for a total of 1,390,730 RSUs shares with an aggregate grant date fair value of $8.9 million, based on a per share weighted-average grant date fair value of $6.41.

Internal-Use Software Development Costs

Certain costs of the technology platform and other software applications developed for internal use are capitalized. Kaleyra capitalizes qualifying internal-use software development costs that are incurred during the application development stage. Capitalization of costs begins when two criteria are met: (i) the preliminary project stage is completed, and (ii) it is probable that the software will be completed and used for its intended purpose. Capitalization ceases when the software is substantially complete and ready for its intended use, including the completion of all-significant testing. Costs related to specific upgrades and enhancements are also capitalized when it is probable the expenditures will result in additional functionality. Any costs incurred for maintenance and minor upgrades and enhancements are expensed. Costs related to preliminary project activities and post-implementation operating activities are expensed as incurred.

Capitalized costs of the platform and other software applications are included in property and equipment. These costs are amortized over the estimated useful life of the software on a straight-line basis over four years. Management evaluates the useful life of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could affect the recoverability of these assets. The amortization of costs related to the platform applications is included in cost of revenue, while the amortization of costs related to other software applications developed for internal use is included in research and development expenses.

Kaleyra exercises judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized. To the extent that there is a change in the manner in which Kaleyra develops and tests new features and functionalities related to the platform, assesses the ongoing value of capitalized assets or determines the estimated useful lives over which the costs are amortized, the amount of internal-use software development costs capitalized and amortized could change in future periods.

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. Goodwill is not amortized and is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Kaleyra has selected December 31 as the date to perform its annual impairment test. In the valuation of goodwill, management must make assumptions regarding estimated future cash flows to be derived from Kaleyra's business. If these estimates or their related assumptions change in the future, Kaleyra may be required to record an impairment for these assets. Management may first evaluate qualitative factors to assess if it is more likely than not that the fair value of a reporting unit is less than its carrying amount and to determine if a two-step impairment test is necessary. Management may choose to proceed directly to the two-step evaluation, bypassing the initial qualitative assessment. The first step of the impairment test involves comparing the fair value of the reporting unit to which goodwill is allocated to its net book value, including goodwill. If the net book value exceeds its fair value, then Kaleyra would perform the second step of the goodwill impairment test to determine the amount of the impairment loss. The impairment loss would be calculated by comparing the implied fair value of the goodwill to its net book value. In calculating the implied fair value of goodwill, the fair value of the entity would be allocated to all of the other assets and liabilities based on their fair values. The excess of the fair value of the entity over the amount assigned to other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. No goodwill impairment charges have been recorded for any period presented.

Impairment of Long-Lived Assets

Kaleyra evaluates long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If such evaluation indicates that the carrying amount of the asset or the asset group is not recoverable, any impairment loss would be equal to the amount the carrying value exceeds the fair value. There was no impairment during the years ended December 31, 2020 and 2019.

Recent Accounting Pronouncements

See Note 2 to the annual consolidated financial statements included elsewhere in this document for a discussion of recent accounting pronouncements not yet adopted.

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

Interest Rate Risk

Interest rates are highly sensitive to many factors including international economic and political considerations, as well as other factors beyond Kaleyra's control. Interest rate risk is the exposure to loss resulting from changes in the level of interest rates and the spread between different interest rates. Kaleyra's interest rates on the bank borrowing held by Italian commercial banks is at market in Italy and well below market in other geographical locations. Therefore, Kaleyra does not believe there is material exposure to market risk from changes in interest rates on debt.

Foreign Currency Risk

Kaleyra's consolidated financial statements are presented in U.S. dollars while the functional currency of Kaleyra S.p.A.is the Euro. The functional currency of Solutions Infini is the Indian Rupee and the functional currency of Buc Mobile and Kaleyra Inc. is the U.S. dollar. The local currencies of Kaleyra's foreign subsidiaries are the Euro, Indian Rupee, U.S. dollar, United Arab Emirates dirhams, Swiss Francs and the Singapore dollar.

Each company remeasures monetary assets and liabilities denominated in currencies other that its functional currency at period-end exchange rates and non-monetary items are remeasured at historical rates.

Remeasurement adjustments are recognized in the consolidated statement of operations as foreign currency income (loss) in the period of occurrence.

For legal entities where the functional currency is a currency other than the U.S. dollar, including Kaleyra S.p.A., adjustments resulting from translating the financial statements into U.S. dollar are recorded as a component of accumulated other comprehensive income (loss) in stockholders' equity (deficit). Monetary assets and liabilities denominated in a currency that is other than the U.S. dollar are translated into U.S. dollar at the exchange rate on the balance sheet date. Revenue and expenses are translated at the weighted average exchange rates during the period. Equity transactions are translated using historical exchange rates. Kaleyra does not engage on a regular basis in any hedging activity to reduce Kaleyra's potential exposure to currency fluctuations, although Kaleyra may elect to do so in the future if use of derivatives would be beneficial to Kaleyra.

Item 8. Financial Statements and Supplementary Data.

KALEYRA, INC.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and
Stockholders of Kaleyra, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Kaleyra, Inc. (a Delaware corporation) and its subsidiaries (the "Company") as of December 31, 2020 and 2019, and the related consolidated statements of operations, comprehensive loss, stockholders' equity (deficit), and cash flows for each of the two years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ BPM LLP

We have served as the Company's auditor since 2019.

San Jose, California
March 15, 2021

KALEYRA, INC.
Consolidated Balance Sheets
(in thousands, except share and per share data)

	December 31, 2020	December 31, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 32,970	$ 16,103
Restricted cash	—	20,894
Short-term investments	4,843	5,124
Trade receivables, net	43,651	39,509
Prepaid expenses	1,447	648
Other current assets	2,134	4,224
Total current assets	85,045	86,502
Property and equipment, net	6,726	3,393
Intangible assets, net	7,574	9,353
Goodwill	16,657	16,953
Deferred tax assets	703	—
Other long-term assets	1,797	1,203
Total Assets	$ 118,502	$ 117,404
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 51,768	$ 63,320
Debt for forward share purchase agreements	483	34,013
Notes payable	—	1,667
Notes payable due to related parties	7,500	9,411
Lines of credit	5,273	3,627
Current portion of bank and other borrowings	10,798	7,564
Deferred revenue	3,666	1,397
Preference shares	—	683
Preference shares due to related parties	—	1,847
Payroll and payroll related accrued liabilities	3,292	1,038
Other current liabilities	5,988	1,379
Total current liabilities	88,768	125,946
Long-term portion of bank and other borrowings	31,974	16,134
Long-term portion of notes payable	2,700	—
Long-term portion of notes payable due to related parties	—	7,500
Long-term portion of employee benefit obligation	1,886	1,398
Deferred tax liabilities	—	2,045
Other long-term liabilities	603	3,155
Total Liabilities	125,931	156,178
Commitments and contingencies (Note 20)		
Stockholders' equity (deficit):		
Preferred stock, par value of $ 0.0001 per share; 1,000,000 shares authorized; no shares issued or outstanding	—	—
Common stock, par value of $ 0.0001 per share; 100,000,000 shares authorized; 33,086,745 shares issued and 30,288,687 shares outstanding as of December 31, 2020 and 19,977,113 shares issued and outstanding as of December 31, 2019	3	2
Additional paid-in capital	93,628	2,143
Treasury stock, at cost; 2,798,058 and 0 shares as of December 31, 2020 and 2019, respectively	(30,431)	—
Accumulated other comprehensive income (loss)	(2,826)	74
Accumulated deficit	(67,803)	(40,993)
Total stockholders' equity (deficit)	(7,429)	(38,774)
Total liabilities and stockholders' equity (deficit)	$ 118,502	$ 117,404

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

KALEYRA, INC.
Consolidated Statements of Operations
(in thousands, except share and per share data)

	Year Ended December 31,	
	2020	2019
Revenue	$ 147,368	$ 129,558
Cost of revenue	122,932	103,205
Gross profit	24,436	26,353
Operating expenses:		
Research and development	9,745	5,310
Sales and marketing	12,866	6,031
General and administrative	28,195	17,431
Total operating expenses	50,806	28,772
Loss from operations	(26,370)	(2,419)
Other income, net	112	136
Financial expense, net	(1,475)	(439)
Foreign currency loss	(1,353)	(517)
Loss before income tax expense (benefit)	(29,086)	(3,239)
Income tax expense (benefit)	(2,276)	2,273
Net loss	$ (26,810)	$ (5,512)
Net loss per common share, basic and diluted	$ (1.09)	$ (0.48)
Weighted-average shares used in computing net loss per common share, basic and diluted	24,652,004	11,603,381

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

KALEYRA, INC.
Consolidated Statements of Comprehensive Loss
(in thousands)

	Year Ended December 31,	
	2020	**2019**
Net loss	$ (26,810)	$ (5,512)
Other comprehensive income (loss):		
Foreign currency translation adjustments	(2,910)	25
Net change in unrealized gain on marketable securities, net of tax (1)	10	18
Total other comprehensive income (loss)	(2,900)	43
Total comprehensive loss	$ (29,710)	$ (5,469)

(1) The Company recorded $2 thousand and $6 thousand of tax expense on marketable securities for the years ended December 31, 2020 and 2019, respectively.

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

KALEYRA, INC.
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands, except share and per share data)

	Common Stock		Additional Paid-in	Treasury Stock		Accumulated Other Comprehensive	Accumulated	Total Stockholders' Equity
	Shares	Amount	Capital	Shares	Amount	Income (Loss)	Deficit	(Deficit)
Balance as of December 31, 2018 (1)	10,687,106	$ 1	$ 10,186	—	$ —	$ 31	$ (5,292)	$ 4,926
Business Combination (2)	9,290,007	1	(10,186)	—	—	—	(30,189)	(40,374)
Forward share purchase agreements	—	—	567	—	—	—	—	567
Stock-based compensation	—	—	1,576	—	—	—	—	1,576
Net loss	—	—	—	—	—	—	(5,512)	(5,512)
Other comprehensive loss	—	—	—	—	—	43	—	43
Balance as of December 31, 2019	19,977,113	2	2,143	—	—	74	(40,993)	(38,774)
Common stock repurchased in connection with forward share purchase agreements	(2,798,058)	—	30,431	2,798,058	(30,431)	—	—	—
Change in forward share purchase agreement liability	—	—	1,668	—	—	—	—	1,668
Warrants exchange for Common Stock	850,500	—	—	—	—	—	—	—
Stock-based compensation (RSUs)	1,152,210	—	19,813	—	—	—	—	19,813
Proceeds from issuance of common stock in public offering, net of issuance costs	8,762,694	1	36,151	—	—	—	—	36,152
Common stock issued to sellers (Earn-out 2019)	1,763,633	—	—	—	—	—	—	—
Common stock issued to settle a payable (3) (4)	580,595	—	3,422	—	—	—	—	3,422
Net loss	—	—	—	—	—	—	(26,810)	(26,810)
Other comprehensive loss	—	—	—	—	—	(2,900)	—	(2,900)
Balance as of December 31, 2020	30,288,687	$ 3	$ 93,628	2,798,058	$ (30,431)	$ (2,826)	$ (67,803)	$ (7,429)

(1) Amounts as of December 31, 2018 and before that date differ from those published in prior year consolidated financial statements as they were retrospectively adjusted as a result of the accounting for the Business Combination (as defined below in the notes). Specifically, the number of common shares outstanding during periods before the Business Combination are computed on the basis of the number of common shares of Kaleyra S.p.A. (accounting acquiror) during those periods multiplied by the exchange ratio established in the stock purchase agreement. Common stock and additional paid-in capital were adjusted accordingly.

(2) Refer to "Note 5" for further details.

(3) On May 1, 2020, the Company issued to Cowen Investments II LLC ("Cowen") and Chardan Capital Markets, LLC ("Chardan") an aggregate of 440,595 shares of the Company's common stock ("Settlement Shares"), consisting of 374,506 Settlement Shares issued to Cowen, and 66,089 Settlement Shares issued to Chardan, as a partial settlement of the amounts owed to Cowen and Chardan for financial advisory services provided by Cowen and Chardan to Kaleyra S.p.A. in connection with the previously consummated Business Combination.

(4) On March 6, 2020, the Company issued to Northland Securities Inc. ("Northland"), 140,000 shares of the Company's common stock as a partial settlement of the amounts owned to Northland for financial advisory services provided by Northland to Kaleyra S.p.A. in connection with the previously consummated Business Combination.

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

KALEYRA, INC.
Consolidated Statements of Cash Flows
(in thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash flows from Operating Activities:		
Net loss	$ (26,810)	$ (5,512)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	2,773	2,648
Stock-based compensation, preference shares and others	19,415	2,070
Non-cash settlement of preference share liability	(2,486)	—
Provision for (recovery of) doubtful accounts	(177)	716
Realized gains on marketable securities	(10)	—
Employee benefit obligation	527	315
Non-cash interest expense	191	657
Deferred taxes	(2,747)	(14)
Change in operating assets and liabilities:		
Trade receivables	(478)	(10,427)
Other current assets	1,197	(2,039)
Other long-term assets	(497)	47
Accounts payable	(11,832)	15,145
Other current liabilities	6,892	251
Deferred revenue	2,219	(64)
Long-term liabilities	(499)	2,660
Net cash provided by (used in) operating activities	(12,322)	6,453
Cash flows from Investing Activities:		
Purchase of short-term investments	(7,913)	(5,868)
Sale of short-term investments	8,156	3,882
Purchase of property and equipment	(414)	(1,413)
Sale of property and equipment	16	38
Capitalized software development costs	(3,007)	(602)
Purchase of intangible assets	(6)	(16)
Cash, cash equivalents and restricted cash acquired in the reverse merger	—	21,666
Net cash provided by (used in) investing activities	(3,168)	17,687
Cash flows from Financing Activities:		
Payments of deferred consideration for the acquisition of Buc Mobile	—	(4,000)
Payments of deferred consideration for the acquisition of Solutions Infini	—	(5,097)
Change in line of credit	1,277	1,973
Borrowings on term loans	24,436	16,670
Repayments on term loans	(8,651)	(4,844)
Repayments on notes	(11,478)	—
Repurchase of common stock in connection with forward share purchase agreements	(30,431)	—
Payments related to forward share purchase agreements	(1,452)	—
Proceeds from issuance of stock in public offering, net of issuance costs	36,152	—
Repayments on capital lease	(126)	—
Net cash provided by financing activities	9,727	4,702
Effect of exchange rate changes on cash, cash equivalent and restricted cash	1,736	(52)
Net increase (decrease) in cash, cash equivalents and restricted cash	(4,027)	28,790
Cash, cash equivalents and restricted cash, beginning of period (1)	36,997	8,207
Cash, cash equivalents and restricted cash, end of period	$ 32,970	$ 36,997
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 958	$ 478
Cash paid for income taxes	$ —	$ 688
Non-cash investing and financing activities:		
Change in value of forward share purchase agreements	$ (1,668)	$ —
Common stock issued to settle payables	$ 3,123	$ —
Note payable issued to settle payables	$ 3,100	$ —
Stock-based compensation related to capitalized software development costs	$ 697	$ —
Asset acquired under capital leases	$ 250	$ —

(1) As of December 31, 2020, includes $33.0 million of cash and cash equivalents; as of December 31, 2019, includes $16.1 million of cash and cash equivalents and $20.9 million of restricted cash.

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

1. DESCRIPTION OF ORGANIZATION AND BUSINESS OPERATIONS

Kaleyra, Inc., formerly GigCapital, Inc., (hereinafter "Kaleyra" or the "Company") was incorporated in Delaware on October 9, 2017. The Company was formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization or similar business combination with one or more businesses.

On December 12, 2017, the Company completed the initial closing of its initial public offering (the "Offering") whereby the Company sold12,500,000 Units at a price of $10.00 per Unit. On January 9, 2018, the Company completed the second closing of the Offering with the exercise of the over-allotment option with the consummation of the sale of an additional 1,875,000 Units at a price of $10.00 per Unit. Each Unit consists ofone share of the Company's common stock, $0.0001 par value, three-fourths (3/4) of one warrant to purchase one share of common stock (the "Warrants"), and one right to receive one-tenth (1/10) of one share of common stock upon consummation of a business combination (the "Rights"). Warrants will only be exercisable for whole shares at $11.50 per share. On January 16, 2018, the Company announced that the holders of the Company's Units may elect to separately trade the securities underlying such Units which commenced on January 17, 2018. No fractional warrants will be issued upon separation of the Units and only whole warrants will trade. Any Units not separated, prior to the consummation of a business combination, would continue to trade on the New York Stock Exchange under the symbol "GIG.U". Any underlying shares of common stock, warrants and rights that were separated, prior to the consummation of a business combination, would trade on the New York Stock Exchange under the symbols "GIG," "GIG.WS" and "GIGr," respectively.

On February 22, 2019, the Company entered into a stock purchase agreement (the "Stock Purchase Agreement") by and among the Company, Kaleyra S.p.A., Shareholder Representative Services LLC, (the "Seller Representative") as representative for the holders of the ordinary shares of Kaleyra S.p.A. immediately prior to the closing of the Business Combination, and all of the stockholders of all of the Kaleyra S.p.A. stock (collectively, such Kaleyra S.p.A. stockholders, the "Sellers"), for the purpose of the Company acquiring all of the shares of Kaleyra S.p.A.

Kaleyra S.p.A. is a cloud communications software provider delivering secure Application Protocol Interfaces ("APIs") and connectivity solutions in the API/Communication Platform as a Service or CPaaS market, headquartered in Milan, Italy and with operations in Italy, India, Dubai and the United States. Kaleyra S.p.A.'s solutions include identity authentication, mobile and voice notifications on transactions, and banking services authorizations, most notably via different integrated mobile channels through its platform.

On November 25, 2019, the Business Combination with Kaleyra S.p.A. (the "Business Combination") was completed. See Note 5 – Business Combination for a description of the Business Combination.

Effective as of the closing of the Business Combination, the Company changed its name to Kaleyra, Inc. Upon the consummation of the Business Combination, the Company also changed its fiscal year end to December 31st from its previous fiscal year ending September 30th, such change first being effective for its fiscal year ended December 31, 2019. For accounting purposes, Kaleyra S.p.A. was deemed the acquiror in the Business Combination.

The Business Combination was accounted for as a reverse recapitalization in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Under this method of accounting, Kaleyra, Inc. has been treated as the "acquired" company for financial reporting purposes. Accordingly, for accounting purposes, the Business Combination has been treated as the equivalent of Kaleyra S.p.A. issuing stock for the net assets of Kaleyra, Inc., accompanied by a recapitalization.

As a result of the accounting for the Business Combination, the number of common shares authorized and outstanding during periods prior to the Business Combination, have been retrospectively adjusted to reflect the exchange ratio established in the Business Combination. The common stock and additional paid-in capital have also been retrospectively adjusted accordingly. Specifically, the number of common shares outstanding during periods prior to the Business Combination have been computed on the basis of the number of common shares of Kaleyra S.p.A. (accounting acquiror) during those periods multiplied by the exchange ratio established in the Stock Purchase Agreement. Accordingly, weighted-average shares outstanding for purposes of the net loss per share calculation have been retrospectively adjusted to reflect the exchange ratio established in the Business Combination. See Note 24 – Net Loss Per Share – for further details.

Upon the closing of the Business Combination, the Company’s rights and units ceased trading, and the Company’s common stock began trading on the NYSE American stock exchange under the symbol “KLR”. Furthermore, on December 2, 2019, Kaleyra’s warrants began trading on the NYSE American stock exchange as “KLR WS”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared in conformity with U.S. GAAP applicable for an “emerging growth company” as defined in the Jumpstart Our Business Startups Act (“JOBS Act”). The JOBS Act provides that an emerging growth company can take advantage of an extended transition period for complying with new or revised accounting standards. In particular, an emerging growth company can delay the adoption of certain accounting standards until those standards would apply to private companies. For the purpose of these consolidated financial statements, the Company availed itself of an extended transition period for complying with new or revised accounting standards and, as a result, did not adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for public companies.

Liquidity

In connection with Accounting Standards Update (“ASU”) 2014-15, “Presentation of Financial Statements-Going Concern (Subtopic 205-40), Disclosures of Uncertainties about an Entity’s Ability to Continue as a Going Concern”, the Company evaluated its ability to continue as a going concern. The consolidated balance sheet as of December 31, 2020 includes total current assets of $85.0 million and total current liabilities of $88.8 million, resulting in net liabilities due within the next 12 months of $3.7 million.

The Company’s business operations continued to grow in line with expectations showing positive operating margins (excluding non-recurring costs). However, the Business Combination generated significant obligations including (i) $13.1 million of liabilities related to non-recurring Business Combination transaction related costs; (ii) $15.0 million of deferred consideration to sellers in the Business Combination transaction; (iii) $13.2 million of net obligations under certain forward shares purchase agreements entered into by GigCapital Inc. prior to the Business Combination; and (iv) $3.6 million of notes payable acquired as a result of the Business Combination. As of December 31, 2020, the Company still had the following remaining obligations as a result of the Business Combination:

(i) $2.7 million of liabilities related to non-recurring Business Combination transaction related costs;

(ii) $7.5 million of deferred consideration to sellers in the Business Combination transaction; and

(iii) $483,000 of obligations under certain forward share purchase agreements entered into by GigCapital Inc. prior to the Business Combination.

On June 24, 2020, the Company entered into an Underwriting Agreement (the “Underwriting Agreement”) with Oppenheimer & Co. Inc. and Nomura Securities International, Inc. acting as joint book-running managers and as representatives of the underwriters named therein (collectively, the “Underwriters”) relating to the issuance and sale of 7,777,778 shares of the Company’s common stock, par value $0.0001 per share (the “Offering”). The price to the public in the Offering was $4.50 per share, before underwriting discounts and commissions. Under the terms of the Underwriting Agreement, the Company has granted the Underwriters an option, exercisable for 30 days, to purchase up to an additional 1,166,666 shares of common stock at the public offering price less underwriting discounts. The Offering closed on June 29, 2020 and resulted in net proceeds to the Company of approximately $32.0 million, after deducting underwriting discounts and commissions and Offering expenses payable by the Company, assuming no exercise by the Underwriters of their option to purchase additional shares of common stock.

On July 22, 2020, the Underwriters issued notice under the terms of the Underwriting Agreement, that they were partially exercising and closed on their option to purchase an additional 984,916 shares of common stock of the Company at the public offering price less underwriting discounts. On the settlement date of July 24, 2020, the additional net proceeds from the overallotment option amounted to $4.2 million, after deducting underwriting discounts and commissions and Offering expenses payable by the Company.

Further, subsequent to December 31, 2020, in accordance with the terms of the Confirmation, Nomura Global Financial Products (“NGFP”) fully terminated the Forward Transaction and made a payment in the aggregate amount of $17.0 million to Kaleyra. Also subsequent to December 31, 2020, Yakira Capital Management, Inc. (“Yakira”) informed the Company that it had sold all but 219 shares in the open market at a price above $11.00 per share that were subject to the Third Yakira Amendment. See Note 27 – Subsequent Events – for further details.

Considering the effects of the Offering described above, the termination of the NGFP Forward Transaction and related receipt of cash, and the typical financial cycle of Kaleyra, Kaleyra’s management believes that the Company’s cash and cash equivalents and short-term investments, debt and equity financings and availability of borrowings, will be sufficient to support its planned operations for at least the next 12 months from the date these consolidated financial statements were issued.

Principles of Consolidation

The consolidated financial statements include the Company and its wholly-owned subsidiaries, including Kaleyra S.p.A., Solutions Infini and Buc Mobile, which represent its major operations. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates are used for, but not limited to, allowance for doubtful accounts; valuation of the Company’s stock-based awards; recoverability of long-lived and intangible assets; capitalization and useful life of the Company’s capitalized internal-use software development costs; fair value of acquired intangible assets and goodwill; accruals and contingencies, including tax related provision and valuation allowance on deferred taxes. Estimates are based on historical experience and on various assumptions that the Company believes are reasonable under current circumstances. However, future events are subject to change and best estimates and judgments may require further adjustments; therefore, actual results could differ materially from those estimates. Management periodically evaluates such estimates and they are adjusted prospectively based upon such periodic evaluation.

Concentration of Credit Risk

Financial instruments that potentially expose the Company to a concentration of credit risk consist primarily of cash and cash equivalents, marketable securities and trade receivables. The Company maintains cash and cash equivalents and marketable securities with financial institutions that management believes are financially sound.

The Company sells its services to a wide variety of customers. If the financial condition or results of operations of any significant customers deteriorate substantially, operating results could be adversely affected. To reduce credit risk, management performs ongoing credit evaluations of the financial condition of significant customers. The Company maintains reserves for estimated credit losses on customer accounts when considered necessary. Actual credit losses may differ from the Company’s estimates. In the years ended December 31, 2020 and 2019, there were zero and one customer, respectively, that individually accounted for more than 10% of the Company’s consolidated total revenue. In particular in 2019, revenue generated by that one customer of the Company accounted for $13.4 million. As of December 31, 2020 and 2019, respectively, one and zero individual customer accounted for more than 10% of the Company’s consolidated total trade receivables. In particular in 2020, trade receivables accounted for by that one customer amounted to $4.5 million.

Revenue Recognition

Effective January 1, 2019, the Company adopted Accounting Standards Codification (“ASC”) 606, “Revenue from Contracts with Customers” (“ASC 606”), which replaced the existing revenue recognition guidance, ASC 605, and outlines a single set of comprehensive principles for recognizing revenue under U.S. GAAP. Among other things, ASC 606 requires entities to assess the products or services promised in contracts with customers at contract inception to determine the appropriate unit at which to record revenue, which is referred to as a performance obligation. Revenue is recognized when control of the promised products or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those products or services.

The Company did not record any adjustment to the beginning retained earnings as of January 1, 2019 in connection with the adoption of the new standard.

Prior to the adoption of ASC 606, the Company recognized the majority of its revenue according to the usage by its customers in the period in which that usage occurred. ASC 606 continues to support the recognition of revenue over time, and on a usage basis, for the majority of the Company's contracts due to continuous transfer of control to the customer.

Revenue Recognition Policy

The Company enters into contracts that can include various combinations of products and services, which are generally capable of being distinct and accounted for as separate performance obligations. Revenue is recognized net of allowances for credits and any taxes collected from customers. Taxes collected are subsequently remitted to governmental authorities.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Nature of Products and Services

The Company's revenue is primarily derived from usage-based fees earned from the sale of communications services offered through software solutions to large enterprises, as well as small and medium-sized customers.

The Company’s revenue is recognized upon the sending of a SMS message or by the authentication of a financial transaction of an end-user of the Company’s customer using the Company’s platform in an amount that reflects the consideration the Company expects to receive in exchange for those services which is generally based upon agreed fixed prices per unit.

Platform access is considered a monthly series comprised ofone performance obligation and usage-based fees are recognized as revenue in the period in which the usage occurs. After usage occurs, there are no remaining obligations that would preclude revenue recognition. Revenue from usage-based fees represented 98% of total revenue, in both of the years ended December 31, 2020 and 2019.

Subscription-based fees are derived from certain term-based contracts, such as with the sales of short codes and customer support, which is generallyone year. Term-based contract revenue is recognized on a ratable basis over the contractual term of the arrangement beginning on the date that the service is made available to the customer. Revenue from term-based fees represented 2% of total revenue, in both of the years ended December 31, 2020 and 2019.

The Company's arrangements do not contain general rights of return. The contracts do not provide customers with the right to take possession of the software supporting the applications. Amounts that have been invoiced are recorded in trade receivables and in revenue or deferred revenue depending on whether the revenue recognition criteria have been met.

Contract Balances

The Company receives payments from customers based on a billing schedule as established in its contracts. Contract assets are recorded when the Company has a conditional right to consideration for its completed performance under the contracts. Trade receivables are recorded when the right to this consideration becomes unconditional, which is as usage occurs. The Company did not have any contract assets as of December 31, 2020 and 2019.

Deferred revenue is recorded when cash payments are received in advance of future usage on non-cancellable contracts. As of December 31, 2020 and 2019, the Company recorded \$3.7 million and \$1.4 million, respectively, as deferred revenue on its consolidated balance sheets. In the year ended December 31, 2020, the Company recognized \$1.1 million of revenue that was included in the deferred revenue balance as of December 31, 2019.

Disaggregated Revenue

In general, revenue disaggregated by geography is aligned according to the nature and economic characteristics of the Company's business and provides meaningful disaggregation of the Company's results of operations. Refer to Note 17 – Geographic Information for details of revenue by geographic area.

Cost of Revenue

Cost of revenue consists primarily of costs of communications services purchased from network service providers. Cost of revenue also includes the cost of the Company's cloud infrastructure and technology platform, amortization of capitalized internal-use software development costs related to the platform applications and amortization of developed technology acquired in the business combinations.

Research and Development Expenses

Research and development expenses consist primarily of personnel costs, the costs of the technology platform used for staging and development, outsourced engineering services, amortization of capitalized internal-use software development costs related to non-platform applications and an allocation of general overhead expenses. The Company capitalizes the portion of its software development costs that meet the criteria for capitalization.

Internal-use Software Development Costs

Certain costs of the technology platform and other software applications developed for internal use are capitalized. The Company capitalizes qualifying internal-use software development costs that are incurred during the application development stage. Capitalization of costs begins when two criteria are met: (i) the preliminary project stage is completed, and (ii) it is probable that the software will be completed and used for its intended purpose. Capitalization ceases when the software is substantially complete and ready for its intended use, including the completion of all-significant testing. The Company also capitalizes costs related to specific upgrades and enhancements when it is probable the expenditures will result in additional functionality and expenses costs incurred for maintenance and minor upgrades and enhancements. Costs related to preliminary project activities and post-implementation operating activities are expensed as incurred.

Capitalized costs of platform and other software applications are included in property and equipment. These costs are amortized over the estimated useful life of the software of four years on a straight-line basis. Management evaluates the useful life of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could affect the recoverability of these assets. The amortization of costs related to the platform applications is included in cost of revenue, while the amortization of costs related to other software applications developed for internal use is included in research and development expenses.

Advertising Costs

Advertising costs are expensed as incurred and were $1.0 million and $956,000 in the years ended December 31, 2020 and 2019, respectively. Advertising costs are included in sales and marketing expenses in the accompanying consolidated statements of operations.

Marketable Securities

Investments in marketable securities are carried at fair value and classified as available-for-sale securities. Realized gains and losses on available-for-sale securities are included in financial expense, net in the consolidated statements of operations. Unrealized gains and losses, net of deferred taxes, on available-for-sale securities are included in the consolidated balance sheets as a component of accumulated other comprehensive income (loss). In the event the fair value of an investment declines below its cost basis, management is required to determine if the decline in fair value is other than temporary. If management determines the decline is other than temporary, an impairment charge is recorded. As of December 31, 2020 and 2019, the Company had marketable securities of $4.8 million and $5.1 million, respectively relating to mutual funds and certificates of deposit with no stated maturity.

Stock-Based Compensation

The Company measures and recognizes the compensation expense for restricted stock units ("RSUs") granted to employees and directors, based on the fair value of the award on the grant date.

RSUs give an employee an interest in Company stock but they have no tangible value until vesting is complete. RSUs are equity classified and measured at the fair market value of the underlying stock at the grant date and recognized as expense over the related service or performance period. The Company elected to account for forfeitures as they occur. The fair value of stock awards is based on the quoted price of our common stock on the grant date. Compensation cost for RSUs is recognized using the straight-line method over the requisite service period.

In June 2018, the Financial Accounting Standards Board ("FASB") issued ASU No. 2018-07, "Compensation—Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting". The aim of the update is to simplify several aspects of the accounting for nonemployee share-based payment transactions resulting from expanding the scope of Topic 718, Compensation—Stock Compensation, to include share-based payment transactions for acquiring goods and services from nonemployees. As a result, nonemployee share-based payment equity awards are measured at the grant date fair value of the equity instruments, similar to employee share-based payment equity awards.

The Company adopted ASU 2018-07 in 2019, following the adoption of Topic 606. At the transition date, there were no nonemployee share-based compensation awards.

Employee Benefit Plans

The Company has defined benefit plans, granted to Italian and Indian employees and regulated by Italian and Indian laws, respectively. The defined benefit plans are calculated based on the employee compensation and the duration of the employment relationship and are paid to the employee upon termination of the employment relationship. The costs of the defined benefit plans reported in the Company's consolidated statements of operations is determined by actuarial calculation performed on an annual basis. The actuarial valuation is performed using the "Projected Unit Credit Method" based on the employees' expected date of separation or retirement.

As a part of the purchase agreement relating to the 2018 acquisition of Solutions Infini by Kaleyra, the Company assumed the obligation to purchase a number of preference shares from certain employees in 2020 at a price determined based on the earnings before interest, taxes, deprecation and amortization ("EBITDA") of Solutions Infini for its fiscal year ending March 31, 2020. These preference shares represented compensation for future services for the eligible employees. The Company accounted for the liability related to the preference shares over the relevant period from July 2017 to July 2020, charging the consolidated statements of operations on a straight-line basis over that period. See Note 14 – Preference Shares Liabilities.

Income Taxes

The Company accounts for income taxes in accordance with the asset and liability approach method. Deferred tax assets and liabilities are recognized for future tax consequences attributable to temporary differences between the consolidated financial statements carrying amounts of existing assets and liabilities and their respective tax bases, as well as for operating loss and tax credit carryforwards. Deferred tax amounts are determined by using the enacted tax rates expected to be in effect when the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance reduces the deferred tax assets to the amount that is more likely than not to be realized.

The Company recognizes the effect of income tax positions only if those positions are more-likely-than-not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50 percent likely of being realized. Changes in recognition or measurement are reflected in the period in which the change in judgment occurs.

The Company records interest and penalties related to an underpayment of income taxes in income tax expense in the consolidated statements of operations.

Foreign Currency Translation

The functional currency of the parent company is the U.S. Dollar. The functional currency of Kaleyra S.p.A. is the Euro, the functional currency of Solutions Infini is the India Rupee, the functional currency of Buc Mobile is the U.S. Dollar and the functional currenzy of Solutions Infini FZE is the United Arab Emirates Dirham.

Each company remeasures monetary assets and liabilities denominated in currencies other that its functional currency at period-end exchange rates and non-monetary items are at historical rates. Remeasurement adjustments are recognized in the consolidated statements of operations as foreign currency (income) loss in the period of occurrence.

These consolidated financial statements are presented in U.S. Dollars. For legal entities where the functional currency is a currency other than the U.S. Dollar, adjustments resulting from translating the financial statements into U.S. Dollars are recorded as a component of accumulated other comprehensive income in stockholders' equity (deficit). Monetary assets and liabilities denominated in a currency that is other than the U.S. Dollar are translated into US Dollars at the exchange rate on the balance sheet date. Revenue and expenses are translated at the weighted average exchange rates during the period. Equity transactions are translated using historical exchange rates.

Comprehensive Income (Loss)

Comprehensive income (loss) refers to net loss and other revenue, expenses, gains and losses that, under U.S. GAAP, are recorded as an element of stockholders' equity (deficit) but are excluded from the calculation of net loss. See Note 13 – Accumulated Other Comprehensive Income (Loss).

Earnings (Loss) per Share

The equity structure in the consolidated financial statements following a reverse recapitalization reflects the equity structure of the legal acquiror (the accounting acquiree), including the equity interests issued by the legal acquiror to effect the business combination.

Basic earnings (loss) per share attributable to common stockholders is calculated by dividing the net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding for the period. In calculating the weighted-average number of common shares during the period in which the reverse merger occured (fiscal year 2019):

a. The number of common shares outstanding from the beginning of that period to the acquisition date were computed on the basis of the weighted-average number of common shares of the legal acquiree (accounting acquiror) outstanding during the period multiplied by the exchange ratio established in the merger agreement;

b. The number of common shares outstanding from the acquisition date to the end of that period were the actual number of common shares of the legal acquiror (the accounting acquiree) outstanding during that period.

The basic EPS for each comparative period before the acquisition date presented in the consolidated financial statements following a reverse merger were calculated by dividing (i) by (ii):

i. The income of the legal acquiree attributable to common stockholders in each of those periods;

ii. The legal acquiree's historical weighted average number of common shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Diluted net income (loss) per share is calculated by giving effect to all potentially dilutive common stock when determining the weighted-average number of common shares outstanding. For purposes of the diluted net income (loss) per share calculation, RSUs, options and warrants to purchase common stock are considered common stock equivalents.

Cash and Cash Equivalents

The Company considers all liquid investments with an original maturity of three months or less when purchased to be cash equivalents. Cash equivalents consist of funds deposited into saving accounts.

Restricted Cash

Restricted cash consisted of cash deposited into a savings account with a financial institution as collateral for the Company's obligations under the forward share purchase agreement with Glazer Capital and with Yakira Capital Management, Inc. See Note 10 – Debt for Forward Share Purchase Agreements for a description of the contracts.

In November 2016, the FASB issued ASU No. 2016-18, "Statement of Cash Flows (Topic 830) – Restricted Cash" ("ASU 2016-18"). This standard provides guidance on the presentation of restricted cash and cash equivalents in the consolidated statements of cash flows. Restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the consolidated statements of cash flows. The Company adopted ASU 2016-18 in the first quarter of 2019 and applied the guidance retrospectively in the prior period's consolidated statements of cash flows.

Other than the revised consolidated statements of cash flows presentation of restricted cash, the adoption of ASU 2016-18 did not have an impact on the Company's consolidated financial statements.

The restricted cash balances as of December 31, 2020 and December 31, 2019 were zero and $20.9 million, respectively.

Trade Receivables and Allowance for Doubtful Accounts

Trade receivables are recorded net of an allowance for doubtful accounts. The allowance for doubtful accounts is estimated based on the Company's assessment of its ability to collect on customer trade receivables. The Company regularly reviews the allowance by considering certain factors such as historical experience, credit quality, age of trade receivables balances and other known conditions that may affect a customer's ability to pay. In cases where the Company is aware of circumstances that may impair a specific customer's ability to meet their financial obligations, a specific allowance is recorded against amounts due from the customer which reduces the net recognized receivable to the amount the Company reasonably believes will be collected. The Company writes-off trade receivables against the allowance when a determination is made that the balance is uncollectible, and collection of the receivable is no longer being actively pursued.

The allowance for doubtful accounts was $850,000 and $873,000 as of December 31, 2020 and 2019, respectively.

Property and Equipment, net

Property and equipment is stated at cost less accumulated depreciation or amortization.

Depreciation and amortization are computed using the straight-line method over the estimated useful life of the related asset. Maintenance and repairs are expensed as incurred.

The useful lives of property and equipment are as follows:

Internal-use software development costs ……………………………..	4 years
Servers ………………………………………………………………...	3 - 6 years
Office equipment ……………………………………………………...	3 -5 years
Leasehold improvements ……………………………………………...	5 years or remaining lease term (1)
Furniture and fixtures …………………………………………………	4 - 8 years
Vehicles ……………………………………………………………….	8 - 10 years
Software ……………………………………………………………….	3 years
Other assets ……………………………………………………........	4 years

(1) Including renewal options

Intangible Assets, net

Intangible assets recorded by the Company are costs directly associated with securing legal registration of patents and the fair value of identifiable intangible assets acquired in business combinations.

Intangible assets with determinable economic lives are carried at cost, less accumulated amortization. Intangible assets arising from business combinations, such as customer relationship and developed technology, were initially recorded at estimated fair value. Amortization is computed over the estimated useful life of each asset on a straight-line basis, except for customer relationships, which are amortized over the best estimate of their expected useful life using an accelerated method ("sum of years' digits method"), in order to better approximate the pattern in which their economic benefit are expected to be consumed. The Company determines the useful lives of identifiable intangible assets after considering the facts and circumstances related to each intangible asset. Factors the Company considers when determining useful lives include the contractual term of any agreement related to the asset, the historical performance of the asset, the Company's long-term strategy for using the asset, any laws or other local regulations which could impact the useful life of the asset and other economic factors, including competition and specific market conditions. Intangible assets without determinable economic lives are carried at cost, not amortized and reviewed for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

The useful lives of the intangible assets are as follows:

Developed technology………………………………………………….....	3-6 years
Customer relationships (accelerated method) …………………………...	15 - 17 years
Patent …………………………………………………………………….	3-7 years

Goodwill

Goodwill represents the excess of the aggregate purchase price over the fair value of net identifiable assets acquired in a business combination. Goodwill is not amortized and is tested for impairment on an annual basis or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. The Company has selected December 31 as the date to perform its annual impairment test. In the valuation of goodwill, management must make assumptions regarding estimated future cash flows to be derived from the Company's business. If these estimates or their related assumptions change in the future, the Company may be required to record an impairment for these assets. Management may first evaluate qualitative factors to assess if it is more likely than not that the fair value of a reporting unit is less than its carrying amount and to determine if a two-step impairment test is necessary. Management may choose to proceed directly to the two-step evaluation, bypassing the initial qualitative assessment. The first step of the impairment test involves comparing the fair value of the reporting unit to which goodwill is allocated to its net book value, including goodwill. If the net book value exceeds its fair value, then the Company would perform the second step of the goodwill impairment test to determine the amount of the impairment loss. The impairment loss would be calculated by comparing the implied fair value of the goodwill to its net book value. In calculating the implied fair value of goodwill, the fair value of the entity would be allocated to all of the other assets and liabilities based on their fair values. The excess of the fair value of the entity over the amount assigned to other assets and liabilities is the implied fair value of goodwill. An impairment loss would be recognized when the carrying amount of goodwill exceeds its implied fair value. No goodwill impairment charges have been recorded for any period presented.

Impairment of Long-Lived Assets

The Company evaluates long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets held and used is measured by a comparison of the carrying amount of an asset or an asset group to estimated undiscounted future net cash flows expected to be generated by the asset or asset group. If such evaluation indicates that the carrying amount of the asset or the asset group is not recoverable, any impairment loss would be equal to the amount the carrying value exceeds the fair value. There was no impairment during the years ended December 31, 2020 and 2019.

Deferred Revenue

Deferred revenue consists of advance payments from customers to be applied against future usage and customer billings in advance of revenues being recognized under the Company's contracts. Deferred revenue is generally expected to be recognized during the succeeding 12-month period and is thus recorded as a current liability.

Segment Information

The Company's Chief Executive Officer is the chief operating decision maker, who reviews the Company's financial information presented on a consolidated basis for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company has determined that it operates in a single reporting segment.

Derivatives

The Company has not historically entered into hedging derivatives in the ordinary course of its business. In connection with the acquisition of Solutions Infini and Buc Mobile, the Company entered into certain derivative contracts to serve as an economic hedge for risk management purposes. These derivatives include exchange rate forwards on the purchase prices denominated in Indian Rupee for the acquisition of Solutions Infini and in U.S. Dollars for the acquisition of Buc Mobile and interest rate swaps on the bank borrowings entered into by the Company to finance the acquisitions. These derivatives were not designated as hedging instruments under U.S. GAAP. Because hedge accounting was not applied, those derivatives have been recorded at fair value on the consolidated balance sheets with changes in fair value recorded in financial expense, net in the consolidated statements of operations. In 2019, following the payments of the consideration for the acquisitions, the exchange rate forward contracts on the purchase prices were settled.

Forward Share Purchase Agreements

During 2019, the Company entered into certain third-party put option arrangements assuming the obligation to repurchase its common stock at a future date by transferring cash to the third-party under certain conditions described in more detail in Note 10 below. Such obligation has been recorded at fair value in the consolidated balance sheets with changes in fair value recorded in financial expense, net in the consolidated statements of operations.

Business Combinations

The Company recognizes identifiable assets acquired and liabilities assumed at their acquisition date fair values. Goodwill is measured as the excess of the consideration transferred over the fair value of assets acquired and liabilities assumed on the acquisition date. While the Company uses its best estimates and assumptions as part of the purchase price allocation process to accurately value assets acquired and liabilities assumed, these estimates are inherently uncertain and subject to refinement.

The authoritative guidance allows a measurement period of the purchase price allocation that ends when the entity has obtained all relevant information about facts that existed at the acquisition date, and that cannot exceed one year from the date of acquisition. As a result, during the measurement period the Company may record adjustments to the fair values of assets acquired and liabilities assumed, with the corresponding offset to goodwill to the extent that it identifies adjustments to the preliminary purchase price allocation. Upon conclusion of the measurement period or final determination of the values of the assets acquired and liabilities assumed, whichever comes first, any subsequent adjustments will be recorded to the consolidated statements of operations.

Fair Value of Financial Instruments

The Company's financial instruments, which include cash, cash equivalents, restricted cash, trade receivables and accounts payable are recorded at their carrying amounts, which approximate their fair value due to their short-term nature. All marketable securities are considered available-for-sale and recorded at their estimated fair values. Unrealized gains and losses for available-for-sale securities are recorded in other comprehensive income (loss). In valuing these items, the Company uses inputs and assumptions that market participants would use to determine their fair value, utilizing valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs.

Impairments are considered other than temporary if they are related to deterioration in credit risk or if it is likely that the security will be sold before the recovery of its cost basis. Realized gains and losses and declines in value deemed to be other than temporary are determined based on the specific identification method and are reported in other income, net in the consolidated statements of operations.

The accounting guidance for fair value provides a framework for measuring fair value, clarifies the definition of fair value, and expands disclosures regarding fair value measurements. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.

Level 2: Other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

Net cash settlements on derivatives that do not qualify for hedge accounting are reported in financial income as part of financial expense, net in the consolidated statements of operations.

Reclassifications

Certain reclassifications have been made to the 2019 presentation to conform to the current period's presentation, none of which had an effect on total assets, total liabilities, stockholders' equity (deficit), or net loss.

Recent Accounting Pronouncements

In June 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-05 "Revenue from contracts with customers (Topic 606) and Leases (Topic 842): Effective dates for certain entities", which provides a limited one year deferral of the effective dates of the following updates (including amendments issued after the issuance of the original update) to provide immediate, near-term relief for certain entities for whom these updates are either currently effective or imminently effective: i) Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers (Topic 606) (Revenue); ii) Accounting Standards Update No. 2016-02, Leases (Topic 842) (Leases). In November 2019, the Board issued ASU 2019-10 "Financial Instruments - Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates". The amendments in this ASU amended certain effective dates for the above ASU 2016-02, Leases (including amendments issued after the issuance of the original ASU). The effective dates for Leases after applying ASU 2019-10 were as follows: public business entities, excluding emerging growth companies and smaller reporting companies, for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. All other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed. In Update 2019-10, the Board noted that challenges associated with transition to a major update are often magnified for private companies and smaller public companies. Those challenges have been significantly amplified by the current business and capital market disruptions caused by the COVID-19 pandemic. For this reason, FASB issued the amendments in this ASU 2020-05 by deferring the effective date for one additional year for entities in the "all other" category that have not yet issued their financial statements (or made financial statements available for issuance) reflecting the adoption of Leases. Therefore, under the amendments, Leases (Topic 842) is effective for entities within the "all other" category for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application continues to be permitted, which means that an entity may choose to implement Leases before those deferred effective dates. While the Company expects the adoption of the Leases standard (Leases Topic 842) to result in a material increase to the reported assets and liabilities, the Company has not yet determined the full impact that the adoption of this standard will have on its consolidated financial statements.

In March 2020, the Financial Accounting Standards Board ("FASB") issued ASU 2020-04 "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting", which provides optional guidance for a limited period of time to ease the potential burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. The amendments in this ASU provide optional expedients and exceptions for applying generally accepted accounting principles (GAAP) to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments apply to contract modifications that replace a reference rate (e.g. LIBOR) affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate (including contract modifications to add or change fallback provisions). The following optional expedients for applying the requirements of certain Topics or Industry Subtopics in the Codification are permitted for contracts that are modified because of reference rate reform and that meet certain scope guidance: (i) modifications of contracts within the scope of Topics 310, Receivables, and 470, Debt, should be accounted for by prospectively adjusting the effective interest rate; (ii) modifications of contracts within the scope of Topics 840, Leases, and 842, Leases, should be accounted for as a continuation of the existing contracts with no reassessments of the lease classification and the discount rate or remeasurements of lease payments. For other Topics or Industry Subtopics in the Codification, the amendments also include a general principle that permits an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement at the modification date or reassessment of a previous accounting determination. When elected, the optional expedients for contract modifications must be applied consistently for all eligible contracts or eligible transactions within the relevant Topic or Industry Subtopic. The amendments in this ASU are effective for all entities as of March 12, 2020 through December 31, 2022. The Company adopted the amendments, and the adoption did not have a material impact on its consolidated financial statements.

In February 2020, the FASB issued ASU 2020-02 "Financial Instruments—Credit Losses (Topic 326) and Leases (Topic 842), Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842)". This ASU applies to all registrants that are creditors in loan transactions that, individually or in the aggregate, have a material effect on the registrant's financial condition. This ASU guidance is applicable upon a registrant's adoption of Accounting Standards Codification ("ASC") Topic 326. On November 15, 2019, the FASB delayed the effective date of ASC Topic 326 for certain small public companies and other private companies. As amended, the effective date of ASC Topic 326 was delayed until fiscal years beginning after December 15, 2022 for U.S. Securities and Exchange Commission ("SEC") filers that are eligible to be smaller reporting companies under the SEC's definition, as well as private companies and not-for-profit entities. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In November 2019, the FASB issued ASU 2019-10 "Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates". The amendments in this ASU amend certain effective dates for the following major ASUs (including amendments issued after the issuance of the original ASU):

a) Accounting Standards Update No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (Credit Losses). The amendments in this ASU amend the mandatory effective dates for Credit Losses for all entities as follows: Public business entities that meet the definition of a Securities and Exchange Commission (SEC) filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. All other entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application continues to be allowed. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

b) Accounting Standards Update No. 2017-12, Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities (Hedging). The effective dates for Hedging after applying this ASU are as follows: Public business entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. All other entities for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Early application continues to be allowed. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In April 2019, the FASB issued ASU 2019-04, "Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments", which affect a variety of Topics in the Codification. For entities that have not yet adopted the amendments in ASU 2016-13, the effective dates and transition requirements for the amendments are the same as the effective dates and transition requirements in ASU 2016-13. For entities that have adopted the amendments in ASU 2016-13, the amendments are effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. Early adoption is permitted in any interim period as long as the entity has adopted the amendments in ASU 2016-13. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, "Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract". This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The standard is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. For all other entities, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2020, and interim periods within annual periods beginning after December 15, 2021. Early adoption is permitted, including adoption in any interim period, for all entities. The amendments in this ASU should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, “Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20)”, which modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The amendments are effective for fiscal years ending after December 15, 2020 for public business entities and for fiscal years ending after December 15, 2021 for all other entities. Early adoption is permitted for all entities. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-13, “Fair Value Measurement (Topic 820) Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement”. The amendments under ASU 2018-13 remove, add, and modify certain disclosure requirements on fair value measurements in ASC 820. The amendments are effective for all entities for fiscal years, and interim periods within those years, beginning after December 15, 2019. An entity shall apply the ASU retrospectively to all periods presented. The Company is currently evaluating the impact of this standard on its consolidated financial statements. The Company adopted the amendments in fiscal year 2020, and the adoption did not have a material impact on its consolidated financial statements.

In January 2017, the FASB issued ASU 2017-04, “Simplifying the Test for Goodwill Impairment”, which removes the second step of the goodwill impairment test that requires a hypothetical purchase price allocation. A goodwill impairment will now be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This guidance is effective prospectively for public business entities for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2020 and for annual or interim goodwill impairment tests in fiscal years beginning after December 15, 2021 for other entities. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, “Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments”, which changes the impairment model for most financial assets. The new model uses a forward-looking expected loss method, which will generally result in earlier recognition of allowances for losses. In November 2018, the FASB issued ASU 2018-19, “Codification Improvements to Topic 326, Financial Instruments— Credit Losses”, which clarifies that receivables arising from operating leases are not within the scope of Topic 326, Financial Instruments—Credit Losses. Instead, impairment of receivables arising from operating leases should be accounted for in accordance with Topic 842, Leases. These ASUs are effective for public entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years, and for other entities for fiscal years beginning after December 15, 2020 and interim periods within fiscal years beginning after December 15, 2021. Earlier application is permitted. As noted above, the effective date of this ASU has been delayed for one year by the issuance of ASU 2019-10. The Company is currently evaluating the impact of this standard on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, “Leases”, which was further clarified by ASU 2018-10, "Codification Improvements to Topic 842, Leases", and ASU 2018-11, "Leases—Targeted Improvements", both issued in July 2018. ASU 2016-02 affects all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For lessors, accounting for leases is substantially the same as in prior periods. ASU 2018-10 clarifies or corrects unintended application of guidance related to ASU 2016-02. The amendment affects narrow aspects of ASU 2016-02 related to the implicit rate in the lease, impairment of the net investment in the lease, lessee reassessment of lease classification, lessor reassessment of lease term and purchase options, variable payments that depend on an index or rate and certain transition adjustments. ASU 2018-11 adds a transition option for all entities and a practical expedient only for lessors. The transition option allows entities to not apply the new lease standard in the comparative periods they present in their financial statements in the year of adoption. Under the transition option, entities can opt to continue to apply the legacy guidance in ASC 840, “Leases”, including its disclosure requirements, in the comparative prior periods presented in the year they adopt the new lease standard. Entities that elect this transition option will still be required to adopt the new leases standard using the modified retrospective transition method required by the standard, but they will recognize a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption rather than in the earliest period presented. The new standards are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years for a public business entity. For all other entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Earlier application is permitted. As noted above, the effective date of this ASU has been delayed for one year by the issuance of ASU 2020-05. While the Company expects the adoption of these standards to result in a material increase to the reported assets and liabilities, the Company has not yet determined the full impact that the adoption of this standard will have on its consolidated financial statements.

3. FAIR VALUE MEASUREMENTS

The following tables provide the assets and liabilities measured at fair value on a recurring basis as of December 31, 2020 and 2019 (in thousands):

	Fair Value Hierarchy as of December 31, 2020			Aggregate Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Mutual funds (1)	$ 590	$ —	$ —	$ 590
Certificates of deposit (2)	—	4,253	—	4,253
Total Assets	$ 590	$ 4,253	$ —	$ 4,843
Liabilities:				
Interest Rate Swap (3)	$ —	$ 109	$ —	$ 109
Debt for forward share purchase agreements (4)	—	483	—	483
Total Liabilities	$ —	$ 592	$ —	$ 592

(1) Included in the consolidated balance sheet line item “Short-term investments”.
(2) Included in the consolidated balance sheets line item “Short-term investments”, with maturity terms between4 and 12 months held in India.
(3) Included in the consolidated balance sheet line item “Other long-term liabilities”.
(4) Based on the information available at the reporting date, debt for forward share purchase agreements have been determined as the present value to be paid at settlement in case the counterparty exercises the put option.

	Fair Value Hierarchy as of December 31, 2019			Aggregate Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Mutual funds (1)	$ 5,124	$ —	$ —	$ 5,124
Total Assets	$ 5,124	$ —	$ —	$ 5,124
Liabilities:				
Interest Rate Swap (2)	$ —	$ 80	$ —	$ 80
Preference shares (3)	—	—	2,530	2,530
Debt for forward share purchase agreements (4)	—	34,013	—	34,013
Total Liabilities	$ —	$ 34,093	$ 2,530	$ 36,623

(1) Included in the consolidated balance sheet line item “Short-term investments”.
(2) Included in the consolidated balance sheet line item “Other long-term liabilities”.
(3) Based on the information available at the reporting date, the preference shares liability was estimated on the basis of present value of the expected future cash flows contractually due in connection with the achievement of specified levels of EBITDA of Solutions Infini for the year ended March 31, 2020. Such cash flows are contractually predetermined and the maximum pay-out was assumed in determining the estimate which is primarily based on the expected EBITDA sourced from the most updated business plan, which represented management’s best estimates and was significantly above the targeted EBITDA. Changes in the liability during the period are due to (i) compensation expense accrued on a straight-line basis during period; (ii) accrued interest expense due to the fact that the obligation was to be settled in 2020; and (iii) exchange rate differences. No fair value changes were recognized during the period.
(4) Based on the information available at the reporting date, debts for forward share purchase agreements have been determined as the present value to be paid at settlement in case the counterparty exercises the put option. The amount in the above table excludes accrued interest.

The values of short-term investments as of December 31, 2020 and 2019 were as follows (in thousands):

	As of December 31,							
	2020				2019			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Mutual funds	$ 580	$ 10	$ —	$ 590	$ 5,129	$ 1	$ (6)	$ 5,124
Certificates of deposit	4,253	—	—	4,253	—	—	—	—

The following tables present changes during the years ended December 31, 2020 and 2019 in Level 3 assets and liabilities measured at fair value on a recurring basis, and the realized and unrealized gains (losses) related to the Level 3 assets and liabilities in the consolidated balance sheets at December 31, 2020 and 2019 (in thousands):

	Fair Value Beginning of Year	Net Realized and Unrealized Gains (Losses) Included in Income	Other Comprehensive Income (Loss)	Settlements, Net	Change in scope of consolidation	Gross Transfers Out	Fair Value End of Year
December 31, 2019							
Liabilities:							
Preference shares	$ 1,834	$ 753	$ (57)	$ —	$ —	$ —	$ 2,530
Contingent consideration for Solutions Infini acquisition	482	(15)	23	(490)	—	—	—
December 31, 2020							
Liabilities:							
Preference shares	2,530	2,486	42	2	—	—	—

There were no transfers of liabilities into or out of Level 2 or Level 3 in the year ended December 31, 2020.

Net realized and unrealized gains and losses included in income related to Level 3 liabilities shown above are reported in the consolidated statements of operations as follows (in thousands):

	Research and development	Sales and marketing	General and administrative	Financial expense, net	Foreign currency loss	Total
December 31, 2019						
Liabilities:						
Preference shares	$ 225	$ 89	$ 180	$ 259	$ —	$ 753
Contingent consideration for Solutions Infini acquisition	—	—	—	3	(18)	(15)
December 31, 2020						
Liabilities:						
Preference shares	941	372	756	417	—	2,486

4. DERIVATIVE FINANCIAL INSTRUMENTS

The gross notional amount of derivative contracts not designated as hedging instruments, outstanding as of December 31, 2020, was €9.5 million ($11.6 million) for interest rate swap, while the gross notional amount of our derivative contracts not designated as hedging instruments, outstanding as of December 31, 2019 was €6.3 million ($7.0 million) for interest rate swap.

The amount and location of the gains (losses) in the consolidated statements of operations related to derivative contracts is as follows (in thousands):

		Year Ended December 31,	
Derivatives Not Designed As Hedging Instruments	**Line Items**	**2020**	**2019**
Interest Rate Swap	Financial income (expense), net	$ (18)	$ 16
Foreign Exchange Forward	Financial income (expense), net	—	361
Total		$ (18)	$ 377

The following table presents the fair value and the location of, derivative contracts reported in the consolidated balance sheets (in thousands):

Derivatives Not Designed As Hedging Instruments	Line Items	As of December 31, 2020	As of December 31, 2019
Interest Rate Swap	Other long-term liabilities	$ (109)	$ (80)
Total		$ (109)	$ (80)

5. BUSINESS COMBINATION

Description of the Business Combination

Following the approval at the special meeting of the stockholders of the Company held on November 22, 2019, and pursuant to and in accordance with the terms of the Stock Purchase Agreement, as amended, the shareholders of Kaleyra S.p.A. (the "Sellers") on November 25, 2019 sold, transferred, assigned, conveyed and delivered to the Company all of the Kaleyra S.p.A. stock.

As consideration for the Business Combination, the Company issued on November 25, 2019 (the "Business Combination Date"), in the aggregate,10,687,106 shares of common stock to the Sellers. Furthermore, on April 29, 2020, as additional consideration for the Business Combination as an earn-out, Kaleyra issued 1,763,633 shares of its common stock to the Sellers.

In addition, as consideration for the Business Combination, on November 25, 2019 the Company issued unsecured convertible promissory notes to each of Esse Effe S.p.A. ("Esse Effe") and Maya Investments Limited ("Maya") in the amount of $6.0 million and $1.5 million, respectively, and also issued other unsecured promissory notes to each of Esse Effe and Maya in the identical respective amounts.

Immediately after giving effect to the Business Combination (including as a result of the redemptions and the automatic conversion of rights into shares of common stock), there were 19,977,113 shares of the Company's issued and outstanding common stock. As of the date of the Business Combination, the Company's directors and executive officers and affiliated entities beneficially owned approximately 63.36% of the Company's outstanding shares of common stock, and the former security holders of GigCapital Inc. beneficially owned approximately 46.50% of the Company's outstanding shares of common stock.

The per share redemption price of $10.5019 for public holders of the Company's shares of common stock electing redemption was paid out of the Company's Trust Account, which after taking into account the redemptions, had a balance after paying for the redemptions and immediately prior to the closing of the Business Combination of approximately $40.8 million.

Accounting for the Business Combination

The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. GAAP. Under this method of accounting, Kaleyra, Inc. was treated as the "acquired" company for financial reporting purposes. This determination was primarily based on Kaleyra S.p.A.'s operations comprising substantially all of the ongoing operations of the post-combination company, Kaleyra S.p.A.'s senior management comprising substantially all of the senior management of the post-combination company and the existence of a majority voting interest in the post-combination company. Accordingly, for accounting purposes, the Business Combination was treated as the equivalent of Kaleyra S.p.A. issuing stock for the net assets of Kaleyra, Inc., accompanied by a recapitalization.

As a result of the accounting for the Business Combination, the number of common shares authorized and outstanding during periods prior to the Business Combination, were retrospectively adjusted reflecting the exchange ratio established in the Business Combination. The common stock and additional paid-in capital were also retrospectively adjusted, accordingly. Specifically, the number of common shares outstanding during periods prior to the Business Combination were computed on the basis of the number of common shares of Kaleyra S.p.A. (accounting acquiror) during those periods multiplied by the exchange ratio established in the Stock Purchase Agreement. Accordingly, weighted-average shares outstanding for purposes of the net loss per share calculation were retrospectively adjusted as shares reflecting the exchange ratio established in the Business Combination. See Note 24 – Loss per Share for further details.

The net assets of Kaleyra, Inc. were stated at historical cost, withno goodwill or other intangible assets recorded. Operations prior to the Business Combination are the historical operations of Kaleyra S.p.A.

The following table summarizes the assets and liabilities of Kaleyra, Inc., stated at historical cost at the Business Combination closing date as follows (in thousands):

Cash and cash equivalents	$	231
Restricted cash		21,435
Other current assets		14
Total assets		21,680
Debt for forward share purchase agreements		34,580
Notes payable to Sellers		15,000
Notes payable to Founders, current		3,578
Account payables and other current liabilities		8,896
Total liabilities		62,054
Net liabilities	$	40,374

In connection with the Business Combination, the Company incurred direct and incremental costs of approximately $7.7 million, consisting of legal and professional fees, which are included in general and administrative expenses in the consolidated statement of operations in 2019.

6. GOODWILL AND INTANGIBLE ASSETS, NET

Goodwill

Goodwill as of December 31, 2020 and 2019 was as follows (in thousands):

Balance as of December 31, 2019	$	16,953
Effect of exchange rate		(296)
Balance as of December 31, 2020	$	16,657

Intangible assets, net

Intangible assets consisted of the following (in thousands):

	As of December 31,					
	2020			2019		
	Gross	Accumulated amortization	Net	Gross	Accumulated amortization	Net
Amortizable Intangible Assets:						
Developed technology	$ 2,742	$ 1,576	$ 1,166	$ 2,775	$ 952	$ 1,823
Customer relationships	8,925	2,598	6,327	9,077	1,631	7,446
Patent	130	49	81	113	29	84
Total amortizable intangible assets	$ 11,797	$ 4,223	$ 7,574	$ 11,965	$ 2,612	$ 9,353

Amortization expense was $1.6 million and $1.8 million for the years ended December 31, 2020 and 2019, respectively.

Total estimated future amortization expense as of December 31, 2020 is as follows (in thousands):

		As of December 31, 2020
2021	$	1,435
2022		1,161
2023		1,053
2024		848
2025		632
2026 and thereafter		2,445
Total	$	7,574

7. PROPERTY AND EQUIPMENT, NET

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

	As of December 31,	
	2020	2019
Internal-use software development costs	$ 4,675	$ 1,470
Servers (1)	2,301	1,629
Office equipment	1,405	1,153
Leasehold improvements	653	616
Furniture and fixtures	428	388
Assets-in-progress (2)	1,164	665
Vehicles	11	23
Software	4	4
Other assets	102	91
Total property and equipment	10,743	6,039
Less: accumulated depreciation and amortization	4,017	2,646
Total property and equipment, net	$ 6,726	$ 3,393

(1) Including equipment under capital leases with gross amount of $608,000 and accumulated depreciation of $191,000 as of December 31, 2020 (gross amount of $288,000 and accumulated depreciation of $78,000 as of December 31, 2019).

(2) Assets-in progress amounting to $1.2 million as of December 31, 2020 refers to internal-use software development costs in-progress.

Depreciation and amortization expense was $1.1 million and $879,000 for the years ended December 31, 2020 and 2019, respectively.

The Company capitalized $3.7 million and $602,000, in internal-use software development costs in the years ended December 31, 2020 and 2019, respectively. Of the $3.7 million capitalized in 2020, $697,000 relates to stock-based compensation expense capitalized in internal-use software. Of the $3.7 million capitalized in 2020, $3.2 million relates to internal-use software in-use and $499,000 relates to internal-use software development in-progress, recorded within assets-in-progress. Amortization of capitalized software development costs was $507,000 and $355,000, in the years ended December 31, 2020 and 2019, respectively.The amortization expense was allocated as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Cost of revenue	$ 271	$ 302
Research and development	236	53
Total	$ 507	$ 355

8. OTHER ASSETS

Other current assets consisted of the following (in thousands):

	As of December 31,	
	2020	2019
VAT receivables	$ 1,347	$ 3,136
Receivables from suppliers	542	398
Credit for tax other than income tax	119	358
Income tax receivables	69	270
Other receivables	57	62
Total other current assets	$ 2,134	$ 4,224

Other long-term assets consisted of the following (in thousands):

	As of December 31,	
	2020	2019
Non-current income tax credit (advances and tax reduced at sources)	$ 1,509	$ 1,029
Miscellaneous	288	174
Total other long-term assets	$ 1,797	$ 1,203

9. BANK AND OTHER BORROWINGS

As of December 31, 2020 and 2019, the current portion of bank and other borrowings amounts to $16.1 million and $11.2 million, respectively. As of December 31, 2020, this item is comprised of $10.8 million of the current portion of long-term bank and other borrowings and of $5.3 million of credit line facilities. As of December 31, 2019, this item was comprised of $7.6 million of the current portion of long-term bank and other borrowings and of $3.6 million of credit line facilities.

Credit line facilities

As of December 31, 2020, the Company had credit line facilities granted of $7.7 million, of which $5.3 million had been used. As of December 31, 2019, the Company had credit line facilities granted of $5.6 million, of which $3.6 million had been used.

The above lines of credit may be drawn upon at variable interest rates in the following range:0.6% - 7.6%.

The weighted average interest rate on the credit line facilities outstanding as of December 31, 2020, was1.34%.

Long-term bank and other borrowings

Long-term bank and other borrowings consist of the following (in thousands):

	As of December 31,				Interest Nominal Rate As of December 31,	
	2020	2019	Maturity	Interest Contractual Rate	2020	2019
UniCredit S.p.A. (Line A Tranche (1)	$ 3,235	$ 3,609	January 2023	Euribor 3 months + 3.10%	2.80%	2.80%
UniCredit S.p.A. (Line A Tranche (2)	153	167	May 2023	Euribor 3 months + 3.10%	2.80%	2.80%
UniCredit S.p.A. (Line B)	3,030	3,229	November 2023	Euribor 3 months + 2.90%	2.60%	2.60%
UniCredit S.p.A. (Line C)	2,521	2,787	February 2023	Euribor 3 months + 3.90%	3.36%	3.53%
Intesa Sanpaolo S.p.A. (Line 1)	931	988	April 2022	Euribor 3 months + 1.80%	1.26%	1.88%
Intesa Sanpaolo S.p.A. (Line 2)	4,292	4,183	April 2024	Euribor 3 months + 2.60%	2.06%	2.60%
Intesa Sanpaolo S.p.A. (Line 3)	9,688	—	June 2026	Euribor 3 months + 1.65%	1.11%	—
Intesa Sanpaolo S.p.A. (Line 4)	6,734	—	July 2026	Euribor 3 months + 1.70%	1.16%	—
UBI Banca S.p.A. (Line 1)	209	332	August 2021	Euribor 3 months +1.25%	1.25%	1.25%
UBI Banca S.p.A. (Line 2)	1,031	1,499	October 2021	Euribor 3 months +1.95%	1.41%	1.55%
Monte dei Paschi di Siena S.p.A. (Line 1)	328	521	April 2022	0.95 %	0.95%	0.95%
Monte dei Paschi di Siena S.p.A. (Line 2)	2,037	—	June 2023	1.50 %	1.50%	—
Banco BPM S.p.A. (Line 1)	1,056	1,336	June 2023	Euribor 3 months + 2.00%	2.00%	2.00%
Banco BPM S.p.A. (Line 2)	—	3,893	September 2022	Euribor 3 months + 2.00%	—	2.00%
Banco BPM S.p.A. (Line 3)	6,355	—	March 2024	Euribor 3 months + 3.00%	2.46%	—
Simest 1	307	280	December 2023	0.50 %	0.50%	0.50%
Simest 2	305	279	December 2023	0.50 %	0.50%	0.50%
Simest 3	560	512	December 2023	0.50 %	0.50%	0.50%
Finlombarda S.p.A.	—	83	December 2020	0.50 %	0.50%	0.50%
Total bank and other borrowings	42,772	23,698				
Less: current portion	10,798	7,564				
Total long-term portion	$ 31,974	$ 16,134				

All bank and other borrowings are unsecured borrowings of Kaleyra.

On October 7, 2020, Kaleyra S.p.A. received a third approval by Intesa Sanpaolo S.p.A. to postpone payment of the amounts due under the existing Line 1 and Line 2 loans for an additional 3 months. As a result of this approval the Company postponed the payments of approximately $404,000 beyond December 31, 2020.

On July 29, 2020, Kaleyra S.p.A. entered into a general unsecured loan agreement (the "Intesa Loan Agreement (Line 4)") with Intesa Sanpaolo S.p.Adenominated in Euro for a total of €5.5 million ($6.5 million at the July 29, 2020 exchange rate). The proceeds of the loan may be used for general corporate purposes, including to help accelerate the Company's growth. The Intesa Loan Agreement (Line 4) has a maturity of 72 months from the date of disbursement and bears interest at a variable rate equal to the three-month Euribor plus a spread of 1.70%. The loan is to be repaid in20 quarterly installments with a grace period for principal payments for the first12 months. The loan is subject to financial covenants, in accordance with the terms and conditions set forth within the Intesa Loan Agreement (Line 4). The loan is guaranteed up to ninety percent of its principal amount by Mediocredito Centrale S.p.A., the Italian state-owned export credit finance agency, and is made pursuant to a program to address COVID-19 and the Italian Government's support for Italian businesses, as stated within Article 13 of the Decree Law 23/2020 and conversion Law 40/2020, and obligations and representations included therein. The total amount of the loan, less amounts related to commissions, fees and expenses, was drawn in full the same date as of the agreement.

On July 16, 2020, Kaleyra S.p.A. entered into a general unsecured loan agreement (the "Intesa Loan Agreement (Line 3)") with Intesa Sanpaolo S.p.A. denominated in Euro for a total of €7.9 million ($9.0 million at the July 16, 2020 exchange rate). The Intesa Loan Agreement (Line 3) has a maturity of 72 months from the date of disbursement and bears interest at a variable rate equal to the three-month Euribor plus a spread of 1.65%. The loan is to be repaid in 16 quarterly installments with a grace period for principal payments for the first 24 months. The loan is subject to financial covenants, in accordance with the terms and conditions set forth within the Intesa Loan Agreement (Line 3). The loan is guaranteed up to ninety percent of its principal amount by SACE S.p.A., the Italian state-owned export credit finance agency, and is made pursuant to a program to address COVID-19 and the Italian Government's support for Italian businesses, as stated within Article 1 of the Decree Law 23/2020 (the "Decree") and conversion Law 40/2020. In consideration of the facilitated nature of the guarantee that secures this loan, and pursuant to the general conditions of the SACE guarantee, Kaleyra S.p.A. undertakes to comply with a number of obligations and representations, including the payment of the guarantee annual fee (SACE guarantee remuneration), pursuant to Article 1 of the Decree. The total amount of the loan, less amounts related to commissions, fees and expenses, was drawn in full the same date as of the agreement.

On June 29, 2020, Kaleyra S.p.A. received a second approval by Intesa Sanpaolo S.p.A. to postpone payment of the amounts due under the existing Line 1 and Line 2 loans for an additional 3 months. As a result of this approval the Company has postponed the payments of approximately $404,000 beyond December 31, 2020.

On April 24, 2020, Kaleyra S.p.A. received the approval by Simest S.p.A. to postpone the amounts due under the existing loans in 2020. As a result of this approval, the Company has postponed the payments of approximately $350,000 beyond December 31, 2020.

On April 9, 2020, Kaleyra S.p.A. received the approval by UniCredit to postpone the amounts due under the existing loans for the following 6 months. As a result of this approval, the Company has postponed the payments of approximately $1.6 million beyond the following 6 months.

On April 7, 2020, Kaleyra S.p.A. received the approval by UBI Banca S.p.A. to postpone the amounts due under the existing loans for the following 6 months. As a result of this approval, the Company has postponed the payments of approximately $694,000 beyond the following 6 months.

On March 31, 2020, Kaleyra S.p.A. received the approval by Intesa Sanpaolo S.p.A. to postpone payment of the amounts due under the existing Line 1 and Line 2 loans for the following 3 months. As a result of this approval the Company has postponed the payments of approximately $404,000 beyond December 31, 2020.

On March 20, 2020, Kaleyra S.p.A. entered into a general unsecured loan agreement (the "BPM Loan Agreement (Line 3)") with Banco BPM S.p.A. (formerly Banco Popolare di Milano S.p.A.) denominated in Euro for a total of €6.0 million ($6.4 million at the March 20, 2020 exchange rate). The BPM Loan Agreement (Line 3) included a new financing of $2.7 million with the remaining balance used to pay off the original loan dated July 23, 2019, by and between Kaleyra S.p.A. and Banco BPM S.p.A. The BPM Loan Agreement has a maturity of 45 months from the date of first repayment and bears interest at a variable rate equal to the three-month Euribor plus a spread of 3.00%. The BPM Loan Agreement (Line 3) is to be repaid in 15 quarterly installments. The total amount of the BPM Loan Agreement (Line 3), less amounts related to commissions, fees and expenses, was drawn in full the same date as the BPM Loan Agreement (Line 3).

On March 11, 2020, Kaleyra S.p.A. entered into a 36-month (from first repayment date) unsecured loan agreement with Monte dei Paschi di Siena S.p.A. (the "Monte dei Paschi di Siena Loan Agreement – Line 2") denominated in Euro for a total of €2.0 million ($2.3 million at the March 11, 2020 exchange rate). The total amount of this new facility was drawn in full the same date. This facility bears interest at a fixed rate equal to 1.5%.

In connection with the above-mentioned financing agreements entered into in the year ended December 31, 2020, the Company incurred $124,000 of debt issuance costs that will be amortized over the maturity of the respective financing agreements.

On August 2, 2019, the Company entered into a medium-term financing agreement with UniCredit S.p.A. (the "UniCredit Loan Agreement (Line C)"), denominated in Euro for a total of €2.5 million ($2.8 million at the August 2, 2019 exchange rate) to be repaid in quarterly installments starting from February 2020. The financing will bear interest at a variable rate (Euribor 3 months plus 3.9% spread). The notional amount was fully drawn on the same date. On April 9, 2020, the maturity date was revised to February 2023, as referred above.

On July 25, 2019, the Company entered into a medium-term financing agreement with Intesa Sanpaolo S.p.A. (the “Intesa Loan Agreement (Line 2)”), denominated in Euro, for a total notional amount of €4.0 million ($4.4 million at the July 25, 2019 exchange rate) to be repaid in quarterly installments starting from October 2019. The financing has a maturity of 48 months from the date of disbursement and bears interest at a variable rate (Euribor 3 months plus 2.6% spread). The total amount was drawn in full on the same date. Proceeds were used to settle the remaining deferred consideration due for the acquisition of Buc Mobile. On October 7, 2020, the maturity date was revised to April 2024, as described above.

On July 23, 2019, the Company entered into a medium-term financing agreement with Banco Popolare di Milano S.p.A. (the “BPM Loan Agreement (Line 2)”), denominated in Euro for a total of €4.0 million ($4.5 million at the July 23, 2019 exchange rate) to be repaid in quarterly installments. The financing has a maturity of 24 months from the date of disbursement and bears interest at a variable rate (Euribor 3 months plus 2.0% spread). The total amount was drawn in full on the same date and proceeds were used to settle the total deferred consideration for the acquisition of Solutions Infini. On March 20, 2020, the BPM Loan Agreement (Line 2) was paid off with proceeds from the new BPM Loan Agreement – Line 3, as described above.

On April 30, 2019, the Company entered into a new long-term financing with Banco Popolare di Milano S.p.A. (the “BPM Loan Agreement (Line 1)”), denominated in Euro for a total amount of €1.2 million ($1.3 million at the April 30, 2019 exchange rate), to be repaid in quarterly installments with maturity in June 2023.

On April 10, 2019, the Company entered into a new medium-term financing with UBI Banca S.p.A. (the “UBI Loan Agreement (Line 2)”), denominated in Euro for a total amount of €2.0 million ($2.3 million at the April 10, 2019 exchange rate), to be repaid in monthly installments with maturity in April 2021. On April 7, 2020, the maturity date was revised to October 2021, as described above.

On April 10, 2019, the Company entered into a new medium-term financing with Monte dei Paschi di Siena S.p.A.(the “MPS Loan Agreement (Line 1)”), denominated in Euro for a total amount of €600,000 ($677,000 at the April 10, 2019 exchange rate), to be repaid in monthly installments with maturity in April 2022.

On January 30, 2019, the Company entered into a new long-term financing with Simest (the “Simest 3”) denominated in Euro for a total of €608,000 ($695,000 at the January 30, 2019 exchange rate) to be repaid in quarterly installments with maturity in December 2022. On April 24, 2020, the maturity date was revised to December 2023, as described above.

As of December 31, 2020, all of the available long-term facilities were drawn in full.

The above facilities include a series of statements and disclosure obligations, in line with the standard practice for these types of financings, whose breach could result in termination, early repayment or enforcement of acceleration rights. In particular, the UniCredit Facility and the Intesa Sanpaolo Facility include, among other, change of control provisions that may cause the bank to request immediate repayment of the outstanding debt under the relevant facility as a result of such a change of control event. Upon the consummation of the Business Combination, Kaleyra S.p.A. formally agreed with UniCredit S.p.A. and Intesa Sanpaolo S.p.A. that the Business Combination does not represent a change of control event with respect to the respective outstanding borrowing.

In addition, some of the above facilities require compliance with certain financial covenants, based on Kaleyra S.p.A.’s EBITDA, net financial position and equity. Failure to comply with those financial covenants would result in the immediate repayment of the outstanding debt under the relevant facility. As of December 31, 2020, the Company is in compliance with all the financial covenants.

Interest expense on bank and other borrowings was of $835,000 for the year ended December 31, 2020 and $565,000 for the year ended December 31, 2019.

As of December 31, 2020, the Company is obliged to make payments as follows (in thousands):

	As of December 31, 2020
2021	$ 10,798
2022	11,364
2023	9,725
2024	4,841
2025	3,792
2026 and thereafter	2,252
Total	$ 42,772

10. DEBT FOR FORWARD SHARE PURCHASE AGREEMENTS

As of December 31, 2020, the Company's debt for forward share purchase agreements amounted to $483,000 and accrued interest amounted to $659,000.

Greenhaven

On September 27, 2019, the Company and Greenhaven Road Capital Fund 1, LP, a Delaware limited partnership ("Greenhaven Fund 1"), and Greenhaven Road Capital Fund 2, LP, a Delaware limited partnership ("Greenhaven Fund 2" and together with Greenhaven Fund 1, "Greenhaven") entered into a forward share purchase agreement (the "Greenhaven Purchase Agreement") pursuant to which the Company agreed to purchase the shares of its common stock into which Rights of the Company held by Greenhaven and any additional Rights that Greenhaven acquired, converted into shares upon the closing of the Business Combination as amended as of December 13, 2019 at the following prices: (1) $11.00 per share for the first 196,195 shares sold to the Company; (2) $10.70 per share for the next 250,000 shares sold to the Company; and (3) $10.50 per share for the next 550,000 shares sold to the Company. The Company agreed to purchase the shares on the later of the sixtieth day after the Closing of the Business Combination or January 1, 2020 (the "Greenhaven Purchase Closing Date").

In exchange for Kaleyra, Inc.'s commitment to acquire the shares on the Greenhaven Purchase Closing Date, each of Greenhaven Fund 1 and Greenhaven Fund 2 agreed to continue to hold, and not to offer, sell, contract to sell, pledge, transfer, assign, or otherwise dispose of, directly or indirectly, or hedge (including any transactions involving any derivative securities of Kaleyra, Inc. and including any short sales involving any of Kaleyra, Inc.'s securities), the Rights (including any additional Rights) held by Greenhaven, and any shares that such Rights (including any additional Rights) converted into, until the Greenhaven Purchase Closing Date, including not to tender the Rights (or any additional Rights) to Kaleyra, Inc. in response to any tender offer that Kaleyra, Inc. may commence for the Rights. As amended on December 13, 2019, notwithstanding anything to the contrary herein, the parties agreed that Greenhaven shall after the closing of the Business Combination have the right but not the obligation to sell its shares that the Rights converted into in blocks of at least 25,000 shares (the "Minimum Block Size Condition") in the open market if the sale price exceeds $8.50 per share, or, without meeting the Minimum Block Size Condition, Greenhaven shall have the right but not the obligation to sell any or all of its shares that the Rights converted into in the open market if the share price equals or exceeds $10.50 per share. In furtherance of the foregoing, Greenhaven shall have the right to sell such shares at any time provided that the price received by Greenhaven (not including any commissions due by Greenhaven for the sale) is at least $10.50 (or at least $8.50 if Greenhaven meets the Minimum Block Size Condition). In the event that Greenhaven sells any shares (including any Additional Shares), at a sale price of less than $10.50, and provided that Greenhaven meets the Minimum Block Size Condition, it shall provide notice to the Company within three (3) Business Days of such sale, and such notice shall include the date of the sale, the number of shares sold, and confirmation that the sale price per share was greater than $8.50, and the Company shall pay Greenhaven in accordance with Greenhaven's written instructions an amount equal to (x) the number of shares (including any Additional Shares) sold multiplied by (y) the amount by which $10.50 exceeds the sale price per share. Furthermore, the parties agreed that nothing in the Greenhaven Purchase Agreement shall prohibit Greenhaven from entering into a contract to purchase and/or sell warrants of Kaleyra, Inc.

On January 23, 2020, the Company entered into Amendment No. 3 to the Greenhaven Purchase Agreement (the "Greenhaven Amendment No. 3"). The Greenhaven Amendment No. 3 provided that Greenhaven had the right to put its subject shares to the Company on the following dates and at the following purchase prices: (i) $11.00 per share for up to 248,963 shares to be sold to the Company on February 21, 2020; and (ii) $11.70 per share for the next 700,000 shares to be sold to the Company on August 30, 2020. Greenhaven Amendment No. 3 also provided that Greenhaven may continue to sell its subject shares in the open market, at its sole discretion, as long as the sales price is above $8.50 per share. On February 20, 2020, the Company repurchased an aggregate of 235,169 of its common stock for $2.6 million. In addition, the Company paid Greenhaven $152,000 for the 60,996 shares that Greenhaven sold on the open market representing the amount at which the $11.00 exceeded the selling price. Pursuant to Greenhaven Amendment No. 3, on August 30, 2020, the Company was to pay Greenhaven an amount equal to (1) the number of shares (including any Additional Shares) sold by Greenhaven in the open market between February 21, 2020 and August 30, 2020 multiplied by (2) the amount by which $11.70 exceeds the sale price per share. The Company understands that Greenhaven as of June 30, 2020 had sold 160,452 shares in the open market, for which the aggregate difference between the sale price per share and $11.70 totaled $832,000.

On July 18, 2020, the Company entered into Amendment No. 4 to the Greenhaven Purchase Agreement (the "Greenhaven Amendment No. 4"). The Greenhaven Amendment No. 4 provided that Greenhaven had the right to put the remaining 539,548 subject shares that Greenhaven held to the Company at $11.70 per share minus $100,000 on July 21, 2020, or $6.2 million, which was a reduction of $100,000 to the amount for which these shares could otherwise have been sold to the Company on August 30, 2020. As a result of the Greenhaven Amendment No. 4, the Company owed Greenhaven the sum of $832,000 plus $6.2 million, or $7.0 million. Under the terms of the Greenhaven Amendment No. 4, on July 21, 2020, Kaleyra paid Greenhaven this outstanding debt of $7.0 million in satisfaction of all obligations under the Greenhaven Purchase Agreement.

As of December 31, 2020, there wasno longer any amount owed to Greenhaven.

Kepos Alpha Fund

On October 1, 2019, the Company and Kepos Alpha Fund L.P., a Cayman Islands limited partnership ("KAF"), entered into a forward share purchase agreement ("KAF Purchase Agreement") pursuant to which the Company agreed to purchase the shares of common stock of the Company into which the Rights of the Company held by KAF, including any additional Rights that KAF acquired, converted into upon the closing of the Business Combination. The KAF Purchase Agreement was amended the following day to provide that the total number of additional Rights that KAF may acquire was 3,750,000 Rights. As amended December 13, 2019, the KAF Purchase Agreement provides that the Company would purchase such shares at the following price: (1) $10.70 per share for the first 102,171 shares sold to the Company; and (2) $10.50 per share for the next 93,676 shares sold to the Company. The Company agreed to purchase the shares on the earlier of the sixtieth day after the Business Combination or February 15, 2020 (the "KAF Purchase Closing Date").

In exchange for the Company's commitment to acquire the shares on the KAF Purchase Closing Date, KAF agreed to continue to hold, and not to offer, sell, contract to sell, pledge, transfer, assign, or otherwise dispose of, directly or indirectly, or hedge (including any transactions involving any derivative securities of Kaleyra, Inc. and including any short sales involving any of the Company's securities), the Rights (including any additional Rights) held by KAF, and any shares that such Rights (including any additional Rights) converted into, until the KAF Purchase Closing Date, including not to tender the Rights (or any additional Rights) to the Company in response to any Tender Offer that the Company may commence for the Rights. As amended on December 13, 2019, notwithstanding anything to the contrary herein, the parties agreed that KAF shall after the closing of the Business Combination have the right but not the obligation to sell its shares that the Rights converted into in blocks of at least the Minimum Block Size Condition in the open market if the sale price exceeds $8.50 per share, or, without meeting the Minimum Block Size Condition, KAF shall have the right but not the obligation to sell any or all of its shares that the Rights converted into in the open market if the share price equals or exceeds $10.50 per share. In furtherance of the foregoing, KAF shall have the right to sell such hares at any time provided that the price received by KAF (not including any commissions due by KAF for the sale) is at least $10.50 (or at least $8.50 if KAF meets the Minimum Block Size Condition). In the event that KAF sells any shares (including any Additional Shares), at a sale price of less than $10.50, and provided that KAF meets the Minimum Block Size Condition, it shall provide notice to the Company within three (3) Business Days of such sale, and such notice shall include the date of the sale, the number of shares sold, and confirmation that the sale price per share was greater than $8.50, and the Company shall pay KAF in accordance with KAF's written instructions an amount equal to (x) the number of shares (including any Additional Shares) sold multiplied by (y) the amount by which $10.50 exceeds the sale price per share. Furthermore, the parties agreed that nothing in the KAF Purchase Agreement shall prohibit KAF from entering into a contract to purchase and/or sell warrants of the Company.

On January 23, 2020, the Company entered into Amendment No. 3 to the KAF Purchase Agreement and on April 7, 2020, the Company entered into Amendment No. 4 (the "KAF Amendments"). According to the last amendment, KAF has the right to put its subject shares to the Company on May 7, 2020 at a purchase price of: (i) $10.92 per share for the first 46,137 shares sold to the Company; and (ii) $10.82 per share for the next 93,676 Shares sold to the Company (collectively, the "KAF Share Purchase Price"). In the event the closing occurs after May 7, 2020, the KAF Share Purchase Price shall increase for the 93,676 shares sold to Kaleyra by 1% per full month until the closing date. KAF may elect, in its sole and absolute discretion, to extend the date on which it exercises its put right to a date that is provided upon 10 calendar days' written notice. The KAF Amendments further provide that KAF may sell its subject shares in the open market, at its sole discretion, as long as the sales price is above $7.00 per share. In the event that KAF sells any shares (including any Additional Shares) at a sale price of less than $10.92 per share for the first 46,137 shares and $10.82 per share for the next 93,676 shares, the Company shall pay KAF an amount equal to (A) the number of shares (including any Additional Shares) sold multiplied by (B) the amount by which $10.92 or $10.82, as applicable, exceeds the sale price per share.

On March 30, 2020, Kepos provided notice to the Company that it was exercising its option under the forward share purchase agreement to have 50,000 shares of common stock repurchased by the Company on April 7, 2020 at $10.92 per share, for an aggregate purchase price of $546,000.

On May 18, 2020, Kepos informed the Company that it sold in the open market at a price above $7.00 per share all shares that it had held that were subject to the forward share purchase agreement other than 25,098 shares, and it provided notice that it was exercising its option under the forward share purchase agreement to have these remaining 25,098 shares of common stock repurchased by the Company on May 20, 2020 at $10.92 per share, for an aggregate purchase price of $274,000. The May 18, 2020 notice also informed the Company that the amount due to Kepos for the sales that it had made in the open market above $7.00 per share was $431,000, which represented the difference in price between the amount for which these shares were sold by Kepos in the open market and the Kepos Share Purchase Price, as set forth above, for a total aggregate payment to be made by the Company to Kepos of $706,000.

Following the closing of the repurchase mentioned above, the forward share purchase agreement with Kepos has terminated pursuant to its terms, and as a result the Company has no further obligations under the forward share purchase agreement following the settlement of the repurchase.

Yakira Capital Management

On November 19, 2019, the Company and Yakira Capital Management, Inc. ("Yakira") entered into a forward share purchase agreement (the "Yakira Purchase Agreement") pursuant to which (i) the Company agreed to purchase, at Yakira's option, shares of common stock of the Company held by Yakira at the Business Combination Date (the "Yakira Shares"), and (ii) the Company agreed to purchase the shares of common stock of the Company into which the Rights held by Yakira (the "Yakira Rights Shares") were converted upon the Business Combination Date. At the Business Combination Date, Yakira held 439,299 rights and 1,084,150 Yakira Shares.

The Company agreed that it will purchase the Yakira Rights Shares from Yakira at $1.05 per Right (which reflects $10.50 per Yakira Rights Share) (the "Yakira Rights Share Purchase Price") as soon as practicable on or after the later of the sixtieth day after the Business Combination Date or January 1, 2020 (the "Yakira Rights Shares Closing Date"). In exchange for the Company's agreement to purchase the Yakira Rights Shares, Yakira agreed to continue to hold, and not offer, sell, contract to sell, pledge, transfer, assign, or otherwise dispose of, directly or indirectly, or hedge the Rights (including any transactions involving any derivative securities of Yakira and any Short Sales involving any of the Company's securities), and any Yakira Rights Shares that the rights converted into, until the Yakira Rights Shares Closing Date, including not to tender the Rights to the Company in response to any Tender Offer that the Company may commence for the Rights.

Yakira has the right to terminate the agreement for the Company to purchase the Yakira Rights Shares, without penalty, commencing on the thirtieth day after the Business Combination Date and ending on the day prior to the Yakira Rights Shares Closing Date, by giving written notice to the Company, in which case it will not be restricted after such time with respect to its ability to dispose of the Yakira Rights Shares (subject to the restrictions against transactions involving any derivative securities of the Company and any Short Sales involving any of the Company's securities).

Except as described below, Yakira also agreed to continue to hold, and not offer, sell, contract to sell, pledge, transfer, assign, or otherwise dispose of, directly or indirectly, or hedge (including any transactions involving any derivative securities of the Company and any short sales involving any of the Company's securities) the Yakira Shares prior to the six month anniversary of the Business Combination Date. Yakira further agreed to not redeem any of the Yakira Shares in conjunction with the Company's stockholders' approval of the Business Combination. Notwithstanding anything to the contrary herein, commencing on the day after the Business Combination Date, Yakira may sell the Yakira Shares in the open market as long as the sales price is above $10.50 per Yakira Share.

Yakira had the right to sell the Yakira Shares between the four-month anniversary and six-month anniversary of the Business Combination Date to the Company for a per share price (the "Yakira Shares Purchase Price") equal to (a) $10.5019, plus (b) $0.03 per share for each month (prorated for a partial month) following the Business Combination Date that Yakira has held the Yakira Shares. At the closing of the sale of the Yakira Shares to the Company, Yakira agreed to deliver the Yakira Shares to the Company against receipt of the aggregate Yakira Shares Purchase Price, which the Company agreed to pay by wire transfer of immediately available funds from the escrow account described below.

Following the Business Combination Date, the Company deposited into an escrow account with the Escrow Agent, subject to an escrow agreement, with a nationally chartered bank the amount of $11.6 million related to Yakira. The Company agreed that its purchase of the Yakira Shares would be made with funds from the escrow account attributed to the Yakira Shares.

On February 7, 2020, the Yakira Purchase Agreement with Yakira was amended (the "First Yakira Amendment"). The First Yakira Amendment provided that the Company will purchase some or all of the 43,930 Yakira Rights Shares if Yakira exercises an option to sell such shares to the Company at a purchase price of $10.93 per share (which is an increase from $10.50 per share) as soon as practicable on or after the six-month anniversary of the Business Combination Date.

On May 9, 2020, the Company entered into a second amendment to the Yakira Purchase Agreement (the "Second Amendment"). The Second Amendment provided that the Company will purchase from Yakira its 43,930 Rights Shares as soon as practicable on or after December 31, 2020.

On May 11, 2020, Yakira issued a notice under the Yakira Purchase Agreement for Kaleyra to repurchase 1,084,150 shares of common stock at $10.6819 per share, for an aggregate purchase price of $11.6 million, with such payment to be made with restricted cash previously placed in an escrow account with an escrow agent pursuant to the terms of the Yakira Purchase Agreement, plus an additional $4,000. These shares were repurchased by Kaleyra on May 18, 2020 (the "Yakira Repurchase") and are unrelated to the 43,930 Rights Shares. As a result of the Yakira Repurchase, no cash remains in the escrow account in accordance with the terms of the Yakira Purchase Agreement.

In addition, on December 11, 2020, Kaleyra entered into the third amendment to the forward share purchase agreement with Yakira (the "Third Yakira Amendment"). The Third Yakira Amendment provides that Kaleyra will purchase from Yakira its 43,930 Right Shares as soon as practicable on or after March 31, 2021, at a purchase price of $11.00 per share (which is an increase from $10.93 per share).

As of December 31, 2020, the Company's debt in connection with the Yakira Purchase Agreement amounted to $483,000.

Subsequent to December 31, 2020, Yakira informed the Company that it sold all but 219 shares in the open market at a price above $11.00 per share that were subject to the Third Yakira Amendment. See Note 27 – Subsequent Events – for further details. Following the sale of shares mentioned above, the forward share purchase agreement with Yakira has terminated pursuant to its terms for all but the 219 shares that Yakira still owns, and as a result the Company has no further obligations under the Yakira Purchase Agreement except for the purchase of those shares which Yakira still owns.

Glazer Capital, LLC

On November 19, 2019, the Company and Glazer Capital, LLC ("Glazer") entered into a forward share purchase agreement (the "Glazer Purchase Agreement") pursuant to which Glazer may elect to sell and transfer to the Company, and the Company will purchase the shares of the common stock of the company held by Glazer (the "Glazer Shares") at a price of $10.6819 per share (the "Glazer Shares Purchase Price"). Glazer shall notify the Company in writing five business days prior to the six month anniversary of the Business Combination Date if it is not exercising its right to sell the Glazer Shares to the Company; otherwise, absent written notification to the contrary, Glazer shall be deemed to have exercised its right to sell all of its Glazer Shares to the Company. The Company will purchase the Glazer Shares from Glazer on the six-month anniversary of the closing of the Business Combination (the "Glazer Shares Closing Date"). As of the Business Combination Date, Glazer held 922,933 shares of common stock.

In exchange for the Company's commitment to purchase the Glazer Shares on the Glazer Shares Closing Date, Glazer agreed to continue to hold, and not offer, sell, contract to sell, pledge, transfer, assign, or otherwise dispose of, directly or indirectly, or hedge (including any transactions involving any derivative securities of the Company and any Short Sales involving any of the Company's securities) the Glazer Shares prior to the six month anniversary of the Business Combination Date. Glazer further agreed that it will not redeem any of the Glazer Shares in conjunction with the Company's stockholders' approval of the Business Combination. As amended on December 13, 2019, notwithstanding anything to the contrary herein, the parties agreed that Glazer shall, commencing on the day after the Business Combination Closing Date, have the right but not the obligation to sell its shares (including any Additional Shares) in blocks of at least the Minimum Block Size Condition in the open market if the sale price exceeds $8.50 per share prior to payment of any commissions due by Glazer for the sale, or, without meeting the Minimum Block Size Condition, Glazer shall have the right but not the obligation to sell any or all of its shares (including any Additional Shares) in the open market if the sale price exceeds $10.50 per share prior to payment of any commissions due by Glazer for such sale. Glazer shall give written notice to the Company of any sale of shares (including any Additional Shares) within three (3) Business Days following the date of such sale, and such notice shall include the date of the sale, the number of shares sold, and confirmation that the sale price per share was greater than $10.50 per share (or greater than $8.50 per share provided that Glazer meets the Minimum Block Size Condition) prior to the payment of any commissions due by Glazer for the sale.

Simultaneously with the closing of the Business Combination, the Company deposited $9,858,678 which is the aggregate amount necessary to purchase the Glazer Shares, into an escrow account with Continental Stock Transfer and Trust Company (the "Escrow Agent"), subject to the terms of an escrow agreement. The Company's purchase of the Glazer Shares will be made with funds from the escrow account attributed to the Glazer Shares. In the event that Glazer sells any Glazer Shares as provided for above, it shall provide notice to the Company within three business days of such sale, and Glazer shall instruct the Escrow Agent to release from the escrow account for the Company's use without restriction an amount equal to the pro rata portion of the escrow attributed to the Glazer Shares which Glazer has sold. In the event that Glazer chooses not to sell to the Company any Glazer Shares that it owns as of the six-month anniversary of the Business Combination Date, Glazer shall instruct the Escrow Agent to release all remaining funds from the escrow account for the Company's use without restriction.

Notwithstanding the Company's commitment to deposit funds into the escrow account for the purchase of the Glazer Shares, Kaleyra, Inc. shall use its best efforts to enter into a letter of credit agreement for the issuance of a standby letter of credit for the benefit of Glazer with a bank acceptable to Glazer (the "Issuing Bank") as soon as possible to replace the escrow account. When the letter of credit agreement is entered into, Glazer will instruct the Escrow Agent to deposit the funds held in the escrow account into the collateral account with the Issuing Bank. Concurrently with the execution of the letter of credit agreement, the Issuing Bank shall issue the letter of credit for the benefit of Glazer in the amount of the escrow account. Glazer shall drawdown from the letter of credit to satisfy the payment due to Glazer by the Company for the purchase of the Glazer Shares. In the event that Glazer sells any Glazer Shares pursuant to the sales price restriction set forth above, it shall provide notice to the Company and the Issuing Bank within three business days of such sale, and the Issuing Bank shall release from the collateral account an amount equal to the number of Glazer Shares sold multiplied by $10.6819 to the Company for the Company's use without restriction, with a corresponding reduction in the amount of the letter of credit. In the event that Glazer elects not to sell to the Company any Glazer Shares, the Issuing Bank shall release all funds in the collateral account to the Company for the Company's use without restriction and terminate the letter of credit. From November 26, 2019 to December 31, 3019 Glazer sold 53,040 shares on the open market, thus reducing the the Company's debt in connection with the Glazer Purchase Agreement to $9.3 million as of December 31, 2019.

On January 7, 2020, the Company entered into a Letter of Credit and Reimbursement agreement with EagleBank pursuant to which EagleBank issued a standby letter of credit in the initial stated amount of $9.3 million for the benefit of Glazer. The Letter of Credit could be used to draw down by Glazer upon its sale of shares of common stock of the Company pursuant to the terms and conditions set forth in the forward share purchase agreement. The Letter of Credit was secured by cash in the amount of $9.3 million, which was held in a deposit account at EagleBank.

On May 15, 2020, Glazer provided notice that it was exercising its option under the forward share purchase agreement to have its remaining 864,093 shares of common stock repurchased by the Company on May 19, 2020 at $10.6819 per share, for an aggregate purchase price of $9.2 million, which was the full amount remaining under the Letter of Credit as of that date.

Following the repurchase mentioned above, both the forward share purchase agreement with Glazer and the Letter of Credit and Reimbursement Agreement with EagleBank have terminated pursuant to their respective terms, and as a result the Company has no further obligations under either respective agreement following the settlement of the repurchase.

Nomura Global Financial Products

On October 31, 2019, the Company entered into an agreement (the “Confirmation”) with Nomura Global Financial Products, Inc. (“NGFP”) for an OTC Equity Prepaid Forward Transaction (the “Forward Transaction”). Pursuant to the terms of the Confirmation, NGFP agreed to waive any redemption right that would require the redemption of shares that it held at the Business Combination Date in exchange for a pro rata amount of the funds held in the Trust Account provided that the Business Combination date occurred prior to December 12, 2019. Rather, NGFP, at its sole discretion, may either sell such shares in one or more transactions, publicly or privately, at a market price of at least $10.50 per share, or hold such shares for a period of time following the consummation of the Business Combination, at which time the Company will be required to purchase from NGFP, and NGFP will be required to sell to the Company, any such shares not otherwise previously sold by NGFP. The Confirmation provides that the Forward Transaction with NGFP is for up to 2,000,000 shares of common stock. The actual number of shares held by NGFP at the Business Combination Date was 1,623,000 shares of common stock (the “Subject Shares”).

The Confirmation provided that following the closing of the Business Combination, the Company transferred from the Trust Account an amount equal to (a) the aggregate number of the Subject Shares held by NGFP, multiplied by (b) the per share redemption price for shares of common stock out of the Trust Account (the “Forward Price”) (such actual aggregate cash amount, the “Prepayment Amount”), as a partial prepayment to NGFP of the amount to be paid to NGFP in settlement of the Forward Transaction upon the Valuation Date (as defined below) for the number of shares owned by NGFP at the closing of the Business Combination. The amount of the Prepayment Amount transferred to NGFP on November 25, 2019 was $17.0 million.

After the Business Combination Date, NGFP may sell the Subject Shares at its sole discretion in one or more transactions, publicly or privately, at any time prior to the Original Valuation Date or Extended Valuation Date (each as defined below, and each a “Valuation Date”) at a price per Subject Share not less than the Forward Price. Any Subject Shares sold by NGFP during the term of the Transaction will cease to be Subject Shares. NGFP will give written notice to the Company of any sale of Subject Shares by NGFP within two business days of the date of such sale, such notice to include the date of the sale, the number of Subject Shares sold, and confirmation that the sale price per Subject Share was not less than the Forward Price.

After the Business Combination Date, NGFP may also buy and sell additional shares for its own account or on behalf of third parties, and the pricing limitation set forth in the prior paragraph will not apply to any shares purchased after the closing of the Business Combination.

On each quarterly anniversary of the Business Combination Date (any such date, a “Cash Settlement Date”), NGFP will terminate the transaction in whole or in part by reducing the number of Subject Shares for the Forward Transaction (the reduction being “Terminated Shares”). The number of Terminated Shares with respect to any Cash Settlement Date will equal the number of Subject Shares sold by NGFP since the prior Cash Settlement Date (or with respect to the first Cash Settlement Date, the closing of the Business Combination). NGFP will notify the Company of the expected number of Terminated Shares not less than ten days prior to the applicable Cash Settlement Date. On each Cash Settlement Date, NGFP will pay the Company an amount equal to the product of (A) the number of Terminated Shares and (B) the Forward Price. With effect from the Cash Settlement Date, the remaining number of Subject Shares for the Forward Transaction will be reduced by the Terminated Shares.

The “Original Valuation Date” for the Forward Transaction was the first anniversary of the closing of the Business Combination, provided that NGFP and the Company may, not later than ten days prior to the Original Valuation Date, agree, each in their sole discretion, to extend the Valuation Date to the second anniversary of the Business Combination (the “Extended Valuation Date”). At the Original Valuation Date or Extended Valuation Date, the Forward Transaction will be settled by NGFP delivering the remaining Subject Shares to the Company, and the Company paying NGFP an amount equal to the product of (x) the Forward Price, (y) the applicable Accrual Percentage (as defined below), and (z) the number of remaining Subject Shares. The “Accrual Percentage” is the product of (a) with respect to any settlement occurring on or before the Original Valuation Date, 2.75% per annum, and with respect to any settlement occurring after the Original Valuation Date,3.50% per annum, and (b) the number of actual days divided by the number of days in a year beginning on the date of the Business Combination and ending on the applicable day of the settlement.

On June 4, 2020, the Company and NGFP entered into a letter agreement (the “NGFP Amendment”) to provide for the extension of the Original Valuation Date to the Extended Valuation Date such that the Valuation Date now is November 25, 2021. As a result, if NGFP sells Subject Shares to the Company, NGFP will keep that portion of the cash transferred to it following the closing of the Business Combination attributable to such shares sold to the Company, plus be paid the Accrual Percentage equal to 3.50% per annum, on November 25, 2021.

For the year ended December 31, 2020, financial expense amounted to $611,000. Accrued interest payable of $659,000 is included in “Other current liabilities” in the accompanying consolidated balance sheets.

Subsequent to December 31, 2020, in accordance with the terms of the Confirmation, NGFP fully terminated the Forward Transaction and made a payment in the aggregate amount of $17.0 million to Kaleyra. Following the payment mentioned above, the Forward Transaction with NGFP has terminated pursuant to terms of the Confirmation, and as a result the Company has no further obligations, except for the amount of accrued interest payable to NGFP. See Note 27 – Subsequent Events – for further details.

11. NOTES PAYABLE

Notes payable to the Sellers

As consideration for the Business Combination, on November 25, 2019, the Company issued unsecured convertible promissory notes to each of Esse Effe and Maya in the amount of $6.0 million and $1.5 million, respectively, (the “Business Combination Convertible Notes”) and also issued other unsecured promissory notes to each of Esse Effe and Maya in the identical respective amounts (the “Non-convertible Notes”).

Convertible Notes

As of December 31, 2020, the amount outstanding for Business Combination Convertible Notes was $7.5 million and accrued interest on Business Combination Convertible Notes was $241,000.

For the Business Combination Convertible Notes, $7.5 million is classified as “Notes payable due to related parties” in the accompanying consolidated balance sheets. The accrued interest payable is included in “Other current liabilities” in the accompanying consolidated balance sheets.

Interest on the Business Combination Convertible Notes will accrue at a fixed interest rate equal to the one-year US dollar LIBOR interest rate published in The Wall Street Journal on the Business Combination Date, plus a margin of one percent (1%) per annum. Interest will be due and payable annually on each of (1) the date which is the twelve-month anniversary of the Business Combination Date and (2) on the date which is the twenty-four-month anniversary of the Business Combination Date. All interest shall be computed on the basis of a 365-day year and the actual number of days elapsed.

Fifty percent (50%) of the outstanding principal balance of these Business Combination Convertible Notes was due and payable on the fifteen-month anniversary of the Business Combination Date. The remaining outstanding principal balance of these Business Combination Convertible Notes plus all accrued and unpaid interest and fees due under these Business Combination Convertible Notes will be due and payable in full on the twenty-four-month anniversary of the Business Combination Date.

In the event that the Company receives, at any time while principal on these Business Combination Convertible Notes remains outstanding, cash proceeds of an equity financing (the "Financing") in an amount not less than $50.0 million (the "Notes Financing Proceeds"), fifty percent (50%) of the outstanding principal balance of these Notes will be due and payable no later than ten business days after the Company receives such Notes Financing Proceeds. In the event of a Financing where at any time the Company receives cash proceeds of such Financing in an amount not less than $75.0 million (the "Payoff Financing Proceeds"), one hundred percent (100%) of the remaining outstanding principal balance of these Business Combination Convertible Notes, plus all accrued and unpaid interest and fees due under the Notes will be due and payable no later than ten business days after the Company receives such Payoff Financing Proceeds. The date which is the earlier of (a) the twenty-four-month anniversary of the Business Combination Date, or (b) the date payment is received from Payoff Financing Proceeds, is the "Maturity Date".

In the event that these Business Combination Convertible Notes are not paid in full on or before the applicable Maturity Date, then at any time after the sixtieth business day after the Maturity Date, assuming payment in full has not been made prior to such date, the outstanding principal amount of these Notes, together with all accrued but unpaid interest on these Business Combination Convertible Notes, may be converted into shares of Company common stock, in part or in whole, at the option of the holder of these Business Combination Convertible Notes by providing written notice at least three business days prior to the date of conversion. A conversion of any portion of these Business Combination Convertible Notes into shares of Company common stock will be effected at a conversion price equal to the Current Market Price as of the date of such conversion (the "Conversion Price"). The term "Current Market Price" means, generally, the average VWAP for the twenty consecutive trading days ending on the date that is five trading days prior to the date of conversion. The term "VWAP" means, for any trading day, the volume weighted average trading price of the Company's common stock for such trading day on the NYSE (or if the Company's common stock is no longer traded on the NYSE, on such other exchange as the Company's common stock is then traded).

Subsequent to December 31, 2020, on the fifteen-month anniversary of the Business Combination Date or February 25, 2021, the fifty percent (50%) of the previously outstanding amount of Business Combination Convertible Notes held by Esse Effe and Maya was repaid, with a total of $3.0 million and $750,000 of principal and $176,000 and $44,000 in accrued interest being paid to Esse Effe and Maya, respectively, pursuant to the terms of the Business Combination Convertible Notes.

Non-convertible Notes

As of December 31, 2020, no amount remained outstanding for the Non-convertible Notes.

The Non-convertible Notes accrued interest at a fixed interest rate equal to LIBOR, which interest rate was one and ninety-one hundredths percent (1.91%), plus a margin of one percent (1%) per annum. As used herein, "LIBOR" means the one-year US Dollar LIBOR interest rate published in The Wall Street Journal on the Business Combination Date. All interest was computed on the basis of a 365-day year and the actual number of days elapsed.

Under the terms of the Non-convertible Notes, the outstanding principal balance of the Non-convertible Notes, plus all accrued and unpaid interest and fees due under these notes, became due and payable, upon the receipt by the Company, in the equity financing event, namely the Offering mentioned above, of cash proceeds in an amount not less than $11.5 million (the "Financing Proceeds"), no later than ten (10) business days after the Company receives the Financing Proceeds. The principal amount of $6.0 million plus accrued interest of $105,000 for the Non-convertible Note held by Esse Effe and the principal amount of $1.5 million plus accrued interest of $26,000 for the Non-convertible Note held by Maya were paid in full by the Company on July 2, 2020 and June 30, 2020, respectively, and no amount remains outstanding for such notes at year end.

Notes payable - Other

On April 16, 2020, the Company entered into a Settlement Agreement and Release (the "Settlement Agreement") with its Business Combination financial advisory service firms, Cowen and Company, LLC ("Cowen") and Chardan Capital Markets, LLC, ("Chardan" and collectively the "Service Firms"), pursuant to which it agreed to pay an affiliate of Cowen, Cowen Investments II LLC ("Cowen Investments"), and Chardan, in full satisfaction of all amounts owed to the Service Firms as of December 31, 2019, $5.4 million in the aggregate, as follows: (i) $2.7 million in the aggregate in common stock of the Company (the "Settlement Shares") to be issued the business day prior to the filing of a resale registration statement for such Settlement Shares (the "Bank Resale Registration Statement"), (ii) convertible notes totaling $2.7 million in the aggregate with a maturity date three years after issuance and bearing interest at five percent (5%) per annum (but with lower interest rates if the notes are repaid earlier than one year or two years after issuance) and with interest paid in arrears to the payee on March 15, June 15, September 15 and December 15 of each year, with such convertible notes to also be issued the business day prior to the filing of the Resale Registration Statement and (iii) in the event that the Beneficial Ownership Limitation (as defined below) would otherwise be exceeded upon delivery of the Settlement Shares above, a warrant agreement also to be entered into with and issued to the Services Firms the business day prior to the filing of the Resale Registration Statement, whereby the amount of common stock of the Company by which the Beneficial Ownership Limitation would otherwise have been exceeded upon delivery of the Settlement Shares will be substituted for by warrants with an exercise price of $0.01 per share issued pursuant to a Warrant Agreement (the "Warrant Agreement") and the common stock underlying the Warrant Agreement (the "Warrant Shares"). The Beneficial Ownership Limitation shall initially be 4.99% of the number of shares of the common stock outstanding of the Company immediately after giving effect to the issuance of these shares of common stock. The number of Settlement Shares was calculated using as the price per Settlement Share an amount equal to a fifteen percent (15%) discount to the ten-day (10-day) trailing dollar volume-weighted average price for the common stock of the Company on the NYSE American LLC stock exchange (the "VWAP") on the business day immediately prior to the date on which Kaleyra filed the Resale Registration Statement. In addition, the price per share for determining the number of shares of common stock of the Company to be issued upon the conversion of the convertible notes shall be a five percent (5%) premium to the ten-day (10-day) trailing VWAP as of the date immediately prior to the issuance date of the convertible notes, rounded down to the nearest whole number.

On May 1, 2020, in connection with the Settlement Agreement, the Company issued: (i) an aggregate of 440,595 Settlement Shares to Cowen Investments and Chardan, consisting of 374,506 Settlement Shares issued to Cowen Investments, and 66,089 Settlement Shares issued to Chardan, which resulted in a $0.2 million loss on settlement on the issuance date of May 1, 2020; and (ii) convertible promissory notes in the aggregate principal amount of $2.7 million to Cowen Investments and Chardan, consisting of a convertible promissory note in the principal amount of $2.3 million issued to Cowen Investments (the "Cowen Note") and a convertible promissory note in the principal amount of $405,000 issued to Chardan (the "Chardan Note"). The unpaid principal of the Cowen Note is convertible at the option of Cowen Investments into 303,171 shares of common stock of the Company, if there has been no principal reduction, and the unpaid principal of the Chardan Note is convertible at the option of Chardan into 53,501 shares of common stock of the Company, if there has been no principal reduction. As the Beneficial Ownership Limitation was not triggered by the issuance of the Settlement Shares, no Warrant Agreement was necessary and no warrants were issued.

As of December 31, 2020, the outstanding amount of the Cowen Note was $2.3 million and accrued interest was $63,000. As of December 31, 2020, the outstanding amount of the Chardan Note was $405,000 and accrued interest was $14,000. These notes payable totaling $2.7 million are included in "Long-term portion of notes payable" and the accrued interest payables are included in "Other current liabilities" in the accompanying consolidated balance sheets.

Subsequent to December 31, 2020, Cowen Investments elected to convert the outstanding amount of the Cowen Note into 303,171 shares of common stock, par value $0.0001 per share of Kaleyra, pursuant to the terms of the Cowen Note. See Note 27 – Subsequent Events – for further details.

Notes Payable to the Founders

Prior to the closing of the Business Combination, the Company had issued to several of its stockholders or their affiliates (collectively, the “Founders”) various promissory notes that were due to be paid in full upon the closing of the Business Combination (such notes referred to collectively as either the “Extension Notes” or the “Working Capital Notes”). In conjunction with the completion of the Business Combination, Kaleyra and each of GigAcquisitions, LLC (the “Sponsor”) and an affiliate of the Sponsor, GigFounders, LLC, agreed to amend and restate the Extension Notes and Working Capital Notes held by them to provide that in lieu of repaying such promissory notes in full upon the closing of the Business Combination, the outstanding principal balance of such amended and restated notes (the “Amended Extension Notes” and the “Amended Working Capital Notes”), plus all accrued and unpaid interest (as described below) and fees due under the Amended Extension Notes and Amended Working Capital Notes, shall, upon the receipt by Kaleyra, whether in a debt or equity financing event by Kaleyra (which may include the receipt of cash from third parties with which Kaleyra has entered into forward share purchase agreements), of cash proceeds in an amount not less than $11.5 million (the “Financing Proceeds”), be due and payable no later than ten business days after Kaleyra receives the Financing Proceeds. The other holders of Extension Notes and Working Capital Notes similarly agreed to amend and restate these notes to exchange them into Amended Extension Notes and Amended Working Capital Notes after the closing of the Business Combination. Interest on the Amended Extension Notes and Amended Working Capital Notes accrued at a fixed interest rate equal to the one-year U.S. dollar LIBOR interest rate published in The Wall Street Journal on the closing of the Business Combination, which was one and ninety-one hundredths percent (1.91%), plus a margin of one percent (1%) per annum. All interest was computed on the basis of a 365-day year and the actual number of days elapsed. None of the Amended Extension Notes or Amended Working Capital Notes were convertible into securities of Kaleyra upon the closing of the Offering in June 2020. All principal and accrued interest for the Amended Extension Notes and Amended Working Capital Notes was paid in full by the Company on June 30, 2020, and no amount remains outstanding for such notes.

12. EMPLOYEE BENEFIT OBLIGATION

The Company sponsors two defined benefit plans covering the majority of Italian employees and all of Solutions Infini’s employees. Total costs of the defined benefit plans for the years ended December 31, 2020 and 2019 was $465,000 and $287,000, respectively.

Changes in obligations of the defined benefit plans is as follows (in thousands):

	As of December 31, 2020	As of December 31, 2019
Benefit obligation at the beginning of the period	$ 1,424	$ 1,173
Change in scope of consolidation	—	—
Service cost	231	165
Interest cost	31	33
Actuarial loss	203	89
Benefit paid	(102)	(13)
Foreign exchange translation reserve	123	(23)
Benefit obligation at the end of the period	$ 1,910	$ 1,424
Of which:		
Current (1)	$ 24	$ 26
Long-term	$ 1,886	$ 1,398

(1) Included within “Payroll and payroll related accrued liabilities” in the accompanying consolidated balance sheets.

There are no plan assets servicing the defined benefits plans.

The assumptions used to determine benefit obligations at year-end are as follows:

	As of December 31,	
	2020	2019
Discount rate for the Kaleyra S.p.A. plan (1)	0.30%	0.78%
Discount rate for the Solutions Infini plan (2)	6.65%	7.25%
Rate of compensation increase for Kaleyra S.p.A.	0.50% - 3.00%	0.50% - 3.00%
Rate of compensation increase for Solutions Infini	20.00%	15.00%

(1) The discount rate for Kaleyra S.p.A. is based on the Euro area composite yields AA with a duration equal to the estimated term of the obligations at the balance sheet date.

(2) The discount rate for Solutions Infini is based on the prevailing market yields of Indian government securities at the balance sheet date for the estimated term of the obligations.

The Company also has a 401(k) defined contribution plan ("401(k) plan") covering substantially all U.S. domestic employees. The participation in this plan is voluntary. The Company matches plan participants' contributions up to various limits. Participants' contributions are limited based on their compensation and, for certain supplemental contributions which are not eligible for Company matching, based on their age. Contributions for the 401(k) plan were $102,000 and $54,000 for the years ended December 31, 2020 and 2019, respectively.

13. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The accumulated balances related to each component of other comprehensive income (loss) are as follows (in thousands):

	Cumulative Foreign Currency Translation Adjustment	Cumulative net unrealized gain (loss) on marketable securities, net of tax	Accumulated Other Comprehensive Income (Loss)
As of December 31, 2018	$ 53	$ (22)	$ 31
Other comprehensive income (loss) before reclassifications	25	38	63
Net amount reclassified from accumulated other comprehensive income (loss)	—	(20)	(20)
Net other comprehensive income (loss)	25	18	43
As of December 31, 2019	78	(4)	74
Other comprehensive income (loss)	(2,910)	10	(2,900)
Net other comprehensive income (loss)	(2,910)	10	(2,900)
As of December 31, 2020	$ (2,832)	$ 6	$ (2,826)

14. PREFERENCE SHARES LIABILITIES

Preference shares liabilities amounting to zero and $2.5 million as of December 31, 2020 and 2019, respectively, represent the Company's obligation to purchase in 2020 the preference shares from certain employees of Solutions Infini as a part of the Solutions Infini 2018 Purchase Agreement.

On March 9, 2020, Kaleyra signed a modification of the 2018 Solutions Infini Purchase Agreement to reduce the price of the preference shares to be purchased from the eligible employees of Solutions Infini in July 2020 to their face value, amounting to Indian Rupee 10.0 per each preference share. As a result of this modification, the total preference shares obligation was reduced to Indian Rupee 132,000 ($2,000 at the July 31, 2020 exchange rate) and paid in full on July 31, 2020.

On January 31, 2020, Kaleyra had agreed to pay to the eligible employees of the preference shares, performance bonuses for a total amount of $3.5 million, to be paid in 2020, as a replacement of the preference shares obligation.

On March 24, 2020, given the prevailing situation of the COVID-19 pandemic both globally and in India, Kaleyra agreed with two of the eligible employees to delay payment of their performance bonuses, for a total amount of $1.4 million, and evaluate the timeline for payment thereof at a later date.

During fiscal year 2020, the previously outstanding performance bonus obligation payable to the eligible employees was paid in two different installments of $1.4 million on August 31, 2020, following the resolution of the Board of Directors of Solutions Infini, and of $883,000 on November 30, 2020.

As of December 31, 2020, the outstanding performance bonus obligation payable to the other eligible employees amounted to $1.2 million. This amount is included in the consolidated balance sheets line item "Payroll and payroll related accrued liabilities".

Subsequent to December 31, 2020, the previously outstanding performance bonus obligation payable to the other eligible employees was agreed to be paid in two different installments of $826,000 on February 15, 2021, and $343,000 (at the February 15, 2021 exchange rate) on April 15, 2021, under the full and final settlement agreements signed with the other eligible employees. See Note 27 – Subsequent Events – for further details.

15. OTHER CURRENT AND LONG-TERM LIABILITIES

Other current liabilities consisted of the following (in thousands):

	As of December 31, 2020	As of December 31, 2019
Liabilities for tax other than income tax	$ 2,942	$ 583
Social security liabilities	383	256
Current tax liabilities	434	—
Accrued financial interest	1,066	149
Capital leases	138	66
Other miscellaneous	1,025	325
Total other current liabilities	$ 5,988	$ 1,379

Other long-term liabilities consisted of the following (in thousands):

	As of December 31, 2020	As of December 31, 2019
Payable to supplier (1)	$ —	$ 2,700
Interest rate swaps	109	80
Capital leases	208	80
Other miscellaneous	286	295
Total other long-term liabilities	$ 603	$ 3,155

(1) This obligation was settled by issuance of a note payable on May 1, 2020, when the settlement agreement with the supplier was executed. See Note 11 – Notes Payable for additional information.

16. SUPPLEMENTAL BALANCE SHEET INFORMATION

Allowance for doubtful accounts:

A roll-forward of the Company's allowance for doubtful accounts for the years ended December 31, 2020 and 2019 is as follows (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance, beginning of the period	$ 873	$ 157
Accruals	435	800
Utilization of provision	(612)	(84)
Effect of foreign exchange rate	154	—
Balance, end of the period	$ 850	$ 873

17. GEOGRAPHIC INFORMATION

Revenue by geographic area is determined on the basis of the location of the customer. The Company generates its revenue primarily in Italy, India, and the United States. The following table sets forth revenue by geographic area for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Italy	$ 62,411	$ 60,165
India	36,147	35,162
United States	25,500	9,418
Europe (excluding Italy)	9,827	15,686
Rest of the world	13,483	9,127
Total	$ 147,368	$ 129,558

	Year Ended December 31,	
	2020	2019
Italy	42.4 %	46.4 %
India	24.5 %	27.1 %
United States	17.3 %	7.3 %
Europe (excluding Italy)	6.7 %	12.1 %
Rest of the world	9.1 %	7.1 %

As of December 31, 2020, the majority of the Company's long-lived assets are located in Italy and the United States.The following table sets long-lived assets by geographic area as of December 31, 2020 and 2019 (in thousands):

	As of December 31,	
	2020	2019
Italy	$ 2,827	$ 1,772
India	1,667	1,162
United States	2,225	437
Rest of the world	7	22
Total	$ 6,726	$ 3,393

	As of December 31,	
	2020	2019
Italy	42.0 %	52.2 %
India	24.8 %	34.2 %
United States	33.1 %	12.9 %
Rest of the world	0.1 %	0.7 %

18. PERSONNEL COSTS

Personnel costs, net of capitalized software development costs, amounting to $35.3 million for the year ended December 31, 2020 (of which $19.1 million related to RSUs compensation expense) and $12.6 million for the year ended December 31, 2019 (of which $996,000 related to RSUs compensation expense), were allocated as follows (in thousands):

	Year Ended December 31,	
	2020	2019
Research and development	$ 8,043	$ 4,158
Sales and marketing	9,583	2,855
General and administrative	17,676	5,635
Total Personnel Costs	$ 35,302	$ 12,648

Approximately 30% of the Company employees are subject to a collective Italian national labor agreement expiring on December 31, 2023.

19. FINANCIAL EXPENSE, NET

Financial expense, net for the years ended December 31, 2020 and 2019, consisted of the following (in thousands):

	Year Ended December 31,	
	2020	2019
Financial Income:		
Interest income	$ 277	$ 160
Gain on derivatives	33	414
Dividends on marketable securities	33	97
Total Financial Income	343	671
Financial Expense:		
Interest expense	(1,762)	(1,073)
Loss on derivatives	(56)	(37)
Total Financial Expense	(1,818)	(1,110)
Financial expense, net	$ (1,475)	$ (439)

20. COMMITMENTS AND CONTINGENCIES

Lease Commitments

The Company entered into various operating lease agreements that expire over various years in the next 7 years. The Company's Milan office lease contains an option to renew the lease for 6 years under terms and conditions set forth in the lease agreement.Certain of the Company's leases contain provisions for rental adjustments. Operating lease rentals are expensed on a straight-line basis over the life of the lease beginning on the date the Company takes possession of the property. Rent expense was $898,000 and $749,000 for the years ended December 31, 2020 and 2019, respectively.

Future minimum lease payments under leasing obligations as of December 31, 2020 are as follows (in thousands):

	As of December 31, 2020		
	Operating leases	Capital leases	Total
2021	$ 559	$ 151	$ 710
2022	489	78	567
2023	443	65	508
2024	350	65	415
2025	322	19	341
2026 and thereafter	136	—	136
Total Minimum Lease Payments	$ 2,299	$ 378	$ 2,677

Future minimum lease payment under capital leases as of December 31, 2020, consisted of the following (in thousands):

	As of December 31, 2020
	Capital leases
Total payments	$ 378
Less: Interest portion	32
Net capital lease obligation	346
Less: Current portion	138
Long term portion	$ 208

The current portion of the capital lease obligation is included in other current liabilities and the long term portion is included in other long-term liabilities in the accompanying consolidated balance sheet.

Contingencies

As of December 31, 2020, the Company had contingent liabilities of $129,000, relating to a tax appeal of Solutions Infini for which no provision was recognized as its occurrence was deemed remote.

21. STOCKHOLDERS' EQUITY (DEFICIT)

Common stock

The authorized common stock of the Company includes up to 100,000,000 shares. Holders of the Company's common stock are entitled to one vote for each share of common stock. As of December 31, 2020, there were 33,086,745 shares of common stock issued and 30,288,687 shares outstanding with a par value $0.0001 per share.

On November 25, 2019, the Company issued in the aggregate 10,687,106 shares of common stock to the Sellers as consideration for the Business Combination.

Immediately after giving effect to the Business Combination (including as a result of redemptions, and the automatic conversion of rights into 1,321,756 shares of common stock), there were 19,977,113 shares of the Company's issued and outstanding common stock as of December 31, 2019.

On April 29, 2020, as additional consideration for the Business Combination as an earn-out, Kaleyra issued 1,763,633 shares of its common stock to the Sellers.

On June 29, 2020, the Company completed an offering relating to the issuance and sale of 7,777,778 shares of the Company's common stock, par value $0.0001 per share. In addition, on July 24, 2020, the Company issued an additional 984,916 shares of common stock upon the exercise and close of the overallotment option by the underwriters, pursuant to the terms of the Underwriting Agreement.

Preferred Stock

The Company is authorized to issue 1,000,000 shares of preferred stock with such designations, voting and other rights and preferences as may be determined from time to time by the Board of Directors. As of December 31, 2020, there were no shares of preferred stock issued or outstanding.

Warrants

Warrants will only be exercisable for whole shares at $11.50 per share. As a result, at least four Units must be purchased in order for each holder to receive shares of common stock for all of the Warrants acquired upon their exercise. Under the terms of the Warrant agreement dated December 12, 2017, the Company agreed to use its best efforts to file a new registration statement under the Securities Act, following the completion of the Business Combination, for the registration of the shares of common stock issuable upon exercise of the Warrants included in the Units. No fractional shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a share, the Company will, upon exercise, round down to the nearest whole number for the number of shares of common stock to be issued to the Warrant holder. Each Warrant became exercisable 30 days after the completion of the Business Combination and will expire five years after the completion of the Business Combination or earlier upon redemption or liquidation. If the Company is unable to deliver registered shares of common stock to the holder upon exercise of the Warrants during the exercise period, there will be no net cash settlement of these Warrants and the Warrants will expire worthless, unless they may be exercised on a cashless basis in the circumstances described in the Warrant agreement. Once the Warrants become exercisable, the Company may redeem the outstanding Warrants in whole and not in part at a price of $0.01 per Warrant upon a minimum of 30 days' prior written notice of redemption, only in the event that the last sale price of the Company's shares of common stock equals or exceeds $18.00 per share for any 20 trading days within the 30-trading day period ending on the third trading day before the Company sends the notice of redemption to the Warrant holders.

On September 30, 2020, Kaleyra entered into a Warrant Exchange Agreement with Riverview Group LLC ("Riverview") (the "Riverview Agreement"). Riverview previously acquired warrants to purchase an aggregate of 3,780,000 shares of the Company's common stock, par value $0.0001 per share, initially issued by the Company in its initial public offering on December 7, 2017. Pursuant to the Riverview Agreement, on October 2, 2020, Riverview surrendered the warrant shares and the Company issued an aggregate of 850,500 shares of common stock to Riverview in exchange for the warrants. There was no incremental value related to this exchange transaction. On October 2, 2020, pursuant to the effects of the Riverview Agreement, the total number of outstanding warrants was reduced to 7,374,938 outstanding warrants from the 11,154,938 previously outstanding warrants.

As of December 31, 2020, there were 7,374,938 warrants outstanding.

22. RESTRICTED STOCK UNITS (RSUs)

In December 2019, RSUs were granted to certain employees, directors and advisory board members of the Company for a total of 3,336,095 RSUs shares with an aggregate grant date fair value of $27.5 million, based on a per share grant date fair value of $8.25. In particular:

- The Board of Directors adopted a form of Restricted Stock Unit award Agreement and granted to certain employees of the Company or its subsidiaries (i) 931,243 RSUs that vest in one year from the grant date, (ii) 124,723 RSUs that vest upon the final determination, if any, that the Business Combination's definition of 2019 targeted adjusted EBITDA is achieved, and (iii) 124,718 RSUs that vest upon the final determination, if any, that the Business Combination's definition of 2020 targeted adjusted EBITDA is achieved.
- The Board of Directors of the Company granted to certain employees, directors and advisory board members of the Company a total of 2,020,411 RSUs. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vested on February 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from February 1, 2021.
- The Board of Directors of the Company and certain advisory board members were granted a total of 135,000 RSUs. These RSUs have no performance conditions and vested 40% on February 1, 2020 with the remaining RSUs vesting ratably over the subsequent three quarters.

On March 24, 2020, the Board's Compensation Committee approved the grant of 113,506 RSUs to a new manager of the Company. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vested on February 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from February 1, 2021.

In May 2020, the Board's Compensation Committee approved the grant of 447,714 RSUs to three new managers and two new advisory board members of Kaleyra. These RSUs have no performance conditions and vest as follows:

- 435,714 RSUs under this vesting timeline: (i) 25% of the shares vest on May 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from May 1, 2021;
- 8,000 RSUs vested on August 1, 2020 and 4,000 RSUs on November 1, 2020.

On August 6, 2020, the Board's Compensation Committee approved the grant of 500,200 RSUs to sixty-nine employees of the Company as part of Kaleyra's retention plan. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vest on August 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from August 1, 2021.

On November 5, 2020, the Board's Compensation Committee approved the grant of 233,810 RSUs to twenty-five employees of the Company, five directors and four advisory board members of Kaleyra. These RSUs have no performance conditions and vest as follows:

- 66,000 RSUs under this vesting timeline: (i) 25% of the shares vest on November 1, 2021 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from November 1, 2021;
- 167,810 RSUs vest in four equal quarterly installments starting from February 1, 2021.

On December 16, 2020, the Board's Compensation Committee approved the grant of 95,500 RSUs to eleven employees of the Company. These RSUs have no performance conditions and vest as follows: (i) 25% of the shares vest on February 1, 2022 and (ii) the remaining 75% vests in equal quarterly installments over a three-year period starting from February 1, 2022.

The following table sets forth the activity in the number of outstanding RSUs for the year ended December 31, 2020:

	Number of shares	Weighted-average grant date fair value (per share)
Non-vested as of December 31, 2019	3,336,095	$ 8.25
Vested	(1,152,210)	8.24
Granted	1,390,730	6.41
Cancelled	(243,578)	8.25
Non-vested as of December 31, 2020	3,331,037	$ 7.48

RSUs compensation expense for the years ended December 31, 2020 and 2019 was $19.1 million and $996,000, respectively, which was recorded as follows (in thousands), net of capitalized RSUs compensation expense:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Research and development	$ 3,984	$ 299
Sales and marketing	3,934	115
General and administrative	11,199	582
Total	$ 19,117	$ 996

As of December 31, 2020, there was $13.6 million of unrecognized compensation cost related to non-vested RSUs to be recognized over a weighted-average remaining period of 1.41 years.

As of December 31, 2020, the number of securities remaining available for future issuances under the 2019 Equity Incentive Plan, excluding the number of non-vested RSUs, was 530,667 units.

23. INCOME TAXES

The Company provides for income taxes using an asset and liability approach under which deferred income taxes are provided for based upon enacted tax laws and rates applicable to periods in which the taxes become payable.

The following table presents domestic and foreign components of income (loss) before income tax expense (benefit) for the years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Domestic	$ (19,536)	$ (7,857)
Foreign	(9,550)	4,618
Loss before income tax expense (benefit)	$ (29,086)	$ (3,239)

The provision for federal and state income taxes consists of the following (in thousands):

	Year Ended December 31, 2020	2019
Current		
Domestic:		
US federal corporate income tax	$ —	$ —
US state corporate income tax	1	—
Foreign:		
IRES (Italian corporate income tax)	305	66
IRAP (Italian regional tax on productive activities)	165	50
Foreign (India)	—	1,977
Other Italian taxes	—	194
Current	471	2,287
Deferred	(2,747)	(14)
Income tax expense (benefit)	$ (2,276)	$ 2,273

The differences between income taxes expected by applying the U.S. federal statutory tax rate of 21% and the amount of income taxes provided for are as follows (in thousands):

	Year Ended December 31, 2020	2019
Loss before income tax expense (benefit)	$ (29,086)	$ (3,239)
Primary tax rate of the Company (1)	21.00 %	21.00 %
Tax benefit calculated according to the Company's primary tax rate	(6,097)	(680)
State income tax, net of Federal	(1,188)	(483)
Foreign tax rates differences (2)	(750)	319
Change in applicable tax rates	—	(513)
Change in valuation allowance	7,435	2,027
Non-taxable income	—	(196)
Costs not deductible for tax purposes	—	541
Costs not deductible associated with investments	—	36
CFC (Controlled Foreign Corporation rules) (3)	—	288
IRAP (Italian Regional Tax on Productive Activities)	—	4
Taxes on undistributed profits	144	926
Stock based compensation	(1,820)	—
Other taxes	—	4
Reported income tax expense (benefit)	$ (2,276)	$ 2,273

(1) For the years ended December 31, 2020 and 2019, "primary tax rate of the Company" means the U.S. federal tax rate (21%).

(2) For the years ended December 31, 2020 and 2019, "foreign" relates to tax jurisdictions outside the United States.

(3) Recorded by the Company in relation with the Dubai subsidiary.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

The following table presents the significant components of the Company's deferred tax assets and liabilities (in thousands):

	As of December 31, 2020	As of December 31, 2019
Deferred tax assets:		
Startup costs	$ 2,918	$ 2,755
Deferred compensation liabilities	3,557	398
Property and equipment	—	70
Goodwill	100	119
Net operating loss carryforward	9,420	3,370
Other	578	422
Total deferred tax assets	16,573	7,134
Less: valuation allowance	(12,923)	(5,591)
Total deferred tax assets, net	3,650	1,543
Deferred tax liabilities:		
Intangible assets	1,891	2,351
Undistributed profits	1,033	1,093
Property and equipment	23	134
Other	—	10
Total deferred tax liabilities	2,947	3,588
Net deferred tax assets (liabilities)	$ 703	$ (2,045)

As of December 31, 2020, the Company has federal, state and foreign net operating loss carryforwards totaling $27.5 million, $27.8 million and $7.2 million, respectfully. If not utilized, federal net operating losses of $5.4 million will expire at various dates from 2026 through 2037, and $22.1 million have an indefinite life. State net operating losses of $27.8 million will expire at various dates from 2037 through 2040. Foreign net operating losses originated in Switzerland and will expire at various dates from 2023 through 2027.

The Company's accounting for deferred taxes involves the evaluation of a number of factors concerning the realizability of its net deferred tax assets. The Company primarily considered such factors as its history of operating losses, the nature of the Company's deferred tax assets, and the timing, likelihood and amount, if any, of future taxable income during the periods in which those temporary differences and carryforwards become deductible. The Company does not believe that it is more likely than not that all of the deferred tax assets will be realized; accordingly, a valuation allowance has been established for the amount of the deferred tax assets on net operating loss carryforward, startup costs, and other deferred tax assets in excess of the deferred tax liabilities that will reverse prior to any net operating loss carryforward expiration date.

The following table sets forth activity in the valuation allowance for the year ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Balance at the beginning of the period	$ 5,591	$ 723
Change in scope of consolidation	4,707	2,836
Increase during the period	2,625	2,027
Effect of exchange rate changes	—	5
Balance at the end of the period	$ 12,923	$ 5,591

The Company recognizes interest and penalties, if any, related to an underpayment of income taxes in income tax expense. As of December 31, 2020, the Company has accumulated $91,000 in interest expense related to unrecognized tax benefits ($91,000 as of December 31, 2019).

A reconciliation of the beginning and ending amounts of gross unrecognized tax benefits as of December 31, 2020 and 2019 is as follows (in thousands):

	As of December 31,	
	2020	2019
Gross unrecognized tax benefits, beginning of the year	$ 468	$ 190
Additions for tax positions of prior years	—	—
Additions for tax positions related to the current year	88	193
Change in scope of consolidation	—	—
Reductions due to settlements	—	—
Effect of exchange rate	14	(6)
Subtotal	570	377
Interest and penalties	60	91
Total gross unrecognized tax benefits, end of the year	$ 630	$ 468

As of December 31, 2020, the Company had $4.9 million of undistributed earnings and profits generated by a foreign subsidiary (Solutions Infini) for which no deferred tax liabilities have been recorded, since the Company intends to indefinitely reinvest such earnings in the subsidiary to fund the international operations and certain obligations of the subsidiary. Should the above undistributed earnings be distributed in the form of dividends or otherwise, the distributions would result in $737,000 of tax expense.

The Company files income tax returns in the United States and in foreign jurisdictions including Italy, India, and Switzerland. As of December 31, 2020, the tax years 2007 through the current period remain open to examination in each of the major jurisdictions in which the Company is subject to tax.

On March 27, 2020, the United States enacted the CARES Act in response to the COVID-19 pandemic. The CARES Act, among other things, permits net operating loss carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows net operating losses incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes. The Company has evaluated the CARES Act's impact and determined that none of the changes would result in a material income tax benefit to the Company. On December 27, 2020, the Consolidated Appropriations Act 2021 was signed into law and extends several CARES Act provisions. As of December 31, 2020, the Company has determined that neither this Act nor changes to income tax laws or regulations in other jurisdictions is expected to have a significant impact on our effective tax rate.

24. NET LOSS PER SHARE

The Business Combination was accounted for as a reverse recapitalization in accordance with U.S. GAAP (see Note 5 – Business Combination). Accordingly, weighted-average shares outstanding for purposes of the net loss per share calculation have been retrospectively adjusted to reflect the exchange ratio established in the Business Combination.

The following table sets forth the calculation of basic and diluted loss per common share during the period presented (in thousands, except share and per share data):

	Year Ended December 31,	
	2020	2019
Net loss	$ (26,810)	$ (5,512)
Weighted-average shares used to compute net loss per common share, basic and diluted	24,652,004	11,603,381
Net loss per common share, basic and diluted	$ (1.09)	$ (0.48)

The Company generated a net loss attributable to the Company's common stockholders for each of the years ended December 31, 2020 and 2019. Accordingly, the effect of dilutive securities is not considered in the net loss per share for such periods because their effect would be anti-dilutive on the net loss per share.

For the year ended December 31, 2020, the weighted-average number of outstanding shares of common stock equivalents, which were excluded from the calculation of the diluted net loss per share attributable to common stockholders as their effect would be anti-dilutive, was 15,275,403 (1,244,043 for the year ended December 31, 2019).

25. TRANSACTIONS WITH RELATED PARTIES

During the year ended December 31, 2020 and 2019, related party transactions, other than compensation and similar arrangements in the ordinary course of business, were as follows:

i. Unsecured convertible promissory notes, received by Esse Effe and Maya at the closing of the Business Combination, pursuant to the terms of the Stock Purchase Agreement. Maya is affiliated with Dario Calogero and the shares are beneficially owned by a shareholder, Mr. Calogero who is the Chief Executive Officer and a director of Kaleyra. Esse Effe is affiliated with Dr. Emilio Hirsch, and its shares are beneficially owned by Dr. Hirsch, a shareholder and a director of the Company. The outstanding amount due by the Company was $7.5 million plus $241,000 of accrued interest as of December 31, 2020 ($7.5 million plus $22,000 of accrued interest as of December 31, 2019). In addition, the previously outstanding unsecured non-convertible promissory note held by Maya was repaid on June 30, 2020, with a total of $1.5 million in principal and $26,000 in accrued interest being paid to Maya. The principal amount of $6 million plus $105,000 in accrued interest of the unsecured non-convertible promissory note held by Esse Effe was repaid in full on July 2, 2020 ($7.5 million plus $22,000 of accrued interest as of December 31, 2019). See Note 11 – Notes Payable for additional information;

ii. Unsecured promissory notes issued by the Company to the Sponsor and GigFounders, LLC. This was repaid on June 30, 2020 in the amount of $1.9 million plus $33,000 of accrued interest ($1.9 million including $5,000 of accrued interest as of December 31, 2019). See Note 11 – Notes Payable for additional information;

iii. Legal services rendered by a partner of Studio Legale Chiomenti, who is a family member of a key manager of the Company. Costs incurred by the Company for the above services were $363,000 and $694,000 in the years ended December 31, 2020 and 2019, respectively;

iv. Prior to the Business Combination, Kaleyra S.p.A. granted a loan to one of the Company's directors and executive officers. In November 2019, prior to the Business Combination, the loan was reimbursed in full for a total amount of $36,000. The Company earned interest income on such loan of $600 for the year ended December 31, 2019;

v. Alessandra Levy, the spouse of Kaleyra's Chief Executive Officer, Dario Calogero, is an employee within the marketing team of Kaleyra S.p.A.. Ms. Levy received salary and benefits in the amount of $237,000 and $239,000 for the years ended December 31, 2020, and 2019, respectively;

vi. Pietro Calogero, the son of Kaleyra's Chief Executive Officer, Dario Calogero, is an employee within the research and development team of Kaleyra S.p.A.. Mr. Pietro Calogero received salary and benefits in the amount of $35,000 and zero for the years ended December 31, 2020, and 2019, respectively; and

vii. As of December 31, 2020 and 2019, the outstanding obligation for preference shares due to executive managers was zero and $1.8 million, respectively. As mentioned in Note 14, in the three months ended March 31, 2020, as a result of a modification of the 2018 Solutions Infini Purchase Agreement, a significant portion of the liability for preference shares was replaced with bonus compensation of $3.5 million. During fiscal year 2020, the previously outstanding bonus compensation payable to executive managers was paid in two different installments of $1.4 million on August 31, 2020, and of $883,000 on November 30, 2020. As of December 31, 2020, the outstanding performance bonus obligation payable to the executive managers amounted to $1.2 million. See Note 14 – Preference Shares Liabilities – for further details.

The following table presents the expenses for related parties reported in the consolidated statements of operations (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Research and development	$ 35	$ 180
Sales and marketing	237	239
General and administrative	363	874
Financial expense, net	355	48

26. LEGAL MATTERS

From time to time, Kaleyra may be involved in litigation relating to claims arising out of its operations in the normal course of business. Kaleyra is not currently involved in any material legal proceedings as a defendant.

On October 17, 2018, Kaleyra filed a claim against Vodafone Italia S.p.A. ("Vodafone") before the Court of Milan seeking compensation in the amount of €6.1 million ($7.5 million at the December 31, 2020 exchange rate) for all the damages suffered as a consequence of the illicit and anticompetitive conduct of Vodafone, as previously determined by the Italian Antitrust Authority (namely, Autorità Garante della Concorrenza e del Mercato or AGCM) in their decisions issued on December 13, 2017; Vodafone has appealed that sanctioning resolution before the Italian Regional Administrative Court.

The deadline for filing a counterclaim by Vodafone has passed and according to Italian Law, Vodafone is no longer entitled to file a counterclaim against Kaleyra in these proceedings. Both Kaleyra and Vodafone have filed their final pleadings on October 1, 2019 and October 21, 2019.

The Court of Milan has decided to suspend the procedure, through order no. 1570 on May 18, 2020. The decision of the Court of Milan is based on procedural reasons only (concerning the unprecedented definition of the relationship between administrative and civil proceedings in the case at hand) and does not analyze or take into any consideration the merits of the action brought by Kaleyra. The procedural suspension ordered by the Court of Milan shall last until the appeal brought by Vodafone before the Italian Regional Administrative Court against the decision of the Italian Antitrust Authority is concluded with a definitive judgment. Accordingly, following the order of suspension issued by the Civil Court of Milan, on August 10, 2020, Kaleyra filed a request to speed up the scheduling of the hearing in relation to the pending appeal before the Italian Regional Administrative Court brought by Vodafone Italia. The Court upheld Kaleyra's request and the hearing has taken place on February 24, 2021. The decision is expected to be released in the second quarter of fiscal year 2021. The outcome of such action cannot be determined at this time. Therefore, no recognition of these actions has been made in the consolidated financial statements of the Company.

On April 16, 2019, Kaleyra filed a claim against Telecom Italia S.p.A and Telecom Italia Sparkle S.p.A. before the Court of Milan seeking compensation in the amount of €8.3 million ($10.2 million at the December 31, 2020 exchange rate) for damages suffered after the illicit conduct of both counterparts, determined by the Italian Antitrust Authority in the decision issued on December 13, 2017.

At the first hearing before the Court of Milan held for the appearance of the parties onDecember 11, 2019, the judge reserved the decision on the possible suspension of the case in consideration of the appeal brought by Telecom Italia S.p.A and Telecom Italia Sparkle S.p.A. against the Italian Antitrust Authority's decision of December 13, 2017 before the Regional Administrative Court, which is currently pending.

By order issued on December 14, 2019, the judge released his reserve and referred the issue concerning the relation between the assessment of the pending administrative case and the one to be carried out in the civil case to a panel composed of three judges. The case was therefore adjourned for a hearing on April 29, 2020 where the parties had to file their final pleadings.

On April 9, 2020, following the measures taken by the Italian legislator for the Covid-19 pandemic, the above-mentioned hearing was postponed to and then held on October 7, 2020. At the hearing of October 7, 2020, the parties exposed their closing arguments and the decision on the preliminary question as to the suspension of the civil proceedings has been reserved to a panel composed of three judges. The parties also submitted written observations concerning the preliminary question.

On January 7, 2021, the Court issued an order by which the civil proceedings have been suspended until the decision in the pending administrative case, which was deemed to be prejudicial to the civil one, becomes final (i.e., it is no longer subject to appeal). The order was communicated to the parties via certified electronic mail on January 11, 2021.

In light of the average duration of cases before the Italian Administrative Courts and the Defendants' interest in both having the Italian Competition Authoriry's Decision annulled and procrastinating the administrative case (on which the civil proceedings now depend pursuant to the above-mentioned order) for dilatory purposes, the civil case is unlikely to proceed in the short term. In order to speed up the administrative proceedings (and thus the civil case), on February 9, 2021, Kaleyra filed an application with the Administrative Court of Latium requesting that the hearing on the merits of the case be held as soon as possible. However, neither the outcome of Kaleyra's civil action nor its duration is predictable at this time.

The outcome of such civil action cannot be determined at this time. Therefore, no recognition of these actions has been made in the consolidated financial statements of the Company.

In addition to the above, Kaleyra has appealed the resolutions issued by the Italian Communications Authority (namely, Autorità per le Garanzie nelle Comunicazioni or AGCom) concerning their request for the annual fee to AGCom for years 2016, 2017, 2018, 2019 and 2020.

The first instance proceeding against AGCom's resolutions for the 2016 contribution was successful for Kaleyra and the Italian Regional Administrative Court annulled the resolutions Kaleyra had appealed (judgement no. 2161/2019). However, AGCom filed its second instance appeal before the Council of State seeking the overruling of the Court's decision. The appeal has been regularly discussed at the hearing of September 17, 2020 and the Council of State issued its decision number 6175/2020 on October 13, 2020, overruling in part the Regional Court Decision. AGCom will have to recalculate the annual contribution due from Kaleyra for year 2016. However, the annual contribution is not considered material to Kaleyra's consolidated financial statements.

For the annual contribution to AGCom relating the years 2017, 2018, 2019 and 2020, the legal proceedings are currently pending before the Italian Regional Administrative Court and no hearing has been scheduled yet. However, the European Court of Justice ("ECJ") has already delivered its decision on the request for a preliminary ruling submitted by the Council of State on the relevant EU law (case C-399/18). Such decision was delivered on April 29, 2020, in accordance with a simplified procedure due to the previous issuance by the ECJ of a number of judgements on the matter.

27. SUBSEQUENT EVENTS

On February 3, 2021, the previously outstanding performance bonus obligation payable to the other eligible employees under the 2018 Solutions Infini Purchase Agreement was agreed to be paid in two different installments of $826,000 on February 15, 2021, and $343,000 (at the February 15, 2021 exchange rate) on April 15, 2021, upon signing of the full and final settlement agreements with the other eligible employees.

On February 4, 2021, Cowen Investments elected to convert the outstanding amount of the Cowen Note into shares of common stock, par value $0.0001 per share of Kaleyra. The conversion was effected pursuant to the terms of the Cowen Note. Accordingly, the Company issued to Cowen Investments an aggregate of 303,171 newly-issued shares of common stock, equal to: (i) the unpaid principal amount of the Cowen Note of $2.3 million being converted, divided by (ii) $7.57 (the "Conversion Price"). Upon such complete conversion of the unpaid principal amount of Cowen Note such unpaid principal amount is deemed to be fully paid and satisfied.

On February 18, 2021, Kaleyra executed an Agreement and Plan of Merger (the “Merger Agreement”), dated as of February 18, 2021, by and among Kaleyra, its wholly-owned subsidiary, Volcano Merger Sub, Inc. (“Merger Sub”), Vivial Inc. (“Vivial”) and GSO Special Situations Master Fund LP, solely in its capacity as the Stockholder Representative (“Stockholder Representative”), for the acquisition of the business owned by Vivial known as mGage (“mGage”), a leading global mobile messaging provider (the transaction contemplated by the Merger Agreement, the “Merger”). Kaleyra will acquire mGage for a total purchase price of approximately $215 million, subject to adjustments. The consideration to mGage shareholders will consist of cash in the amount of $195 million and 1,600,000 shares of Kaleyra common stock. The Merger is expected to be consummated in the second fiscal quarter of 2021. In support of the consummation of the Merger, on February 18, 2021, Kaleyra entered into subscription agreements (the “PIPE Subscription Agreements”), each dated February 18, 2021, with certain institutional investors (the “PIPE Investors”), pursuant to which, among other things, Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, an aggregate of 8,400,000 shares (the “PIPE Shares”) of Kaleyra common stock to the PIPE Investors at $12.50 per share, and Kaleyra also entered into convertible note subscription agreements (the “Convertible Note Subscription Agreements”), each dated February 18, 2021, with certain institutional investors (the “Convertible Note Investors”), pursuant to which Kaleyra agreed to issue and sell, in private placements to close immediately prior to the closing of the Merger, $200 million aggregate principal amount of unsecured convertible notes (the ‘Merger Convertible Notes”). The issuance of the Convertible Notes, together with the issuance of the PIPE Shares, constitutes the “Financing”.

On February 23, 2021, Kaleyra entered into an amendment to the existing unsecured loan agreement with Intesa Sanpaolo S.p.A. (the “Intesa Sanpaolo S.p.A. - Line 1”) and an amendment to the existing unsecured loan agreement with Intesa Sanpaolo S.p.A. (the “Intesa Sanpaolo S.p.A. - Line 2”). The amendments each provide that certain financial covenants be amended in order to make them less restrictive to the Company, in particular as they relate to the previously agreed net financial position/equity ratio and the net financial position/gross operating income ratio.

On February 25, 2021, in accordance with the terms of the Confirmation,Nomura Global Financial Products, Inc. fully terminated the OTC Equity Prepaid Forward Transaction and made a payment in the aggregate amount of $17.0 million to Kaleyra. Following the payment by NGFP mentioned above, the Forward Transaction with NGFP has terminated pursuant to terms of the Confirmation, and as a result the Company has no further obligations, except for the amount of accrued interest payable to NGFP.

In the period from January 25, 2021 through March 2, 2021, Yakira provided notice to the Company that it sold all but 219 of the 43,930 shares that it held on December 31, 2020 in the open market at a price above $11.00 per share that were subject to the Third Yakira Amendment. Following the sale of shares by Yakira mentioned above, only 219 shares remain subject to the Third Yakira Amendment, as such the forward share purchase agreement with Yakira has terminated pursuant to its terms as to all but 219 shares, and the Company has no further obligations under the Yakira Purchase Agreement except for the purchase of those shares which Yakira still owns.

On March 9, 2021 and March 10, 2021, respectively, Kaleyra S.p.A. received the approval by UniCredit to postpone repayment of the principal amounts due under the existing Line A Tranche (2), Line B and Line C of the long-term financing agreements with UniCredit S.p.A. for a period of six (6) months starting from March 1, 2021 until August 8, 2021, and under Line A Tranche (1) of the long-term financing agreement with UniCredit S.p.A. starting from February 1, 2021 until July 31, 2021. Consequently, the repayment schedule under all financing agreements mentioned above has been extended for the period equal to that of the six (6) month suspension period.

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

None.

Item 9A. Controls and Procedures.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, to allow timely decisions regarding required disclosure.

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information is accumulated and communicated to management, including our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), as appropriate, to allow timely decisions regarding required disclosure. Our management, under the supervision and with the participation of our CEO and CFO, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on that evaluation, our CEO and CFO concluded that our disclosure controls and procedures were effective as of December 31, 2020.

Management's Report on Internal Control Over Financial Reporting

As discussed elsewhere in this Annual Report on Form 10-K, the Company completed the Business Combination on November 25, 2019. Prior to the Business Combination, the Company was a special purpose acquisition company formed for the purpose of effecting a merger, capital stock exchange, asset acquisition, stock purchase, reorganization, or other similar Business Combination with one or more target businesses. As a result, previously existing internal controls were no longer applicable or comprehensive enough as of the assessment date as the Company's operations prior to the Business Combination were insignificant compared to those of the consolidated entity post-Business Combination. The design and implementation of internal control over financial reporting for the Company's post-Business Combination has required significant time and resources from management and other personnel during fiscal year 2020. However, the design and ongoing development of Kaleyra's framework for implementation and evaluation of internal control over financial reporting has ultimately enabled management to conduct an assessment of Kaleyra's internal control over financial reporting as of December 31, 2020. Accordingly, the Company is including herein management's report on internal control over financial reporting pursuant to Section 215.02 of the SEC Division of Corporation Finance's Regulation S-K Compliance & Disclosure Interpretations.

Based on the prior year assessment, we concluded that the Company's internal control over financial reporting was not effective as of December 31, 2019 because of the material weaknesses described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

During the course of the prior year assessment, we identified the following material weaknesses:

- Lack of review and approval process over journal entries; and
- Lack of timeliness, quality and existence of account reconciliations and review controls.

There were no material misstatements identified in the consolidated financial statements as a result of these material weaknesses.

Following the remediation of the material weaknesses, described below, our management, under the supervision and with the participation of our CEO and our CFO and oversight of the board of directors, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020, based on the criteria set forth in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework). Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

Changes in Internal Control over Financial Reporting

As of December 31, 2020, the Company completed the design of Kaleyra's framework for implementation and evaluation of internal control over financial reporting for the Company post-Business Combination in a manner commensurate with the scale of Kaleyra's operations. During the quarter ended December 31, 2020, there have been the following changes in the internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Kaleyra's internal control over financial reporting:

- Implementation of internal controls designed to provide approval and review protocols over journal entries; and
- Implementation of internal controls designed to improve the timeliness, completeness and accuracy of account reconciliations and review.

The above changes in the internal control over financial reporting of Kaleyra are part of the Company's newly designed framework for implementation and evaluation of internal control over financial reporting.

Remediation of the Material Weaknesses

We have implemented processes and controls as part of our remediation efforts to address the material weaknesses identified during the prior year. In particular, we engaged third party consultants for the formalization of the Company's internal controls, Section 404 of the Sarbanes-Oxley Act implementation, a new ERP system and implementation of a new consolidation tool. In addition, in the course of 2020 we significantly improved the groupwide head-count in the Financial Reporting and Internal Control departments of Kaleyra.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

Our directors and executive officers as of December 31, 2020 (as well as those as of the date of this Annual Report) are listed below.

Name	Age	Position
Dario Calogero	58	Chief Executive Officer and Director
Giacomo Dall'Aglio	49	Chief Financial Officer and Executive Vice President
Dr. Emilio Hirsch	55	Director
Dr. Avi S. Katz	63	Chairman of the Board of Directors
Matteo Lodrini	54	Director
John Mikulsky	75	Director
Neil Miotto	75	Director

Dario Calogero. Dario Calogero has served as the Chief Executive Officer of Kaleyra S.p.A and a member of Kaleyra S.p.A.'s Board of Directors since the company was founded in 1999. He became a director and executive officer of Kaleyra upon the closing of the Business Combination. As a serial entrepreneur, he bootstrapped Kaleyra from its inception, quickly positioning the company in the mobile banking space, and leading Kaleyra as it expanded its product offerings and completed several acquisitions. Prior to founding Kaleyra, Mr. Calogero held executive positions with Oracle, Fiat Chrysler Automobiles and management consulting companies including PricewaterhouseCoopers. Mr. Calogero holds a master's degree in economics from Bocconi University in Milan. The Company believes that Mr. Calogero is qualified to serve on the Board based on his historic knowledge of Kaleyra and his leadership and managerial experience.

Giacomo Dall'Aglio. Giacomo Dall'Aglio's experience is focused on corporate acquisitions and finance. He joined Kaleyra S.p.A. in 2016 as Chief Corporate Development Officer to lead Kaleyra's growth strategy and was appointed Executive Vice President upon the closing of the Business Combination and Chief Financial Officer on December 16, 2019. Mr. Dall'Aglio is responsible for Kaleyra's corporate development process. From 2009 to 2016 Mr. Dall'Aglio was with Eidos as a senior consultant responsible for managing mergers and acquisitions and corporate finance projects for a portfolio of the firm's corporate clients. Prior to joining Eidos, Mr. Dall'Aglio held senior positions with KPMG, Mittel, and La Centrale Finanziaria. Mr. Dall'Aglio holds a master's degree in Economics from the University of Parma.

Dr. Emilio Hirsch. Dr. Emilio Hirsch joined the Board of Directors as an independent director on February 10, 2020. Dr. Hirsch has been since 2005 a Full Professor of Experimental Biology at the Medical School of the University of Torino, Italy. Dr. Hirsch is an affiliate and director of Esse Effe, which is the Company's largest stockholder. Dr. Hirsch oversees Esse Effe's holdings, particularly its real estate holdings. Dr. Hirsch is also an entrepreneur and the author of over two hundred and fifty publications. He graduated from the University of Torino in 1988, and also received his Ph.D. from the University of Torino in 1994.The Company believes that Dr. Hirsch is qualified to serve on the Board of based upon his entrepreneurial background, and as he has been attending board meetings of Kaleyra S.p.A., the Company's wholly owned operating subsidiary, for the last four years and has great familiarity with the Company as a result, his historic knowledge of Kaleyra.

Dr. Avi S. Katz. Dr. Avi S. Katz served as the Company's Founder, Executive Chairman of the Board, Chief Executive Officer, President and Secretary since October 2017 and upon the closing of the Business Combination, Dr. Katz transitioned to be the Chairman of our Board of Directors. Dr. Katz has spent nearly 32 years in international executive positions within the TMT industry working for privately held start-ups, middle-cap companies and large enterprises. In these roles, Dr. Katz has been instrumental in launching and accelerating entities, building teams, large scale fund-raising, developing key alliances and technology partnerships, M&A activities, business development, financial management, global operations and sales and marketing. Dr. Katz is the founder and sole manager of GigCapital Global (GigCG) and its affiliated entities, including GigFounders, LLC, GigAcquisitions, LLC GigAcquisitions2, LLC and GigAcquisitions3, LLC, as well as a managing member of GigManagement, LLC. GigCG is an inceptor of a group of Private-to-Public Equity (PPE) entities, also known as a blank check company or special purpose acquisition company (SPAC) vehicles. He has served as the Executive Chairman of our Board of Directors, Chief Executive Officer, President and Secretary of GigCapital3, Inc. (NYSE: GIK) since its incorporation in February 2020 in Delaware. He is the Founder and Executive Chairman of the Board of GigCapital2, Inc. (NYSE: GIX), since its incorporation in March 2019 in Delaware, and was its Chief Executive Officer from March 2019 until August 2019. Dr. Katz is also the Co-Founder of Cognizer, Inc., an artificial intelligence ("*AI*") company with a natural language understanding platform based on deep learning formed in December 2018, and was its Executive Chairman from inception until August 2020. Previously, Dr. Katz dedicated 10 years to developing and managing GigPeak (NYSE American: formerly GIG), originally known as GigOptix, Inc. From its inception in April 2007 until its sale in April 2017, GigPeak provided semiconductor integrated circuits (ICs) and software solutions for high-speed connectivity and video compression. While Dr. Katz was at GigPeak's helm, the company completed 10 M&A deals. GigPeak was sold to Integrated Device Technology, Inc. (Nasdaq: IDTI) for $250 million in cash in April 2017. From 2003 to 2005, Dr. Katz was the chief executive officer, president, and member of the Board of Directors of Intransa, Inc., which at the time provided full-featured, enterprise-class IP-based Storage Area Networks (SAN). From 2000 to 2003, Dr. Katz was the Chief Executive Officer of Equator Technologies. Equator Technologies sought to commercialize leading edge programmable media processing platform technology for the rapid design and deployment of digital media and imaging products. Equator Technologies was sold to Pixelworks, Inc. for $110 million in 2005. Dr. Katz has held several leadership positions over the span of his 30+ year career within the technology industry and has made numerous angel investments in high-tech companies around the world. In addition, Dr. Katz is a graduate of the Israeli Naval Academy and holds a B.Sc. and Ph.D. in Semiconductors Materials from the Technion (Israel Institute of Technology). He is a serial entrepreneur and long-time angel investor in the TMT sector, holds more than 70 U.S. and international patents, has published approximately 300 technical papers and is the editor of a number of technical books. The Company believes Dr. Katz is qualified to serve on the Board based on his leadership, industry and managerial experience.

Matteo Lodrini. Matteo Lodrini joined Kaleyra S.p.A.'s Board of Directors in 2017 and became a director of Kaleyra upon the closing of the Business Combination. Since 2007, Mr. Lodrini has served as the Chief Financial Officer of De Nora Group, a high-growth, global water treatment sector company. He is responsible for all financial operations including leading the company's acquisition strategy. Mr. Lodrini is a finance executive with significant experience in all phases of cross border corporate transactions, global business development, corporate finance and capital markets, and has an in-depth knowledge of financial operations and controls and internal audit processes. Mr. Lodrini holds a master's degree in Economics from Brescia University and a masters in Corporate Finance from SDA Bocconi in Milan. The Company believes that Mr. Lodrini is qualified to serve on the Board based on his financial and managerial experience.

John J. Mikulsky joined the Board of Directors as an independent director in December of 2017. He joined the Board of Directors of GigCapital2, Inc. and the Board of Directors of Cognizer, Inc. in March 2019, serving on that board until August 2020, and the Board of Directors of GigCapital3, Inc. in February 2020. Mr. Mikulsky served as the Chief Executive Officer of Traycer Diagnostic Systems, Inc. from August 2016 to December 2017, and as a director, from October 2014 to December 2017. He previously served as President and Chief Executive Officer of Endwave Corporation (Nasdaq: ENWV) from December 2009 until June 2011, when Endwave Corporation was acquired by GigPeak; subsequent to such acquisition, he served on the Board of Directors of GigPeak from June 2011 until its sale to IDT in April 2017. From May 1996 until November 2009, Mr. Mikulsky served Endwave in a multitude of capacities including Vice President of Product Development, Vice President of Marketing and Business Development and Chief Operating Officer. Prior to Endwave, Mr. Mikulsky worked as a Technology Manager for Balazs Analytical Laboratory, from 1993 until 1996, a provider of analytical services to the semiconductor and disk drive industries. Prior to 1993, Mr. Mikulsky worked at Raychem Corporation, most recently as a Division Manager for its Electronic Systems Division. Mr. Mikulsky holds a B.S. in electrical engineering from Marquette University, an M.S. in electrical engineering from Stanford University and an S.M. in Management from the Sloan School at the Massachusetts Institute of Technology.

Neil Miotto. Neil Miotto joined the Company's Board in October 2017. Mr. Miotto also serves as a director of GigCapital2, Inc.since March 2019, GigCapital3, Inc. since February 2020, and was a member of the Board of Directors of Cognizer, Inc. from March 2019 until August 2020. In addition, Mr. Miotto served on the Board of Directors of Micrel, Inc. prior to its sale to Microchip Technology Inc. in May 2015, and on the Board of Directors of GigPeak from 2008 until its sale to IDT in April 2017. Mr. Miotto is a financial consultant and a retired assurance partner of KPMG LLP, where he was a partner for twenty-seven years until his retirement in September 2006. Since his retirement from KPMG LLP, Mr. Miotto has provided high-level financial consulting services to companies in need of timely accounting assistance and in serving on public company boards. He is deemed to be a "audit committee financial expert" under SEC rules. While at KPMG LLP, Mr. Miotto focused on serving large public companies, primarily semiconductor companies. Mr. Miotto also served as an SEC reviewing partner while at KPMG LLP. He is a member of the American Institute of Certified Public Accountants. He holds a Bachelor of Business Administration degree from Baruch College, of The City University of New York. The Company believes that Mr. Miotto is qualified to serve on the Board based on his financial and managerial experience, and his experience serving on public company boards.

Number, Terms of Office and Election of Executive Officers and Directors

Although our Board is authorized to have seven directors, it is currently comprised of six directors who were voted upon by the stockholders at the special meeting, two of which were re-elected at the annual meeting held in 2020, and there is a vacancy for a seventh director which our Board may in the future act with regard to filling when a suitable candidate is identified.

Our Board believes it is in the best interests of the Company for the Board to be classified into three classes, each comprising as nearly as possible one-third of the directors to serve three-year terms. Each Class I director, consisting of Messrs. Hirsch and Mikulsky, will have a term that expires at the Company's annual meeting of stockholders in 2023 following their reelection to the Board at the 2020 annual meeting of stockholders, each Class II director, consisting of Messrs. Miotto and Lodrini, will have a term that expires at the Company's annual meeting of stockholders in 2021 and each Class III director, consisting of Dr. Katz and Mr. Calogero, will have a term that expires at the Company's annual meeting of stockholders in 2022, or in each case until their respective successors are duly elected and qualified, or until their earlier resignation, removal or death.

Our executive officers are elected by our Board and serve at the discretion of our Board, rather than for specific terms of office. Our Board is authorized to appoint persons to the offices set forth in our bylaws as it deems appropriate. Our bylaws provide that our executive officers may consist of a Chief Executive Officer, a President, a Chief Financial Officer, Vice Presidents, a Secretary, Assistant Secretaries, a Treasurer and such other offices as may be determined by the Board of Directors.

Committees of the Board of Directors

Our Board has three standing committees: an Audit Committee; a Compensation Committee; and a Nominating and Corporate Governance Committee. Each of our Audit Committee, our Compensation Committee and our Nominating and Corporate Governance Committee are composed solely of independent directors. Each committee operates under a charter that is approved by our board and has the composition and responsibilities described below. The committee assignments set forth below were in effect as of December 31, 2020.

Audit Committee

We have established an Audit Committee of the Board. Messrs. Miotto, Mikulsky, and Lodrini serve as members of our Audit Committee. Mr. Miotto serves as chairman of the Audit Committee. Under the NYSE listing standards and applicable SEC rules, we are required to have three members of the Audit Committee all of whom must be independent. Messrs. Miotto, Mikulsky, and Lodrini are independent.

Each member of the Audit Committee is financially literate and our Board has determined that Mr. Miotto qualifies as an "Audit Committee financial expert" as defined in applicable SEC rules.

We have adopted an Audit Committee charter, which details the purpose and principal functions of the Audit Committee, including:

- assisting the Board in the oversight of (1) the accounting and financial reporting processes of the Company and the audits of the consolidated financial statements of the Company, (2) the preparation and integrity of the consolidated financial statements of the Company, (3) the compliance by the Company with consolidated financial statement and regulatory requirements, (4) the performance of the Company's internal finance and accounting personnel and its independent registered public accounting firm, and (5) the qualifications and independence of the Company's independent registered public accounting firm;
- reviewing with each of the internal and independent registered public accounting firm the overall scope and plans for audits, including authority and organizational reporting lines and adequacy of staffing and compensation.
- reviewing and discussing with management and internal auditors the Company's system of internal control and discuss with the independent registered public accounting firm any significant matters regarding internal controls over financial reporting that have come to its attention during the conduct of its audit;

- reviewing and discussing with management, internal auditors and the independent registered public accounting firm the Company's financial and critical accounting practices, and policies relating to risk assessment and management;
- receiving and reviewing reports of the independent registered public accounting firm discussing 1) all critical accounting policies and practices to be used in the firm's audit of the Company's consolidated financial statements, 2) all alternative treatments of financial information within accounting principles generally accepted in the United States ("GAAP") that have been discussed with management, ramifications of the use of such alternative disclosures and treatments, and the treatment preferred by the independent registered public accounting firm, and 3) other material written communications between the independent registered public accounting firm and management, such as any management letter or schedule of unadjusted differences;
- reviewing and discussing with management and the independent registered public accounting firm the annual and quarterly consolidated financial statements and section entitled "*Management's Discussion and Analysis of Financial Conditions and Results of Operations*" of the Company prior to the filing of the Company's Annual Report on Form 10-K and Quarterly Reports on Form 10-Q;
- reviewing, or establishing, standards for the type of information and the type of presentation of such information to be included in, earnings press releases and earnings guidance provided to analysts and rating agencies;
- discussing with management and independent registered public accounting firm any changes in Company's critical accounting principles and the effects of alternative GAAP methods, off-balance sheet structures and regulatory and accounting initiatives;
- reviewing material pending legal proceedings involving the Company and other contingent liabilities;
- meeting periodically with the Chief Executive Officer, Chief Financial Officer, the senior internal auditing executive and the independent registered public accounting firm in separate executive sessions to discuss results of examinations;
- reviewing and approving all transactions between the Company and related parties or affiliates of the officers of the Company requiring disclosure under Item 404 of Regulation S-K prior to the Company entering into such transactions;
- establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, and the confidential, anonymous submissions by employees or contractors of concerns regarding questionable accounting or accounting matters;
- reviewing periodically with the Company's management, independent registered public accounting firm and outside legal counsel (i) legal and regulatory matters which may have a material effect on the consolidated financial statements, and (ii) corporate compliance policies or codes of conduct, including any correspondence with regulators or government agencies and any employee complaints or published reports that raise material issues regarding the Company's consolidated financial statements or accounting policies and any significant changes in accounting standards or rules promulgated by the Financial Accounting Standards Board, the SEC or other regulatory authorities; and
- establishing policies for the hiring of employees and former employees of the independent registered public accounting firm.

Compensation Committee

We have established a Compensation Committee of the Board. Messrs. Lodrini, Mikulsky and Miotto serve as members of our Compensation Committee. Mr. Mikulsky serves as chairman of the Compensation Committee. We have adopted a Compensation Committee charter, which details the purpose and responsibility of the Compensation Committee, including:

- reviewing the performance of the Chief Executive Officer and executive management;

- assisting the Board in developing and evaluating potential candidates for executive positions (including Chief Executive Officer);
- reviewing and approving goals and objectives relevant to the Chief Executive Officer and other executive officer compensation, evaluate the Chief Executive Officer's and other executive officers' performance in light of these corporate goals and objectives, and set Chief Executive Officer and other executive officer compensation levels consistent with its evaluation and the company philosophy;
- approving the salaries, bonus and other compensation for all executive officers;
- reviewing and approving compensation packages for new corporate officers and termination packages for corporate officers as requested by management;
- reviewing and discussing with the Board and senior officers plans for officer development and corporate succession plans for the Chief Executive Officer and other senior officers;
- reviewing and making recommendations concerning executive compensation policies and plans;
- reviewing and recommending to the Board the adoption of or changes to the compensation of the Company's directors;
- reviewing and approving the awards made under any executive officer bonus plan, and provide an appropriate report to the Board;
- reviewing and making recommendations concerning long-term incentive compensation plans, including the use of stock options and other equity-based plans, and, except as otherwise delegated by the Board of Directors, acting on as the "Plan Administrator" for equity-based and employee benefit plans;
- approving all special perquisites, special cash payments and other special compensation and benefit arrangements for the Company's executive officers and employees;
- reviewing periodic reports from management on matters relating to the Company's personnel appointments and practices;
- assisting management in complying with the Company's proxy statement and annual report disclosure requirements;
- issuing an annual report of the Compensation Committee on Executive Compensation for the Company's annual proxy statement in compliance with applicable SEC rules and regulations;
- annually evaluating the Committee's performance and the Committee's charter and recommending to the Board of Directors any proposed changes to the charter or the Committee; and
- undertaking all further actions and discharge all further responsibilities imposed upon the Committee from time to time by the Board, the federal securities laws or the rules and regulations of the SEC.

The charter also provides that the Compensation Committee may, in its sole discretion, retain or obtain the advice of a compensation consultant, independent legal counsel or other adviser and will be directly responsible for the appointment, compensation and oversight of the work of any such adviser. However, before engaging or receiving advice from a compensation consultant, external legal counsel or any other adviser, the Compensation Committee will consider the independence of each such adviser, including the factors required by the NYSE American and the SEC.

Nominating and Corporate Governance Committee

We have established a Nominating and Corporate Governance Committee of the Board. Messrs. Hirsch, Lodrini, and Mikulsky serve as members of our Nominating and Corporate Governance Committee. Mr. Mikulsky serves as chairman of the Nominating and Corporate Governance Committee. We have adopted a Nominating and Corporate Governance Committee charter, which details the purpose and responsibilities of the Nominating and Corporate Governance Committee, including:

- developing and recommending to the Board the criteria for appointment as a director;
- identifying, considering, recruiting and recommending candidates to fill new positions on the Board;

- reviewing candidates recommended by stockholders;
- conducting the appropriate and necessary inquiries into the backgrounds and qualifications of possible candidates; and
- recommending director nominees for approval by the Board and election by the stockholders at the next annual meeting.

The charter also provides that the nominating and corporate governance committee may, in its sole discretion, retain or obtain the advice of, and terminate, any search firm to be used to identify director candidates, and will be directly responsible for approving the search firm's fees and other retention terms.

We have not formally established any specific, minimum qualifications that must be met or skills that are necessary for directors to possess. In general, in identifying and evaluating nominees for director, the Board o considers educational background, diversity of professional experience, knowledge of our business, integrity, professional reputation, independence, wisdom, and the ability to represent the best interests of our stockholders. Prior to our initial business combination, holders of our public shares will not have the right to recommend director candidates for nomination to our Board.

Director Independence

The NYSE American requires that a majority of our Board must be composed of "independent directors," which is defined generally as a person other than an executive officer or employee of the Company or its subsidiaries or any other individual having a relationship, which, in the opinion of our Board would interfere with the director's exercise of independent judgment in carrying out the responsibilities of a director.

Messrs. Hirsch, Miotto, Mikulsky and Lodrini are our independent directors. Our independent directors have regularly scheduled meetings at which only independent directors are present. Any affiliated transactions will be on terms no less favorable to us than could be obtained from independent parties. Any affiliated transactions must be approved by a majority of our independent and disinterested directors.

Code of Ethics

We have adopted a Code of Ethics applicable to our management team and employees in accordance with applicable federal securities laws. You are able to review these documents by accessing our public filings at the SEC's web site at *www.sec.gov*. In addition, a copy of the Code of Ethics will be provided without charge upon request from us, or may accessed on our company website at https://investors.kaleyra.com/. We intend to disclose any amendments to or waivers of certain provisions of our Code of Ethics in a Current Report on Form 8-K.

Our board of directors has adopted a written charter for each of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. Each charter is available on our website at https://investors.kaleyra.com/corporate-governance/governance-documents.

Corporate Governance Guidelines

We have adopted Corporate Governance Guidelines that address the composition of the board, criteria for board membership and other board governance matters. These guidelines are available on our website at https://investors.kaleyra.com/corporate-governance/governance-documents. A printed copy of the guidelines may also be obtained by any stockholder upon request.

Section 16(a) Beneficial Ownership Reporting Compliance - Delinquent Section 16(a) Reports

Section 16(a) of the Exchange requires our management team and persons who beneficially own more than ten percent of our common stock to file reports of ownership and changes in ownership with the SEC. These reporting persons are also required to furnish us with copies of all Section 16(a) forms they file. Based solely upon a review of such forms, we believe that during the fiscal year ended December 31, 2020 there were no delinquent filers other than Dr. Hirsch and an entity affiliated with him, EFFE PI Societa Semplice, were delinquent in filing a Form 4 on June 12, 2020 to reflect the transfer of shares previously held by a former director of the Company, Simone Fubini to EFFE PI Societa Sempliceto pursuant to the will of Mr. Fubini following his passing away. The transfer occurred on June 1, 2020 under the applicable Italian laws of descent and distribution.

Item 11. Executive Compensation

Compensation Philosophy and Objectives

Kaleyra has developed an executive compensation program that is consistent with Kaleyra's existing compensation policies and philosophies, which are designed to align compensation with its business objectives and the creation of stockholder value, while enabling Kaleyra to attract, motivate and retain individuals who contribute to its long-term success. Decisions on the executive compensation program are made by the Compensation Committee of the Board.

Decisions regarding executive compensation reflect a belief that the executive compensation program must be competitive in order to attract and retain our executive officers. The Compensation Committee seeks to implement the compensation policies and philosophies by linking a significant portion of Kaleyra's executive officers' cash compensation to performance objectives and by providing a portion of their compensation as long-term incentive compensation in the form of equity awards.

Compensation for Kaleyra's executive officers has three primary components: base salary, an annual cash incentive bonus and long-term equity-based incentive compensation.

Employment Agreements

On March 13, 2020, Kaleyra has entered into an employment agreement with its Chief Executive Officer, Mr. Dario Calogero. That employment agreement provides that Mr. Calogero will receive a base salary at an annual rate of $450,000, subject to increase from time to time as determined by the Board or its compensation committee, and a relocation allowance covering the period of time that Mr. Calogero is based in New York (which is expected to end in July 2021) of $400,000 per year, as well as that he shall be eligible to receive an annual bonus and long-term equity-based awards. The employment agreement with Mr. Calogero is discussed in more detail below under the caption "Employment Arrangements with Named Executive Officers." However, the base salary for Mr. Calogero as stated in the employment agreement is established based on the scope of his responsibilities, taking into account market compensation paid by comparable companies for equivalent positions.

Similarly, although there is not an employment agreement between Kaleyra's EVP and Chief Financial Officer, Mr. Giacomo Dall'Aglio, his base salary has been determined in a similar manner. In December 2019, the Board of Directors determined that Mr. Dall'Aglio will receive a base salary at an annual rate of €250,000, subject to increase from time to time as determined by the Board or its Compensation Committee, a monthly relocation allowance covering the period of time that Mr. Dall'Aglio is based in New York at the annual rate of €175,000, with payments ending on June 30, 2021, and he is eligible to receive a bonus of 50% of his base salary based upon financial and operational objectives achievable within an applicable fiscal year as well as long-term equity-based awards.

Furthermore, base salaries will be reviewed annually by the Compensation Committee to the extent recommended upon advice and counsel of its advisors, and any increases are expected to be similar in scope to Kaleyra's overall corporate salary increase, if any. For comparison purposes, Kaleyra has utilized compensation survey data from Compensia and the peer company proxy filings. Kaleyra's philosophy is to target the named executive officer base salaries to be in the range between the median up to the 75th percentile of salaries for executives in equivalent positions at comparable companies. Kaleyra believes targeting the named executive officer salaries to be in the range between the median up to the 75th percentile of salaries relative to comparable companies reflects Kaleyra's best efforts to ensure it is neither overpaying nor underpaying its named executive officers.

Annual Bonuses

Kaleyra uses annual cash incentive bonuses for the named executive officers to tie a portion of their compensation to financial and operational objectives and key results achievable within the applicable fiscal year. Near the beginning of each year, the Compensation Committee selects the performance targets, or Objectives and Key Results ("OKR") or other bonus performance objectives of Kaleyra, target amounts, target award opportunities and other term and conditions of annual cash bonuses for the named executive officers. Following the end of each year, the Compensation Committee will determine the extent to which the OKR or other performance objectives were achieved and the amount of the award that is payable to the named executive officers. In addition, on occasion, and at the sole discretion of the Board or the Compensation Committee, Kaleyra may grant special achievement bonuses to the named executive officers in recognition of a special event or achievement that has significantly improved the performance, strength or nature of Kaleyra and its business.

Notwithstanding the discussion in the prior paragraph, for the 2020 fiscal year, Kaleyra decided not to have a full-year annual bonus program, and in lieu thereof, on July 13, 2020, Kaleyra instead implemented a corporate bonus program that was utilized to calculate cash and equity bonuses that became payable to employees solely with respect to the second half of fiscal year 2020 (the "Second Half of 2020 Employee MBO Plan"). The Compensation Committee had responsibility for administering the Second Half of 2020 Employee MBA Plan, which applied to all employees, including its named executive officers.

The Second Half of 2020 Employee MBO Plan was designed to align employees with Kaleyra's business goals and strategies, and to further the objectives of Kaleyra's compensation program. Payouts under the Second Half of 2020 Employee MBO Plan were determined by the compensation committee following the conclusion of the 2020 fiscal year end, and bonuses were based on Kaleyra achieving objectively determinable financial performance targets (the "Performance Objectives"), and by employees based on their individual achievement of pre-determined "Management by Objectives" (MBOs). The percentage of the target bonus for the named executive officers that was subject to the Performance Objectives and the MBOs was fifty percent (i.e., half of their target bonus will be based upon Kaleyra achieving the Performance Objectives and half of their target bonus will be determined by their individual achievement of their MBOs). The Performance Objectives were measured by the achievement of specific financial goals related to both a revenue and an adjusted earnings achievement requirement for the second half of the 2020 fiscal year. At target revenue performance, sixty percent of the Performance Objectives component of the bonus would be earned, and at target adjusted earnings performance, the other forty percent of the Performance Objectives component of the bonus would be earned. Threshold performance of either the revenue performance or adjusted earnings performance component of the Performance Objectives was at eighty percent of target and resulted in a proportional portion of the respective component of the Performance Objectives earned.

Any bonuses to be paid pursuant to the Second Half of 2020 Employment MBO Plan will be paid in a combination of cash and/or in the form of RSUs. For Mr. Calogero, one hundred percent of the bonus will be paid in RSUs. For Mr. Dall'Aglio, fifty percent of the bonus will be paid in cash and fifty percent of the bonus will be paid in RSUs. The total amount of the bonus for which each of the named executive officers was eligible is respectively for Mr. Calogero and Mr. Dall'Aglio, one hundred percent of the base salary and fifty percent of their base salaries for the second half of fiscal year 2020.

Kaleyra will return to full-year annual bonuses in the 2021 fiscal year, utilizing OKRs as discussed above.

Equity-Based Awards

Kaleyra uses equity-based awards to reward long-term performance of the named executive officers. Kaleyra believes that providing a meaningful portion of the total compensation package in the form of equity-based awards aligns the incentives of its named executive officers with the interests of its stockholders and serves to motivate and retain the individual named executive officers. Any awards would be made in accordance with the executive compensation program discussed above. Kaleyra is currently using RSUs to encourage long term performance.

Other Compensation

Kaleyra maintains various employee benefit plans, including medical, dental, life insurance and defined benefit plans, granted to Italian and Indian employees, and 401(k) plans covering substantially all U.S. domestic employees, in which the named executive officers will participate. It also provides certain perquisites to its named executive officers, subject to the compensation committee's ongoing review.

Deductibility of Executive Compensation

Section 162(m) of the Code denies a federal income tax deduction for certain compensation in excess of $1.0 million per year paid to the chief executive officer, the chief financial officer, the three other most highly paid executive officers of a publicly traded corporation, and anyone previously subject to Section 162(m) for any taxable year beginning after December 31, 2016. It is the policy of Kaleyra to consider the tax impact of its compensation arrangements as one factor, among others, in evaluating and determining the structure, implementation, and amount of awards paid to its executive officers. However, to retain highly skilled executives and remain competitive with other employers, the Compensation Committee may authorize compensation that would not be deductible under Section 162(m) or otherwise if it determines that such compensation is in the best interests of the company and its stockholders, and maintaining tax deductibility will not be the sole consideration taken into account in determining what compensation arrangements are in our and our stockholders' best interests. The right to grant compensation that is not deductible is expressly reserved, and Kaleyra may do so.

Director Compensation

Kaleyra's Compensation Committee determines the annual compensation to be paid to the members of its Board.

Following are the tabular disclosures of Kaleyra's executive officer and director compensation:

Summary Compensation Table

The table below sets forth the annual compensation levels of the principal executive officer who serves as Chief Executive of Kaleyra and the next most highly compensated officer. Kaleyra does not currently have a third named executive officer following the departure of Ms. Pulzone as set forth below. The compensation totals and individual amounts reflect the compensation of such officers by Kaleyra as of December 31, 2020. In fiscal year 2021, such totals and amounts may change based, on among other things, changes to the terms of the employment of such persons.

Name and Principal Position (1)	Year	Base Salary ($) (1)	Bonus ($) (2)	RSUs Awards ($) (3)	All Other Compensation ($)		Total ($)
Dario Calogero *President and Chief Executive Officer*	2020	$ 453,976	$ —	$ —	$ 454,699	(4)	$ 908,675
	2019	447,779	—	3,745,706	418,126	(4)	4,611,611
Giacomo Dall'Aglio (5) *EVP and Chief Financial Officer*	2020	293,538	85,494	—	289,465	(6)	668,497
	2019	279,862	—	1,872,857	124,610	(6)	2,277,329
Julia Pulzone (7) *Former EVP and Chief Financial Officer*	2019	184,932	—	—	—		184,932
Luca Giardina Papa (8) *Former Chief Financial Officer*	2019	156,714	—	655,496	85,391	(9)	897,601

(1) All employees are paid in local currency; amounts in table are converted to $U.S. to the extent paid in euros. For fiscal year 2020 and 2019, the salaries were paid in euros and converted to $U.S. for purpose of presentation in this table. An exchange rate of 1.119446 was used for 2019 and is based on the average exchange rate for the year ended December 31, 2019. An exchange rate of 1.139914 was used for 2020 and is based on the average exchange rate for the year ended December 31, 2020.

(2) No bonuses were paid for fiscal year 2019. For fiscal year 2020, all amounts represent annual bonuses that were paid in that fiscal year. All bonuses were paid in euros and have been converted to $U.S. for purposes of presentation in this table. An exchange rate of 1.139914 was used for 2020 and is based on the average exchange rate for the year ended December 31, 2020.

(3) The amounts in this column represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718.

(4) Other Compensation for Mr. Calogero includes $398,970 for 2020 and $391,806 for 2019 as an annual relocation bonus for his temporary relocation to New York, New York from Milan, Italy through July 2021, paid in equal monthly installments in 2019 and in 2020. Mr. Calogero also received benefits in the amount of $31,015 for 2020 and $26,320 for 2019 for company-paid contributions to the pension plan. These amounts were paid both in euros and in U.S. dollars. The amounts paid in euros have been converted to U.S. dollars for purposes of presentation in this table. An exchange rate of 1.139914 was used for 2020 and is based on the average exchange rate for the year ended December 31, 2020. In addition, an exchange rate of 1.119446 was used for 2019 and is based on the average exchange rate for the year ended December 31, 2019.

(5) Mr. Dall'Aglio was appointed Chief Financial Officer effective December 16, 2019, the base salary reported is that one recognizes from that date. Prior to that time, he was the Company's EVP and Chief Corporate Development Officer.

(6) Other Compensation for 2020 for Mr. Dall'Aglio includes $208,362 as a relocation bonus for his temporary relocation to New York, New York from Milan, Italy through July 2021. Mr. Dall'Aglio also received benefits in the amount of $29,656 for health care insurance, $5,712 (5,011 euros) for life insurance benefits provided to managers within the Company. Kaleyra S.p.A. also contributed $45,734 on behalf of Mr. Dall'Aglio for company-paid contributions to the pension plan. These amounts were paid both in euros and in U.S. dollars. This contribution is a mandatory contribution by Kaleyra S.p.A. on behalf of Mr. Dall'Aglio, and includes $9,789 (8,588 euros) for a private pension plan (Fondo di Previdenza Mario Negri). The amounts paid in euros have been converted to U.S. dollars for purposes of presentation in this table. An exchange rate of 1.139914

was used for 2020 and is based on the average exchange ratefor the year ended December 31, 2020. Other Compensation for 2019 for Mr. Dall'Aglio includes $82,279 (73,500 euros) as a relocation bonus for his temporary relocation to New York, New York from Milan, Italy through July 2021. Mr. Dall'Aglio also received benefits in the amount of $4,133 (3,692 euros) for health care insurance, $5,597 (5,000 euros) for life insurance benefits provided to managers within the Company. Kaleyra S.p.A. also contributed $22,987 (20,534 euros) on behalf of Mr. Dall'Aglio to the National Social Welfare Institution Pension Plan. This contribution is a mandatory contribution by Kaleyra S.p.A. on behalf of Mr. Dall'Aglio, and includes $9,613 (8,588 euros) for a private pension plan (Fondo di Previdenza Mario Negri). These amounts were paid in euros and have been converted to U.S. dollars for purposes of presentation in this table. An exchange rate of 1.119446 was used for 2019 and is based on the average exchange rate for the year ended December 31, 2019.

(7) Ms. Pulzone became the Chief Financial Officer of Kaleyra S.p.A. on March 18, 2019, and ceased being the Company's EVP and Chief Financial Officer effective December 12, 2019, as such no compensation was reported for fiscal year 2020.

(8) Mr. Papa served as the Chief Financial Officer of Kaleyra S.p.A. prior to March 18, 2019, as such no compensation for the role of Chief Financial Officer was reported for fiscal year 2020.

(9) Other Compensation for 2019 for Mr. Papa includes benefits in the amount of $8,092 (7,229 euros) for a company provided car net of reimbursement for personal usage percentage, $4,145 (3,703 euros) for health care insurance, $5,585 (4,989 euros) for life insurance benefits provided to managers within the Company. Kaleyra S.p.A. also contributed $57,981 (51,794 euros) on behalf of Mr. Papa to the National Social Welfare Institution Pension Plan. This represents a mandatory contribution by Kaleyra S.p.A. on behalf of Mr. Papa, and includes $9,587 (8,564 euros) for a private pension plan (Fondo di Previdenza Mario Negri). These amounts were paid in euros and have been converted to $U.S. for purposes of presentation in this table. An exchange rate of 1.119446 was used for 2019 and is based on the average exchange rate for the year ended December 31, 2019.

Name	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)		Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
Dario Calogero	454,025	(1)	$ 3,745,706
Giacomo Dall'Aglio	227,013	(2)	1,872,857

(1) 454,025 RSUs which vest as follows: 25% of the RSUs vested on February 1, 2021, and the remaining 75% will vest in twelve quarterly installments thereafter, beginning on May 1, 2021 and ending on February 1, 2024. The Company will withhold shares of common stock subject to the RSUs at the time of vesting for the purposes of satisfying any tax withholding obligations which arise in connection with the vesting of such RSUs issued to Mr. Calogero unless, at the discretion of the recipient of the RSU, the beneficiary chooses to remit cash to the Company for its tax withholding obligation.

(2) 227,013 RSUs which vest as follows: 25% of the RSUs vested on February 1, 2021, and the remaining 75% will vest in twelve quarterly installments thereafter, beginning on May 1, 2021 and ending on February 1, 2024. The Company will withhold shares of common stock subject to the RSUs at the time of vesting for the purposes of satisfying any tax withholding obligations which arise in connection with the vesting of such RSUs issued to Mr. Dall'Aglio unless, at the discretion of the recipient of the RSU, the beneficiary chooses to remit cash to the Company for its tax withholding obligation.

Employment Arrangements with Named Executive Officers

On March 13, 2020, Kaleyra entered into an employment agreement with its Chief Executive Officer, Mr. Dario Calogero (the "Calogero Employment Agreement"). The Calogero Employment Agreement is for a three-year period commencing on November 26, 2019. It provides that Mr. Calogero shall serve as the Chief Executive Officer of Kaleyra and its subsidiaries, with services to be provided both in New York, New York and in Milan, Italy. The Calogero Employment Agreement provides that Mr. Calogero will receive a base salary at an annual rate of $450,000, subject to increase from time to time as determined by the Board or its compensation committee, as well as that he shall be eligible to receive an annual bonus and long-term equity-based awards. The target bonus opportunity for Mr. Calogero is 100% of his base salary (the "Annual Target Bonus"), and at the discretion of the

Board, he may also be granted a special achievement bonus in recognition of a special event or achievement that has significantly improved the performance, strength or nature of Kaleyra and its business. Payment of a bonus based upon the Annual Target Bonus shall be done after the Compensation Committee has determined in its sole and absolute discretion whether Mr. Calogero's performance has achieved the OKR, or other performance objectives established for purposes of bonuses. Beginning in 2021, Mr. Calogero is also eligible to receive grants of long-term awards in the form of cash and/or equity awards under the Kaleyra, Inc. 2019 Equity Incentive Plan. The Calogero Employment Agreement also provides that Mr. Calogero is eligible to participate in the all employee benefit and insurance plans that Kaleyra maintains for similarly situated executives, and that he will receive a relocation allowance covering the period of time that Mr. Calogero is based in New York (which is expected to end in July 2021) of $400,000 per year.

In the event that Mr. Calogero's employment is terminated for "cause" by Kaleyra or because he resigns without "good reason" (as such terms are defined in the Calogero Employment Agreement), then he will be paid his base salary for the period prior to the effective date of termination and any accrued but unused vacation time, unreimbursed expenses and other payments and benefits prior to such termination. If Kaleyra terminates his employment without cause or he terminates his employment for good reason, then he will receive additional payments from Kaleyra. If such termination is not within the two-year period following a Change in Control (as such term is defined in the Calogero Employment Agreement), then Mr. Calogero will receive in addition to that which he would receive if his employment is terminated for cause, as a severance an amount equal to two times the sum of (1) his base salary, plus (2) an amount equal to his Annual Target Bonus, plus a bonus for the year of termination, as well as immediate vesting of any service-based vesting conditions applicable to long-term awards previously granted, provided that any performance-vesting conditions shall still apply. Mr. Calogero will also receive insurance coverage for two years. If such termination is within the two-year period following a Change in Control, then the severance amount shall be for three times, rather than two times, the sum of (1) his base salary, plus (2) an amount equal to his Annual Target Bonus. In addition, if Mr. Calogero's employment terminates because he becomes disabled or he dies, then there shall be immediate vesting of any outstanding, unvested long-term awards, including any performance-based awards.

Although there is not an employment agreement between Kaleyra's EVP and Chief Financial Officer, Mr. Giacomo Dall'Aglio, as approved by the Board in December 2019, Mr. Dall'Aglio receives a base salary at an annual rate of €250,000, subject to increase from time to time as determined by the Board or its Compensation Committee, a monthly relocation allowance covering the period of time that Mr. Dall'Aglio is based in New York at the annual rate of €175,000, with payments ending on June 30, 2021, and he is eligible to receive a bonus of 50% of his base salary based upon financial and operational objectives achievable within an applicable fiscal year as well as long-term equity-based awards.

Kaleyra also on March 13, 2020, entered into an amendment of awards with Mr. Dall'Aglio (the "Dall'Aglio Amendment of Awards"). The Dall'Aglio Amendment of Awards provides that if Mr. Dall'Aglio's employment is terminated for "cause" by Kaleyra or because he resigns without "good reason" (as such terms are defined in the Dall'Aglio Amendment of Awards) within the twelve months following a Covered Transaction (as such term is defined in the Kaleyra, Inc. 2019 Equity Incentive Plan), then one hundred percent of the remaining unvested long-term awards issued to Mr. Dall'Aglio in accordance with the terms of the Kaleyra, Inc. 2019 Equity Incentive Plan, shall become vested and immediately exercisable if the award requires exercise, and one hundred percent of the remaining undelivered shares shall be delivered for such awards that are restricted stock units.

Director Compensation

The following table sets forth the compensation earned for services performed for us as a director by each member of our Board of Directors, other than any directors who are also our named executive officers, during the fiscal year ended December 31, 2020.

Name	Fees earned or paid in cash (1)	Stock Awards ($)	RSU Awards ($) (3)	Total
Dr. Avi S. Katz, Chairman of the Board	$ 125,000	$ —	$ 201,373	$ 326,373
Neil Miotto, Independent Director and Chairman of the Audit Committee	80,000	—	201,373	281,373
John Mikulsky, Independent Director and Chairman of the Compensation Committee	80,000	—	201,373	281,373
Dr. Emilio Hirsch, Independent Director and Chairman of the Nominating and Corporate Governance Committee (2)	50,000	—	201,373	251,373
Matteo Lodrini, Independent Director	60,000	—	201,373	261,373

(1) All fees earned were paid out in fiscal year 2020.

(2) Fees earned by Dr. Emilio Hirsch, Independent Director and Chairman of the Nominating and Corporate Governance Committee were paid out for $25,000 in fiscal year 2020.

(3) The RSU awards amounts are based on the number of shares granted times the grant date fair value per share of $7.32.

As of December 31, 2020, each current director, other than directors who are also our named executive officers, held the following outstanding restricted stock unit awards:

Name	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)		Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($) (5)
Dr. Avi S. Katz	254,523	(1)	$ 2,074,230
Neil Miotto	141,016	(2)	1,137,798
John Mikulsky	141,016	(2)	1,137,798
Matteo Lodrini	95,614	(3)	763,231
Dr. Emilio Hirsch	27,510	(4)	201,373

(1) 254,523 RSUs, of which (i) 227,013 of such RSUs vest as follows: 25% of the RSUs vested on February 1, 2021, and the remaining 75% will vest in twelve quarterly installments thereafter, beginning on May 1, 2021 and ending on February 1, 2024, (ii) 27,510 of such RSUs vest in four quarterly installments, beginning on February 1, 2021 and subsequently on May 1, 2021, August 1, 2021, and November 1, 2021.

(2) 141,016 RSUs, of which (i) 113,506 of such RSUs vest as follows: 25% of the RSUs vested on February 1, 2021, and the remaining 75% will vest in twelve quarterly installments thereafter, beginning on May 1, 2021 and ending on February 1, 2024, (ii) 27,510 of such RSUs vest in four quarterly installments, beginning on February 1, 2021 and subsequently on May 1, 2021, August 1, 2021, and November 1, 2021.

(3) 95,614 RSUs, of which (i) 68,104 of such RSUs vest as follows: 25% of the RSUs vested on February 1, 2021, and the remaining 75% will vest in twelve quarterly installments thereafter, beginning on May 1, 2021 and ending on February 1, 2024, (ii) 27,510 of such RSUs vest in four quarterly installments, beginning on February 1, 2021 and subsequently on May 1, 2021, August 1, 2021, and November 1, 2021.

(4) 27,510 RSUs vest in four quarterly installments, beginning on February 1, 2021 and subsequently on May 1, 2021, August 1, 2021, and November 1, 2021.

(5) Amounts are based on number of shares not vested times the grant date fair value per share of $8.25 and $7.32.

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

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information regarding the beneficial ownership of shares of Common Stock of Kaleyra by:

- each person known to be the beneficial owner of more than 5% of the Common Stock of Kaleyra;
- each of Kaleyra's officers and directors; and
- all executive officers and directors of Kaleyra as a group.

Beneficial ownership is determined according to the rules of the SEC, which generally provide that a person has beneficial ownership of a security if he, she or it possesses sole or shared voting or investment power over that security, including options and warrants that are currently exercisable or exercisable within 60 days, or restricted stock units that will vest within 60 days. As of March 10, 2021, there were 31,150,254 shares of our Common Stock outstanding.

Unless otherwise indicated, Kaleyra believes that all persons named in the table have sole voting and investment power with respect to all shares of Common Stock of Kaleyra beneficially owned by them.

Name and Address of Beneficial Owner (1)	Number of Shares		% of Class (2)
Esse Effe S.p.A. (3)	5,602,578	(4)	17.98 %
EFFE PI Società Semplice (3)	5,602,578	(4)	17.98 %
Maya Investments Limited (5)	5,530,046	(6)	17.73 %
Dr. Avi S. Katz (7)	1,379,723		4.43 %
Neil Miotto	142,522		*
John Mikulsky	20,846		*
Dario Calogero (5)	5,530,046	(6)	17.73 %
Giacomo Dall'Aglio	142,522		*
Matteo Lodrini	53,008		*
Dr. Emilio Hirsch (3)	5,602,578	(4)	17.98 %
All directors and executive officers (10 individuals) as a group	**13,250,453**		**41.14 %**
MUST Asset Management Inc.	1,997,333	(8)	6.41 %

* Less than 1%.

(1) Unless otherwise indicated, the business address of each of Dr. Avi S. Katz, Neil Miotto and John Mikulsky is 1731 Embarcadero Road, Suite 200, Palo Alto, CA 94303. The address for Esse Effe S.p.A. and EFFE PI Società Semplice is 41, Via Valeggio, Torino, Italy, 10129, Maya Investments Limited is Corso De Porta Nuova 16, Milan, Italy, 20121 and the other individuals is c/o Kaleyra, S.p.A., Via Marco D'Aviano, 2, Milano MI, Italy, 20131.

(2) Based on 31,150,254 shares of common stock outstanding on March 10, 2021. In accordance with SEC rules, percent of class as of March 10, 2021, is calculated for each person and group by dividing the number of shares beneficially owned by the sum of the total shares outstanding plus the number of shares subject to securities exercisable by that person or group within 60 days.

(3) Esse Effe S.p.A is affiliated with EFFE PI Società Semplice ("EFFE PI"), which is affiliated with Dr. Emilio Hirsch, and the shares are beneficially owned by EFFE PI and Mr. Hirsch.

(4) Does not include Esse Effe S.p.A's contingent right to receive up to 950,211 Earnout Shares in accordance with terms of the Stock Purchase Agreement, which will not be issued as a result of the failure of the requirements for the contingency to arise having occurred.

(5) Maya Investments Limited is affiliated with Dario Calogero and the shares are beneficially owned by Mr. Calogero who is the Chief Executive Officer and a director of Kaleyra.

(6) Does not include Maya Investments Limited's contingent right to receive up to 667,643 Earnout Shares in accordance with terms of the Stock Purchase Agreement, which will not be issued as a result of the failure of the requirements for the contingency to arise having occurred.

(7) Includes 435,903 shares held by GigAcquisitions, LLC, which is managed by Dr. Avi S. Katzand which will be forfeited pursuant to the terms of the Founder Shares Agreement dated February 22, 2019 as a result of the failure of the requirement for such shares vesting having occurred.

(8) Based on the Schedule 13G filed by MUST Asset Management Inc. as filed with the SEC on January 28, 2021. Eunmi Koo is reported as being a 50% shareholder of MUST Holdings Inc. and the chief executive officer of MUST Holdings Inc. Dooyong Kim is reported as being a 50% shareholder of MUST Holdings Inc. and the chief executive offier of MUST Asset Management Inc., a wholly-owned subsidiary of MUST Holdings Inc. The business address reported is 3F, Samsung SEI Tower, 39, Eonju-ro 30-gil, Gangnam-gu, Seoul, Republic of Korea.

Item 13. Certain Relationships and Related Transactions

Notes Payable to the Sellers

Pursuant to the terms of an amendment to the Stock Purchase Agreement dated November 23, 2019, the Company recognized the aggregate closing consideration to be paid to two of the Sellers at the closing of the Business Combination (the “Aggregate Closing Consideration”) in the form of unsecured convertible promissory notes (the “Notes”) for a specified principal amount (the “Note Principal Amount”). Of these Notes, two of them were issued at the closing of the Business Combination as unsecured promissory notes to each of Esse Effe and Maya, two companies incorporated in Italy and the U.K., respectively, that are affiliated with members of the Company’s Board of Directors, in the amounts of $6.0 million and $1.5 million respectively, (the “Cash Consideration Notes”). Interest on the Cash Consideration Notes will accrue at a fixed interest rate equal to the one-year U.S. dollar LIBOR interest rate published in The Wall Street Journal on the Closing Date, which is one and ninety-one hundredths percent (1.91%), plus a margin of one percent (1%) per annum. All interest shall be computed on the basis of a 365-day year and the actual number of days elapsed. The outstanding principal balance of the Cash Consideration Notes, plus all accrued and unpaid interest and fees due under the Cash Consideration Notes, shall, upon the receipt by the Company, whether in a debt or equity financing event by the Company (which may include the receipt of cash from third parties with which the Company has entered into forward share purchase agreements), of cash proceeds in an amount not less than $11.5 million (the “Financing Proceeds”), be due and payable no later than ten business days after Buyer receives the Financing Proceeds. Please refer to the Company’s consolidated financial statements for further details. The principal amount of $1.5 million plus accrued interest of $26,000 for the unsecured non-convertible promissory note held by Maya was paid in full by the Company on June 30, 2020, and no amount remains outstanding for such note. On July 2, 2020, the previously outstanding amount of the unsecured non-convertible note held by Esse Effe was repaid in full, with a total of $6.0 million in principal and $105,000 in accrued interest being paid to Esse Effe. The aggregate outstanding amount due by the Company for all of the Notes was $7.5 million plus $241,000 of accrued interest as of December 31, 2020 ($15 million plus $43,000 of accrued interests as of December 31, 2019). See Note 11 – Notes Payable for additional information.

Subsequent to December 31, 2020, on the fifteen-month anniversary of the Business Combination Date or February 25, 2021, the fifty percent (50%) of the previously outstanding amount of the unsecured convertible promissory notes held by Esse Effe and Maya was repaid, with a total of $3.0 million and $750,000 in principal and $176,000 and $44,000 in accrued interest being paid to Esse Effe and Maya, respectively, pursuant to the terms of the Convertible Notes.

Notes Payable to Certain of the Founders of the Company

On November 23, 2019, the Company and each of the GigAcquisitions, LLC (the "Sponsor") and one of the holders of the Sixth Extension Notes and Fourth Working Capital Notes discussed below, GigFounders, LLC, agreed to amend and restate the Initial Extension Note, Second Extension Note, Working Capital Note, Sixth Extension Note and Fourth Working Capital Note (each as discussed below) held by them to provide that in lieu of repaying such promissory notes in full upon the closing of the Business Combination, the outstanding principal balance of such amended and restated notes (for the Initial Extension Note, the Second Extension Note and the Sixth Extension Note, the "Amended Extension Notes", and for the Second Working Capital Note and Fourth Working Capital Note, the "Amended Working Capital Notes"), plus all accrued and unpaid interest (as described below) and fees due under the Amended Extension Notes and Amended Working Capital Notes, shall, upon the receipt by the Company, whether in a debt or equity financing event by the Company (which may include the receipt of cash from third parties with which the Company has subsequent to year end entered into forward share purchase agreements), of cash proceeds in an amount not less than the Financing Proceeds, be due and payable no later than ten business days after the Company receives the Financing Proceeds. Interest on the Amended Extension Notes and Amended Working Capital Notes will accrue at a fixed interest rate equal to the one-year U.S. dollar LIBOR interest rate published in The Wall Street Journal on the Closing of the Business Combination, which is one and ninety-one hundredths percent (1.91%), plus a margin of one percent (1%) per annum. All interest shall be computed on the basis of a 365-day year and the actual number of days elapsed. None of the Amended Extension Notes or Amended Working Capital Notes will be convertible into securities of the Company. On November 23, 2019, the Company issued the Amended Extension Notes and Amended Working Capital Notes to the Sponsor and GigFounders, LLC, as appropriate, for each of the Initial Extension Note, Second Extension Note, Working Capital Note, Sixth Extension Note and Fourth Working Capital Note. Please refer to the Company's consolidated financial statements for further details.

All principal and accrued interest for the Amended Extension Notes and Amended Working Capital Notes was paid in full by the Company on June 30, 2020, and no amount remains outstanding for such notes as of December 31, 2020 ($1.9 million plus $5,800 of accrued interest as of December 31, 2019). See Note 11 – Notes Payable for additional information.

Legal Services

During the years ended December 31, 2020 and 2019, Kaleyra S.p.A. purchased legal services by a partner of Studio Legale Chiomenti who is a family member of a key manager of Kaleyra S.p.A. Costs incurred by Kaleyra S.p.A. for the above legal services were $363,000 and $694,000 in the years ended December 31, 2020 and 2019, respectively.

Loans

Prior to the Business Combination, Kaleyra S.p.A. granted a loan to one of the Company's directors and executive officers. In November 2019, prior to the Business Combination, the loan was reimbursed in full for a total amount of $36,000. The Company earned interest income on such loan of $600 for the year ended December 31, 2019.

Employee Relationships

Alessandra Levy, the spouse of Kaleyra's Chief Executive Officer, Dario Calogero is an employee within the marketing team of Kaleyra S.p.A. Ms. Levy received salary and benefits in the amount of $237,000 and $239,000 for the years ended December 31, 2020, and 2019, respectively.

Pietro Calogero, the son of Kaleyra's Chief Executive Officer, Dario Calogero is an employee within the marketing team of Kaleyra S.p.A.. Mr. Calogero received salary and benefits in the amount of $35,000 and zero for the years ended December 31, 2020, and 2019, respectively.

Solutions Infini Preference shares

As a part of the Solutions Infini purchase agreement, Kaleyra assumed the obligation to purchase preference shares from certain executive managers of Solutions Infini in 2020 at a variable price determined based upon the target EBITDA of Solutions Infini expected for the year ending March 31, 2020. From an accounting perspective, these preference shares represent compensation for future services for the eligible employees. As of December 31, 2020 and December 31, 2019, the outstanding obligation for preference shares due to executive managers was zero and $1.8 million, respectively. See Note 14 – Preference Shares Liabilities – for further details.

Pre-Business Combination Related Party Transactions of GigCapital, Inc.

During October 2017, the founders of GigCapital, Inc. (the "Founders") purchased 4,267,500 Founder Shares for $25,000, or approximately $0.005858 per share. In November and December 2017, the Company canceled 738,750 Founders Shares for no consideration. Additionally, on December 7, 2017, the Company issued an aggregate of 65,000 Founder Shares solely in consideration of then-future services to each of its independent directors and to Mr. Barrett Daniels, the Company's former Vice President and Chief Financial Officer. As a result, each of Messrs. Mikulsky, Wang and Porter have received 20,000 Founder Shares, and Mr. Daniels received 5,000 Founder Shares, which were cancelled upon Mr. Daniels's resignation in July 2018. As a result, there are 3,588,750 Founder Shares outstanding as of September 30, 2018. The Founder Shares are identical to the common stock included in the Units sold by the Company in its initial public offering (the "Offering") except that the Founder Shares are subject to certain transfer restrictions, as described in more detail below.

The Founders purchased from the Company an aggregate of 489,500 units at a price of $10.00 per unit in a private placement that occurred simultaneously with the completion of the initial closing of the Offering. The Founders also purchased from the Company an aggregate of 8,756 private placement units in a private placement that occurred simultaneously with the completion of the second closing of the Offering with the exercise of the over-allotment option. Each private placement unit consists of one share of the Company's common stock, $0.0001 par value, three-fourths of a warrant, and one right to receive one-tenth of a share of common stock upon the consummation of the initial business combination. Warrants will only be exercisable for whole shares at $11.50 per share. Unlike the warrants included in the Units sold in the Offering, if held by the original holder or its permitted transferees, the warrants included in the private placement units are not redeemable by the Company and subject to certain limited exceptions, will be subject to transfer restrictions until one year following the consummation of the initial business combination. If the warrants included in the private placement units are held by holders other than the initial holders or their permitted transferees, the warrants included in the private placement units will be redeemable by the Company and exercisable by holders on the same basis as the warrants included in the Units sold in the Offering.

On November 25, 2020 (one year after the date of the consummation of the Business Combination), the obligation of the Founders and management team to not transfer, assign or sell any of their Founder Shares or private placement units, or the securities underlying the private placement units, including the Placement Shares, expired.

The Company's Offering prospectus and amended and restated certificate of incorporation provided that the Company initially had until March 12, 2019 (the date which was 15 months after the consummation of the Offering) to complete the Business Combination. The Company's Offering prospectus and amended and restated certificate of incorporation also provided that the Company could extend such 15 months period an additional 3 months if the Founders deposited into the Company's Trust Account established following the Offering an amount equal to the aggregate total of $0.10 per public share sold in the Offering, for a total deposit of $1.4 million.

On March 6, 2019, the Company issued four unsecured promissory notes in the aggregate principal amount of $1.4 million, representing $0.10 per public share. These notes were issued to the Sponsor and the three other investors. The aggregate funds were deposited into the Trust Account, and as a result, the period of time the Company had to consummate the Business Combination and the date for cessation of operations of the Company if the Company had not completed a Business Combination was extended from March 12, 2019 to June 12, 2019 ("Initial Extension"). The terms of the trust agreement did not require an amendment of the amended and restated certificate of incorporation in order to accomplish the Initial Extension.

In conjunction with the approval of an amendment to the amended and restated certificate of incorporation to further extend the time to consummate the Business Combination to December 12, 2019, the ("Second Extension"), the Founders agreed to contribute to the Company as a loan $240,000 for each calendar month, or portion thereof, that is needed by the Company to complete the Business Combination with Kaleyra S.p.A. (each, a "Contribution"). The Contributions were conditional upon the implementation of the Second Extension. The Contributions did not bear interest and were repayable by the Company upon consummation of the Business Combination with Kaleyra S.p.A. The Sponsor had the sole discretion to determine whether to continue extending for additional months until the Extended Date, and if the Sponsor determined not to continue extending for additional months, the obligation of the Founders to make additional Contributions would have terminated and the Company would have dissolved and liquidated in accordance with its amended and restated certificate of incorporation.

On June 10, 2019, the Company issued four non-convertible unsecured promissory notes (each, a "Second Extension Note" and collectively the "Second Extension Notes") in the aggregate principal amount of $240,000 to the Founders. The Company deposited the funds into the Trust Account.

On June 10, 2019, the Company issued an additional four convertible unsecured promissory notes (each, a "Working Capital Note" and collectively the "Working Capital Notes") in the aggregate principal amount of $91,667 to the Founders. The Working Capital Notes were issued to provide the Company with additional working capital during the Second Extension and will not be deposited into the Trust Account. The Company issued the Working Capital Notes in consideration for loans from the payees to fund the Company's working capital requirements. The convertible notes are convertible at the payee's election upon the consummation of the Business Combination. Upon such election, the convertible notes would convert, at a price of $10.00 per unit, into units identical to the private placement units issued in connection with the Company's Offering, except that the private placement warrants which comprise a part of the private placement units issued to the non-Sponsor Founders, so long as they are held by the non-Sponsor Founders, or any of their related persons under FINRA rules, will expire five years from the effective date of the Company's registration statement, or earlier upon the Company's liquidation.

On July 10, 2019, in connection with the second monthly Contribution, the Founders deposited an additional aggregate $240,000 into the Trust Account, and the Company cancelled the Second Extension Notes dated June 10, 2019, in the amount of $240,000 in the aggregate, and reissued each of the Third Extension Notes to include the aggregate of both the first and second monthly Contribution amounts for each payee, totaling $480,000.

On July 10, 2019, in connection with the second monthly Contribution, an additional aggregate $64,932 of working capital was loaned to the Company by the Founders, and as a result the Company cancelled the original Working Capital Notes dated June 10, 2019 in the amount of $91,667 and reissued the Second Working Capital Notes to include the aggregate of both the first and second working capital loans to the Company for each payee in the total amount of $156,599. The Second Extension Notes and Second Working Capital Notes bore no interest and were repayable in full upon the consummation of the Kaleyra Business Combination.

On August 12, 2019, in connection with the third and fourth monthly Contribution, certain of the Founders and affiliates thereof deposited an additional aggregate $480,000 into the Trust Account, and the Company cancelled certain of the Third Extension Notes dated July 10, 2019, in the amount of $204,302 in the aggregate, and reissued each of the Fourth Extension Notes to include the aggregate of the first through the fourth monthly Contribution amounts for the payees, totaling $684,302.

On August 12, 2019, in connection with the third and fourth monthly Contribution, an additional aggregate $252,568 of working capital was loaned to the Company by the certain of the Founders and affiliates thereof, and as a result the Company cancelled certain of the Second Working Capital Notes dated July 10, 2019 in the amount of $66,653 and reissued the Third Working Capital Notes to include the aggregate of the first through the fourth working capital loans to the Company for the payees in the total amount of $319,221. The Fourth Extension Notes and Third Working Capital Notes also bore no interest and were repayable in full upon the consummation of the Kaleyra Business Combination.

From September 24, 2019 through September 27, 2019, in conjunction with the fifth monthly Contribution, an additional aggregate of $110,029 for deposit into the Trust Account was loaned to the Company by certain of the Founders and affiliates thereof.

From September 24, 2019 through September 27, 2019, in conjunction with the fifth monthly Contribution, an additional aggregate of $133,728 of working capital was loaned to the Company by certain of the Founders and affiliates thereof.

On October 2, 2019 and October 11, 2019, in conjunction with the fifth monthly Contribution, an additional aggregate of $129,971 for deposit into the Trust Account, was loaned to the Company by certain of the Founders and affiliates thereof, for a total aggregate of $240,000 loaned for deposit in the Trust Account in conjunction with the fifth monthly Contribution. Effective October 11, 2019, the Company cancelled the Fourth Extension Notes dated August 12, 2019 in the amount of $684,302 and reissued each of the Fifth Extension Notes to include the aggregate of the first through the fourth monthly Contribution amounts for the payees, totaling $924,302.

On October 2, 2019 and October 11, 2019, in conjunction with the fifth monthly Contribution, an additional aggregate of $157,966 of working capital was loaned to the Company by certain of the Founders and affiliates thereof, for a total aggregate of $291,694 working capital loaned in conjunction with the fifth monthly Contribution. Effective October 11, 2019, the Company cancelled the Third Working Capital Notes dated August 12, 2019 in the amount of $319,221 and reissued the Fourth Working Capital Notes to include the aggregate of the first through the fourth working capital loans to the Company for the payees in the total amount of $610,915. The Fifth Extension Notes and Fourth Working Capital Notes also bore no interest and were repayable in full upon the consummation of the Kaleyra S.p.A. Business Combination.

On November 12, 2019, in conjunction with the sixth monthly Contribution, an additional aggregate of $240,000, for deposit into the Trust Account, was loaned to the Company by certain of the Founders and affiliates. Effective November 12, 2019, the Company cancelled the Fifth Extension Notes dated October 11, 2019 in the amount of $924,302 and reissued each of the Sixth Extension Notes to include the aggregate of the first through the fifth monthly Contribution amounts for the payees, totaling $1,164,302.

As noted above, all principal and accrued interest for all of the Extension Notes and Working Capital Notes was paid in full by the Company on June 30, 2020, and no amount remains outstanding for such notes.

The holders of the Founder Shares issued and outstanding, as well as the holders of the private placement units and any units the Sponsor, officers, directors or their affiliates may be issued in payment of working capital loans made to us (and all underlying securities), will be entitled to registration rights pursuant to an agreement as described above in “Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters – Registration Rights Agreement.”.

The Sponsor agreed, commencing on December 7, 2017, through the consummation of the Business Combination, to make available to the Company certain general and administrative services, including office space, utilities and administrative support, as the Company required from time to time. The Company agreed to pay the Sponsor an aggregate of $20,000 per month for these services. Dr. Avi S. Katz, the Executive Chairman of the Board of Directors, is the manager of the Sponsor. In addition, he and Mr. Miotto, one of the Company’s independent directors, have formed a partnership, of which 90% is owned by Dr. Katz and the remaining 10% is owned by Mr. Miotto, and that partnership, which is also managed by Dr. Katz, has a financial and voting interest in the Sponsor that entitles this partnership to participate in any economic return that the Sponsor receives for its investment in the Company in accordance with terms negotiated with the other holders of financial and voting interests in our Sponsor.

Related Party Policy

The Company’s Code of Ethics will require us to avoid, wherever possible, all related party transactions that could result in actual or potential conflicts of interests, except under guidelines approved by the Board of Directors (or the Audit Committee). Related-party transactions are defined as transactions in which (1) the aggregate amount involved will or may be expected to exceed $120,000 in any calendar year, (2) the Company or any of the Company’s subsidiaries is a participant, and (3) any (a) executive officer, director or nominee for election as a director, (b) greater than 5% beneficial owner of the Company’s shares of common stock, or (c) immediate family member, of the persons referred to in clauses (a) and (b), has or will have a direct or indirect material interest (other than solely as a result of being a director or a less than 10% beneficial owner of another entity). A conflict of interest situation can arise when a person takes actions or has interests that may make it difficult to perform his or her work objectively and effectively. Conflicts of interest may also arise if a person, or a member of his or her family, receives improper personal benefits as a result of his or her position.

The Company's Audit Committee, pursuant to its written charter, will be responsible for reviewing and approving related-party transactions to the extent the Company enters into such transactions. The Audit Committee will consider all relevant factors when determining whether to approve a related party transaction, including whether the related party transaction is on terms no less favorable to us than terms generally available from an unaffiliated third-party under the same or similar circumstances and the extent of the related party's interest in the transaction. No director may participate in the approval of any transaction in which he is a related party, but that director is required to provide the Audit Committee with all material information concerning the transaction. The Company also requires each of the Company's directors and executive officers to complete a directors' and officers' questionnaire that elicits information about related party transactions.

These procedures are intended to determine whether any such related party transaction impairs the independence of a director or presents a conflict of interest on the part of a director, employee or officer.

Item 14. Principal Accounting Fees and Services.

For the Company's fiscal year ended December 31, 2019, the Kaleyra S.p.A.'s independent registered public accounting firm was BPM LLP. BPM LLP has been and remains the independent registered public accounting firm of Kaleyra, Inc., including for the fiscal year ended December 31, 2020.

Fees for professional services provided by the Company's independent registered public accounting firm include (in thousands):

	Year Ended December 31,	
	2020	2019
Audit Fees (1)	$ 938	$ 766
Audit-Related Fees (2)	68	—
Tax Fees (3)	41	6
All Other Fees (4)	—	—
Total	$ 1,047	$ 772

(1) Audit Fees. Audit fees consist of fees billed for professional services rendered for the audit of our year-end consolidated financial statements, reviews of the quarterly condensed consolidated financial statements and services that are normally provided by our independent registered public accounting firm in connection with statutory and regulatory filings.

(2) Audit-Related Fees. Audit-related fees consist of fees billed for assurance and related services that are reasonably related to performance of the audit or review of our year-end financial statements and are not reported under "Audit Fees." These services include attest services that are not required by statute or regulation and consultation concerning financial accounting and reporting standards, including permitted due diligence services related to a potential business combination or acquisition.

(3) Tax Fees. Tax fees consist of fees billed for professional services relating to tax compliance, tax planning and tax advice.

(4) All Other Fees. All other fees consist of fees billed for all other services.

Policy on Board Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Auditors

The Audit Committee is responsible for appointing, setting compensation and overseeing the work of the independent registered public accounting firm. In recognition of this responsibility, the Audit Committee shall review and, in its sole discretion, pre-approve all audit and permitted non-audit services to be provided by the independent registered public accounting firm as provided under the Audit Committee charter.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

(a) The following documents are filed as part of this Annual Report on Form 10-K:

(1) Financial Statements: See "Item 8. Financial Statements and Supplementary Data" herein.

(2) Financial Statement Schedules: All schedules have been attached because the required information is either not applicable or is included in the consolidated financial statements or notes thereto.

(b) Exhibits: The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

Exhibit Number	Description
1.1	Underwriting Agreement, dated June 24, 2020, by and among Kaleyra, Inc., Oppenheimer & Co. Inc. and Nomura Securities International, Inc. (Incorporated by reference to Exhibit 1.1 to the Current Report on Form 8-K as filed with the SEC on June 25, 2020.)
2.1	Stock Purchase Agreement, dated as of February 22, 2019 (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K as filed with the SEC on February 26, 2019).
2.2	Amendment No. 1 to Stock Purchase Agreement, dated as of September 24, 2019 (Incorporated by reference to Exhibit 2.2 to the Current Report on Form 8-K as filed with the SEC on September 24, 2019).
2.3	Amendment No. 2 to Stock Purchase Agreement, dated November 23, 2019 (Incorporated by reference to Exhibit 2.3 to the Current Report on Form 8-K as filed with the SEC on November 25, 2019).
2.4	Stock Purchase Agreement, dated as of July 31, 2018, by and among Buc Mobile, Inc., Ipai Terry Hsiao, and the Sellers. (Incorporated by reference to Exhibit 2.4 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
2.5*	Share Purchase and Shareholders Agreement, dated October 15, 2016, as amended, by and among Ubiquity SRL, Solutions Infini Technologies (India) Private Limited and the Sellers. (Incorporated by reference to Exhibit 2.5 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
2.6†	Agreement and Plan of Merger, dated as of February 18, 2021, by and among Kaleyra Inc., Volcano Merger Sub, Inc., Vivial Inc. and GSO Special Situations Master Fund LP, solely in its capacity as the Stockholder Representative (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K as filed with the SEC on February 23, 2021)
3.1	Second Amended and Restated Certificate of Incorporation of Kaleyra, Inc. (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
3.2	Amended and Restated Bylaws of Kaleyra, Inc. (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
4.1	Specimen Common Stock Certificate. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
4.2	Specimen Warrant Certificate. (Incorporated by reference to Exhibit 4.2 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.1	Amended and Restated Registration Rights Agreement, dated November 25, 2019. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.2	Warrant Agreement between Continental Stock Transfer & Trust Company and GigCapital, Inc. (Incorporated by reference to Exhibit 4.1 to the Current Report on Form 8-K as filed with the SEC on December 12, 2017).
10.3	Forward Share Purchase Agreement, dated September 27, 2019, by and among the Company, Greenhaven Road Capital Fund 1, LP, and Greenhaven Road Capital Fund 2, LP (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on September 27, 2019).

10.4	Forward Share Purchase Agreement, dated October 1, 2019, by and between the Company and Kepos Alpha Fund L.P. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on October 2, 2019).
10.5	Amendment to Forward Share Purchase Agreement, dated October 2, 2019, by and between the Company and Kepos Alpha Fund L.P. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on October 3, 2019).
10.6	Forward Share Purchase Agreement, dated November 19, 2019, by and between GigCapital, Inc. and Glazer Capital, LLC (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on November 20, 2019).
10.7	Forward Share Purchase Agreement, dated November 19, 2019, by and between GigCapital, Inc. and Yakira Capital Management, Inc. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on November 20, 2019).
10.8	Form of Amended Extension Note, dated November 25, 2019 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on November 25, 2019).
10.9	Form of Amended Working Capital Note, dated November 25, 2019 (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on November 25, 2019).
10.10#	Kaleyra, Inc. 2019 Equity Incentive Plan. (Incorporated by reference to Exhibit 10.10 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.11#	Kaleyra, Inc. 2019 Form of RSU award agreement. (Incorporated by reference to Exhibit 10.11 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.12#	Kaleyra, Inc. 2019 Form of Incentive Stock Option award agreement. (Incorporated by reference to Exhibit 10.12 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.13#	Kaleyra, Inc. 2019 Form of Nonstatutory Stock Option award agreement. (Incorporated by reference to Exhibit 10.13 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.14	Form of Notes, attached as an exhibit to the Stock Purchase Agreement, a copy of which is filed with this Current Report on Form 8-K as Exhibit 2.1 (Incorporated by reference to Exhibit 2.1 to the Current Report on Form 8-K as filed with the SEC on February 26, 2019).
10.15	Form of Cash Consideration Notes, attached as an exhibit to Amendment No. 2 to Stock Purchase Agreement, a copy of which is filed with this Current Report on Form 8-K as Exhibit 2.3 (Incorporated by reference to Exhibit 2.3 to the Current Report on Form 8-K as filed with the SEC on November 25, 2019).
10.16†	Loan Contract, dated as of July 23, 2018, by and between Kaleyra and Intesa Sanpaolo S.p.A. (Incorporated by reference to Exhibit 10.16 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.17	Loan Contract, dated as of April 10, 2019, by and between Kaleyra and Unione di Banche Italiane S.p.A. (Incorporated by reference to Exhibit 10.17 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.18†	Loan Contract, dated as of April 10, 2019, by and between Kaleyra and Banca Monte dei Paschi di Siena (Incorporated by reference to Exhibit 10.18 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.19	Loan Contract, dated as of April 30, 2019, by and between Kaleyra and Banco BPM S.p.A. (Incorporated by reference to Exhibit 10.19 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.20	Loan Contract, dated as of July 23, 2019, by and between Kaleyra and Banco BPM S.p.A. (Incorporated by reference to Exhibit 10.20 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.21	Loan Contract, dated as of July 25, 2019, by and between Kaleyra and Intesa Sanpaolo S.p.A. (Incorporated by reference to Exhibit 10.21 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)

10.22	Deed of Renegotiation of an Unsecured Loan into a Current Loan, dated as of July 25, 2019, by and between Kaleyra and Intesa Sanpaolo S.p.A. (Incorporated by reference to Exhibit 10.22 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.23†	Loan Contract, dated as of August 2, 2019, by and between Kaleyra and UniCredit S.p.A. (Incorporated by reference to Exhibit 10.23 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.24	Addendum to Loan Contract, dated as of August 2, 2019, by and between Kaleyra and UniCredit S.p.A. (Incorporated by reference to Exhibit 10.24 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.25**†	Premium SMS Agreement, dated as of September 15, 2010, by and between Ubiquity S.r.l. (the predecessor to Kaleyra) and Telecom Italia S.p.A. (Incorporated by reference to Exhibit 10.25 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.26**	Amendment to Premium SMS Agreement, dated as of December 1, 2011, by and between by and between Ubiquity S.r.l. and Telecom Italia S.p.A. (Incorporated by reference to Exhibit 10.26 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.27**	Amendment to Premium SMS Agreement, dated as of August 1, 2012, by and between by and between Ubiquity S.r.l. and Telecom Italia S.p.A. (Incorporated by reference to Exhibit 10.27 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.28**	Amendment to Premium SMS Agreement, dated as of December 10, 2014, by and between by and between Ubiquity S.r.l. and Telecom Italia S.p.A. (Incorporated by reference to Exhibit 10.28 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.29**	Amendment to Premium SMS Agreement, dated as of May 20, 2016, by and between by and between Ubiquity S.r.l. and Telecom Italia S.p.A. (Incorporated by reference to Exhibit 10.29 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.30**	Amendment to Premium SMS Agreement, dated as of May 22, 2018, by and between by and between Kaleyra and Telecom Italia S.p.A. (Incorporated by reference to Exhibit 10.30 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.31†	Loan Contract, dated as of February 15, 2017, by and between Ubiquity S.r.l. and Unione di Banche Italiane S.p.A. (Incorporated by reference to Exhibit 10.31 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.32†	Loan Contract, dated as of May 29, 2015, by and between Ubiquity S.r.l. and Finlombarda S.p.A. (Incorporated by reference to Exhibit 10.32 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.33**†	Loan Agreement, dated as of July 27, 2017, by and between Ubiquity S.r.l. and UniCredit S.p.A. (Incorporated by reference to Exhibit 10.33 to the Current Report on Form 8-K as filed with the SEC on December 2, 2019.)
10.34**†	Loan Contract, dated as of September 28, 2016, by and between Ubiquity S.r.l. and Simest S.p.A. (Incorporated by reference to Exhibit 10.34 to the Current Report on Form 8-K as filed with the SEC on December 5, 2019.)
10.35	Amendment No. 2 to Forward Share Purchase Agreement, dated December 13, 2019, by and among Kaleyra, Inc., Greenhaven Road Capital Fund 1, LP, and Greenhaven Road Capital Fund 2, LP. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on December 16, 2019.)
10.36	Amendment No. 2 to Forward Share Purchase Agreement, dated December 13, 2019, by and between Kaleyra, Inc. and Kepos Alpha Fund L.P. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on December 16, 2019.)
10.37	Amendment No. 1 to Forward Share Purchase Agreement, dated December 13, 2019, by and between Kaleyra, Inc. and Glazer Capital, LLC. (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed with the SEC on December 16, 2019.)
10.38	Letter of Credit and Reimbursement Agreement, dated January 7, 2020, by and between Kaleyra, Inc. and EagleBank.(Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on January 10, 2020.)

10.39	Amendment No. 3 to Forward Share Purchase agreement, dated January 23, 2020, by and among Kaleyra, Inc., Greenhaven Road Capital Fund 1, LP, and Greenhaven Road Capital Fund 2, LP. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on January 23, 2020.)
10.40	Amendment No. 3 to Forward Share Purchase Agreement, dated January 23, 2020, by and between Kaleyra, Inc. and Kepos Alpha Fund L.P. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on January 23, 2020.)
10.41	Amendment to Forward Share Purchase Agreement, dated February 7, 2020, by and between GigCapital, Inc. and Yakira Capital Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on February 12, 2020.)
10.42	Promissory Note, dated March 6, 2020, by and between Kaleyra, Inc. and Northland Securities, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on March 9, 2020.)
10.43	Securities Issuance Agreement, dated March 6, 2020, by and between Kaleyra, Inc. and Northland Securities, Inc. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on March 9, 2020.)
10.44	Settlement Agreement and Release entered into as of April 16, 2020, by and between Kaleyra, Inc., Cowen and Company, LLC, and Chardan Capital Markets, LLC (Incorporated by reference to Exhibit 10.44 to the Annual Report on Form 10-K as filed with the SEC on April 22, 2020.)
10.45	Convertible Promissory Note, dated May 1, 2020, by and between Kaleyra, Inc. and Cowen Investments II LLC (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on May 4, 2020.)
10.46	Convertible Promissory Note, dated May 1, 2020, by and between Kaleyra, Inc. and Chardan Capital Markets, LLC (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on May 4, 2020.)
10.47	Registration Rights Agreement, dated May 1, 2020, by and between Kaleyra, Inc., Cowen Investments II, LLC and Chardan Capital Markets, LLC (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed with the SEC on May 4, 2020.)
10.48	Amendment No. 2 to Forward Share Purchase Agreement, dated May 9, 2020, by and between Kaleyra, Inc. and Yakira Capital Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on May 14, 2020.)
10.49	OTC Equity Prepaid Forward Transaction Confirmation, dated October 31, 2019, by and among GigCapital, Nomura Global Financial Products, Inc., and Nomura Holdings, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on November 1, 2019.)
10.50	Letter Agreement, dated June 4, 2020, by and between Kaleyra, Inc. and Nomura Global Financial Products, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on June 5, 2020.)
10.51*	General Secured Loan Agreement, dated as of July 16, 2020, by and between Kaleyra, Inc. and Intesa Sanpaolo, S.p.A. of Italy (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on July 21, 2020.)
10.52	Amendment No. 4 to Forward Share Purchase Agreement, dated July 18, 2020, by and among Kaleyra, Inc., Greenhaven Road Capital Fund 1, LP, and Greenhaven Road Capital Fund 2, LP (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on July 21, 2020.)
10.53*	Loan Agreement, dated as of July 29, 2020, by and between Kaleyra, Inc. and Intesa Sanpaolo, S.p.A. of Italy (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on August 3, 2020.)
10.54*	Warrant Exchange Agreement, dated September 30, 2020, by and between Kaleyra, Inc. and Riverview Group LLC Italy (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on October 2, 2020.)

10.55	Amendment No. 3 to Forward Share Purchase Agreement, dated December 11, 2020, by and between Kaleyra, Inc. and Yakira Capital Management, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on December 14, 2020.)
10.56	Stockholder Support Agreement, dated as of February 18, 2021, by and among Kaleyra, Inc., and certain of the stockholders of Vivial Inc., as identified therein (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on February 23, 2021.)
10.57†	Parent Insider Support Agreement, dated as of February 18, 2021, by and among each of the stockholders of Kaleyra, Inc. identified therein, and Vivial Inc. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on February 23, 2021.)
10.58	Form of PIPE Subscription Agreement (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed with the SEC on February 23, 2021.)
10.59	Form of Convertible Note Subscription Agreement (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K as filed with the SEC on February 23, 2021.)
10.60	Form of Indenture (Incorporated by reference to Exhibit A to Exhibit 10.4 to the Current Report on Form 8-K as filed with the SEC on February 23, 2021.)
10.61	Amendment to Loan Contract, dated as of February 23, 2021, by and between Kaleyra Inc. and Intesa San Paolo S.p.A. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on March 1, 2021.)
10.62	Amendment to Loan Contract, dated as of February 23, 2021, by and between Kaleyra Inc. and Intesa San Paolo S.p.A. (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on March 1, 2021.)
10.63	Approval Letter of UniCredit S.p.A., dated as of March 9, 2021 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K as filed with the SEC on March 12, 2021.)
10.64	Approval Letter of UniCredit S.p.A., dated as of March 10, 2021 (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K as filed with the SEC on March 12, 2021.)
10.65	Approval Letter of UniCredit S.p.A., dated as of March 10, 201 (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K as filed with the SEC on March 12, 2021.)
10.66	Approval Letter of UniCredit S.p.A., dated as of March 10, 2021 (Incorporated by reference to Exhibit 10.4 to the Current Report on Form 8-K as filed with the SEC on March 12, 2021.)
21.1+	Subsidiaries of the Registrant
23.1+	Consent of BPM LLP Independent Registered Public Accounting Firm
31.1+	Certification of Principal Executive Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2+	Certification of Principal Financial Officer Pursuant to Securities Exchange Act Rules 13a-14(a) and 15(d)-14(a), as adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1‡	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2‡	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
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.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Labels 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)

*	Schedules and exhibits to this Exhibit omitted pursuant to Regulation S-K Item 601(b)(2). The Company agrees to furnish supplementally a copy of any omitted schedule or exhibit to the SEC upon request.
#	Indicates a management contract or compensatory plan, contract or arrangement.
**	Certain portions of this Exhibit have been redacted pursuant to Item 601(b)(10) of Regulation S-K. The Company agrees to furnish supplementally an unredacted copy of this Exhibit to the SEC upon request.
+	Filed herewith.
†	Schedules and similar attachments to this Exhibit have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish supplementally a copy of such omitted materials to the SEC upon request.
‡	This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended ("Exchange Act"), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act.

SIGNATURES

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

KALEYRA, INC.

Date: March 15, 2021

By: /s/ Dario Calogero
Dario Calogero
President, Chief Executive Officer, and Director (Principal Executive Officer)

POWER OF ATTORNEY

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

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

Name	Title	Date
/s/ Dario Calogero Dario Calogero	President, Chief Executive Officer, and Director (Principal Executive Officer)	March 15, 2021
/s/ Giacomo Dall'Aglio Giacomo Dall'Aglio	Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2021
/s/ Avi S. Katz Dr. Avi S. Katz	Chairman of the Board of Directors	March 15, 2021
/s/ Neil Miotto Neil Miotto	Director	March 15, 2021
/s/ John Mikulsky John Mikulsky	Director	March 15, 2021
/s/ Emilio Hirsch Dr. Emilio Hirsch	Director	March 15, 2021
/s/ Matteo Lodrini Matteo Lodrini	Director	March 15, 2021

Exhibit 21.1

Subsidiaries of the Registrant

Name	**Jurisdiction of Incorporation**
Kaleyra, S.p.A.	Italy
Buc Mobile, Inc.	Delaware
Solutions Infini Technologies (India) Private Limited	India
Campaign Registry, Inc.	Delaware
Solutions Infini FZE	Dubai International Financial Centre
Kaleyra PTE	Singapore
Kaleyra SA	Switzerland
Kaleyra Technologies Indonesia	Indonesia
Volcano Merger Sub, Inc.	Delaware

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-252905, 333-237871 and 333-235575) of Kaleyra, Inc. of our report dated March 15, 2021 relating to the consolidated financial statements of Kaleyra, Inc., which appears in this Annual Report on Form 10-K.

/s/ BPM LLP

San Jose, California
March 15, 2021

Exhibit 31.1

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

I, Dario Calogero, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kaleyra, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: March 15, 2021

By: /s/ Dario Calogero
Name: Dario Calogero
President, Chief Executive Officer, and Director
(Principal Executive Officer)

Exhibit 31.2

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

I, Giacomo Dall'Aglio, certify that:

1. I have reviewed this Annual Report on Form 10-K of Kaleyra, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: March 15, 2021

By: /s/ Giacomo Dall'Aglio
Name: Giacomo Dall'Aglio
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 the Annual Report of Kaleyra, Inc. (the "Registrant") on Form 10-K for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 15, 2021

By: /s/ Dario Calogero
Name: Dario Calogero
President, Chief Executive Officer, and Director
(Principal Executive Officer)

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 the Annual Report of Kaleyra, Inc., (the “Registrant”) on Form 10-K for the period ending December 31, 2020 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, in the capacity and on the date indicated below, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: March 15, 2021

By: /s/ Giacomo Dall’Aglio
Name: Giacomo Dall’Aglio
Chief Financial Officer
(Principal Financial and Accounting Officer)