UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

Commission File Number: 001-39775

ContextLogic Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**27-2930953** **(I.R.S. Employer Identification No.)**
One Sansome Street 40th Floor **San Francisco, CA** **(Address of principal executive offices)**	**94104** **(Zip Code)**

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

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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As of July 31, 2021, the number of shares of the registrant's Class A common stock outstanding was 558 million and the number of shares of the registrant's Class B common stock outstanding was 70 million.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

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

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based on information available to us as of the date of this Quarterly Report on Form 10-Q. While we believe such information provides a reasonable basis for these statements, such information may be limited or incomplete. Our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all relevant information. These statements are inherently uncertain, and investors are cautioned not to unduly rely on these statements.

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

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

	As of June 30, 2021	As of December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 1,405	$ 1,965
Marketable securities	168	164
Funds receivable	46	83
Prepaid expenses and other current assets	71	102
Total current assets	1,690	2,314
Property and equipment, net	19	25
Right-of-use assets	32	43
Marketable securities	—	4
Other assets	10	11
Total assets	$ 1,751	$ 2,397
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 255	$ 434
Merchants payable	313	454
Refunds liability	42	77
Accrued liabilities	248	367
Total current liabilities	858	1,332
Lease liabilities, non-current	31	38
Total liabilities	889	1,370
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Preferred stock, $0.0001 par value: 100 shares authorized as of June 30, 2021 and December 31, 2020; No shares issued and outstanding as of June 30, 2021 and December 31, 2020	—	—
Common stock, $0.0001 par value: 3,500 (3,000 Class A, 500 Class B) shares authorized as of June 30, 2021 and December 31, 2020; 627 (555 Class A, 72 Class B) and 587 (478 Class A, 109 Class B) shares issued and outstanding as of June 30, 2021 and December 31, 2020	—	—
Additional paid-in capital	3,285	3,210
Accumulated other comprehensive income	—	1
Accumulated deficit	(2,423)	(2,184)
Total stockholders' equity	862	1,027
Total liabilities and stockholders' equity	$ 1,751	$ 2,397

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Revenue	$ 656	$ 701	$ 1,428	$ 1,141
Cost of revenue	272	208	607	364
Gross profit	384	493	821	777
Operating expenses:				
Sales and marketing	396	444	866	739
Product development	52	23	103	48
General and administrative	50	14	92	32
Total operating expenses	498	481	1,061	819
Income (loss) from operations	(114)	12	(240)	(42)
Other income (expense), net:				
Interest and other income, net	8	5	8	8
Remeasurement of redeemable convertible preferred stock warrant liability	—	(28)	—	(43)
Loss before provision for income taxes	(106)	(11)	(232)	(77)
Provision for income taxes	5	—	7	—
Net loss	(111)	(11)	(239)	(77)
Net loss per share, basic and diluted	$ (0.18)	$ (0.10)	$ (0.38)	$ (0.73)
Weighted-average shares used in computing net loss per share, basic and diluted	624	107	621	106

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	**2020**	**2021**	**2020**
Net loss	$ (111)	$ (11)	$ (239)	$ (77)
Other comprehensive loss:				
Net unrealized holding losses on derivatives	1	—	(1)	—
Comprehensive loss	$ (110)	$ (11)	$ (240)	$ (77)

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

CONTEXTLOGIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Three Months Ended June 30, 2021					
	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Equity
Balances as of March 31, 2021	618	$ —	$ 3,243	$ (1)	$ (2,312)	$ 930
Issuance of common stock upon exercise of options for cash	3	—	2	—	—	2
Issuance of common stock upon settlement of restricted stock units	4	—	—	—	—	—
Net exercises of common stock warrant	1	—	—	—	—	—
Issuance of common stock through ESPP	1	—	3	—	—	3
Stock-based compensation	—	—	37	—	—	37
Other comprehensive income, net	—	—	—	1	—	1
Net loss	—	—	—	—	(111)	(111)
Balances as of June 30, 2021	627	$ —	$ 3,285	$ —	$ (2,423)	$ 862

	Six Months Ended June 30, 2021					
	Common Stock		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Income	Deficit	Equity
Balances as of December 31, 2020	587	$ —	$ 3,210	$ 1	$ (2,184)	$ 1,027
Issuance of common stock upon exercise of options for cash	5	—	3	—	—	3
Issuance of common stock upon settlement of restricted stock units	33	—	(5)	—	—	(5)
Net exercises of common stock warrant	1	—	—	—	—	—
Issuance of common stock through ESPP	1	—	3	—	—	3
Stock-based compensation	—	—	74	—	—	74
Other comprehensive loss, net	—	—	—	(1)	—	(1)
Net loss	—	—	—	—	(239)	(239)
Balances as of June 30, 2021	627	$ —	$ 3,285	$ —	$ (2,423)	$ 862

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

CONTEXTLOGIC INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(in millions)

	Three Months Ended June 30, 2020							
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balances as of March 31, 2020	422	$ 1,536	106	$ —	$ 1	$ (1,505)	$ (1,504)
Issuance of common stock upon exercise of options for cash	—	—	1	—	—	—	—
Repurchase of common stock	—	—	—	—	(1)	—	(1)
Net loss and comprehensive loss	—	—	—	—	—	(11)	(11)
Balances as of June 30, 2020	422	$ 1,536	107	$ —	$ —	$ (1,516)	$ (1,516)

	Six Months Ended June 30, 2020						
	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount			
Balances as of December 31, 2019	422	$ 1,536	103	$ —	$ —	$ (1,439)	$ (1,439)
Issuance of common stock upon exercise of options for cash	—	—	4	—	1	—	1
Repurchase of common stock	—	—	—	—	(1)	—	(1)
Net loss and comprehensive loss	—	—	—	—	—	(77)	(77)
Balances as of June 30, 2020	422	$ 1,536	107	$ —	$ —	$ (1,516)	$ (1,516)

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

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

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Net loss	$ (239)	$ (77)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	5	5
Noncash lease expense	7	5
Stock-based compensation expense	74	—
Remeasurement of redeemable convertible preferred stock warrant liability	—	43
Other	5	(1)
Changes in operating assets and liabilities:		
Funds receivable	37	18
Prepaid expenses, other current and noncurrent assets	33	(11)
Accounts payable	(179)	223
Merchants payable	(141)	185
Accrued and refund liabilities	(136)	89
Lease liabilities	(7)	(4)
Other current and noncurrent liabilities	(17)	21
Net cash provided by (used in) operating activities	(558)	496
Cash flows from investing activities:		
Purchases of marketable securities	(124)	(178)
Maturities of marketable securities	123	244
Other	(1)	—
Net cash provided by (used in) investing activities	(2)	66
Cash flows from financing activities:		
Proceeds from sales of shares through employee equity incentive plans	6	1
Payment of taxes related to RSU settlement	(5)	—
Other	(1)	(1)
Net cash provided by (used in) financing activities	—	—
Net increase (decrease) in cash, cash equivalents and restricted cash	(560)	562
Cash, cash equivalents and restricted cash at beginning of period	1,965	754
Cash, cash equivalents and restricted cash at end of period	$ 1,405	$ 1,316
Reconciliation of cash, cash equivalents, and restricted cash to the condensed consolidated balance sheets:		
Cash and cash equivalents	$ 1,405	$ 1,306
Restricted cash included in other assets in the condensed consolidated balance sheets	—	10
Total cash, cash equivalents and restricted cash	$ 1,405	$ 1,316
Supplemental cash flow disclosures:		
Cash paid for income taxes, net of refunds	$ 4	$ —

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

NOTE 1. OVERVIEW, BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

ContextLogic Inc. and its consolidated subsidiaries ("Wish," the "Company," "we," "us" and "its") is an ecommerce company that provides a shopping experience that is mobile-first and discovery-based, which connects merchants' products to users based on user preferences. The Company generates revenue from marketplace and logistics services provided to merchants.

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

Initial Public Offering

In December 2020, the Company completed its initial public offering ("IPO") of Class A common stock, in which it sold 46 million shares. The shares were sold at an IPO price of $24.00 per share for net proceeds of approximately $1.1 billion, after deducting underwriting discounts and commissions of approximately $52 million. Additionally, the Company incurred approximately $6 million of offering costs, net of reimbursements. Following the IPO, the Company has two classes of authorized common stock: Class A common stock, which entitles holders to one vote per share, and Class B common stock, which entitles holders to 20 votes per share.

Basis of Presentation and Consolidation

The accompanying condensed consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles ("U.S. GAAP") for interim financial information, and the instructions to Form 10-Q and Article 10 of Regulation S-X. The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. The condensed consolidated financial statements are unaudited, but include all adjustments of a normal recurring nature necessary for a fair presentation of our quarterly results. In the opinion of management, the condensed consolidated financial statements reflect all adjustments considered necessary for a fair presentation of the operating results of Wish and its subsidiaries, for the three and six months ended June 30, 2021, and are not necessarily indicative of the results that may be expected for the year ending December 31, 2021. The consolidated balance sheet as of December 31, 2020 is derived from audited financial statements, however, it does not include all of the information and footnotes required by U.S. GAAP for complete financial statements. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes in our Annual Report on Form 10-K for the year ended December 31, 2020, which was filed with the Securities and Exchange Commission ("SEC") on March 25, 2021.

Use of Estimates

The preparation of condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. These estimates form the basis for judgments the Company makes about the carrying values of its assets and liabilities that are not readily available from other sources. These estimates include, but are not limited to, fair value of financial instruments, useful lives of long-lived assets, fair value of derivative instruments, assumptions used in calculating the fair value of the Company's equity awards, expected achievement of performance based vesting criteria related to performance stock units, incremental borrowing rate applied to lease accounting, contingent liabilities, redemption probabilities associated with Wish Cash, allowances for refunds and chargebacks and uncertain tax positions. Management bases estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities. As of June 30, 2021, the effects of the ongoing COVID-19 pandemic on the Company's business, results of operations, and financial condition continue to evolve. As a result, many of the Company's estimates and assumptions required increased judgment and these estimates may change materially in future periods.

Segments

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

Concentrations of Risk

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

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

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

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

	June 30, 2021	December 31, 2020
PSP 1	70%	56%
PSP 2	22%	27%

Services Risk — The Company serves all of its users using third-party data center and hosting providers. The Company has disaster recovery protocols at the third-party service providers. Even with these procedures for disaster recovery in place, access to the Company's service could be significantly interrupted, resulting in an adverse effect on its operating results and financial position. No significant interruptions of service were known to have occurred during the three and six months ended June 30, 2021 and 2020.

Summary of Significant Accounting Policies

There have been no changes to the Company's significant accounting policies described in its Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 25, 2021, that have had a material impact on its condensed consolidated financial statements.

Accounting Pronouncements

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

NOTE 2. DISAGGREGATION OF REVENUE

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

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

The Company's logistics offering for merchants is designed for direct end-to-end single order shipment from a merchant's location to the user. Logistics services include transportation and delivery of the merchant's products to the user. Merchants are required to prepay for logistics services on a per order basis. The Company recognizes revenue over time as the merchant simultaneously receives and consumes the logistics services benefit as the services are performed. The Company uses an output method of progress based on days in transit as it best depicts the Company's progress toward complete satisfaction of the performance obligation.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
Core marketplace revenue	$ 378	$ 555	$ 855	$ 895
ProductBoost revenue	50	45	100	89
Marketplace revenue	428	600	955	984
Logistics revenue	228	101	473	157
Revenue	$ 656	$ 701	$ 1,428	$ 1,141

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

Note 3. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENT

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

Assets and liabilities recognized at fair value on a recurring basis in the condensed consolidated balance sheets consisting of cash equivalents, marketable securities and derivative instruments are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy contains three levels of inputs that may be used to measure fair value, in accordance with ASC 820, as follows:

- Level 1: inputs, which include quoted prices in active markets for identical assets or liabilities;

- Level 2: inputs, which include observable inputs other than Level 1 inputs, such as quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability. When sufficient quoted pricing for identical securities is not available, the Company uses market pricing and other observable market inputs for similar securities obtained from various third-party data providers. These inputs either represent quoted prices for similar assets in active markets or have been derived from observable market data; and

- Level 3: inputs, which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability. Level 3 assets and liabilities include those whose fair value measurements are determined using pricing models, discounted cash flow methodologies, or similar valuation techniques, as well as significant management judgment or estimation.

In determining fair value, the Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible as well as considers counterparty credit risk in its assessment of fair value.

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

	June 30, 2021			
	Total	**Level 1**	**Level 2**	**Level 3**
	(in millions)			
Financial assets:				
Cash equivalents:				
Money market funds	$ 49	$ 49	$ —	$ —
Marketable securities:				
U.S. Treasury bills	$ 25	$ —	$ 25	$ —
Commercial paper	88	—	88	—
Corporate bonds	47	—	47	—
Certificates of deposit	3	—	3	—
Non-U.S. government	5	—	5	—
Total marketable securities	$ 168	$ —	$ 168	$ —
Prepaid and other current assets:				
Derivative assets	$ 6	$ —	$ 6	$ —
Total financial assets	$ 223	$ 49	$ 174	$ —
Financial liabilities:				
Accrued liabilities:				
Derivative liabilities	$ 1	$ —	$ 1	$ —
Total financial liabilities	$ 1	$ —	$ 1	$ —

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

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

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

	June 30, 2021		December 31, 2020	
	Amortized Cost	Estimated Fair Value	Amortized Cost	Estimated Fair Value
	(in millions)			
Due within one year	$ 168	$ 168	$ 164	$ 164
Due after one year through five years	—	—	4	4
Total marketable securities	$ 168	$ 168	$ 168	$ 168

All of the Company's available-for-sale marketable securities are subject to a periodic evaluation for a credit loss allowance and impairment review. The Company did not identify any of its available-for-sale marketable securities requiring an allowance for credit loss or as other-than-temporarily impaired in any of the periods presented. Additionally, the unrealized net gain and net loss on available-for-sale marketable securities as of June 30, 2021 and December 31, 2020 were immaterial.

NOTE 4. BALANCE SHEET COMPONENTS

Accrued Liabilities

Accrued liabilities consist of the following:

	June 30, 2021	December 31, 2020
	(in millions)	
Vendor services	$ 62	$ 121
Deferred revenue	20	37
Wish Cash liability(1)	29	48
Other	137	161
Total accrued liabilities	$ 248	$ 367

(1) While the Company will continue to honor all Wish Cash presented for payment, it may determine the likelihood of redemption to be remote for certain Wish Cash liability balances due to, among other things, long periods of inactivity. In these circumstances, to the extent the Company determines there is no requirement for remitting Wish Cash balances to government agencies under unclaimed property laws, the portion of Wish Cash liability balances not expected to be redeemed are recognized in Core marketplace revenue. The Company recognized approximately $21 million of Wish Cash liability breakage in Core marketplace revenue during the three and six months ended June 30, 2021.

NOTE 5. DERIVATIVE FINANCIAL INSTRUMENTS

The Company conducts business in certain foreign currencies throughout its worldwide operations, and various entities hold monetary assets or liabilities, earn revenues, or incur costs in currencies other than the entity's functional currency. As a result, the Company is exposed to foreign exchange gains or losses which impact the Company's operating results. The Company bills its users in their local currencies, primarily in U.S. dollars and Euros, and the Company makes payments to the merchants in China for products sold on the Wish platform in Renminbi, which creates exposure to currency rate fluctuations. The Company hedges these exposures to reduce the risk that its earnings and cash flows will be adversely affected by changes in exchange rates. As part of the Company's foreign currency risk mitigation strategy, the Company enters into foreign exchange derivative contracts with up to twelve months in duration to hedge exposures for variability in U.S.-dollar equivalent of non-U.S.-dollar denominated cash flows associated with its forecasted revenue related transactions.

The Company's derivatives transactions are not collateralized and do not include collateralization agreements with counterparties. The Company does not use derivative financial instruments for speculative or trading purposes.

Volume of Derivative Activity

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

	June 30, 2021	December 31, 2020
	(in millions)	
Cash flow hedges	$ 550	$ 600
Non-designated hedges	78	422
Total	$ 628	$ 1,022

Fair Value of Derivative Financial Instruments

	June 30, 2021		December 31, 2020	
	Assets(1)	Liabilities(2)	Assets(1)	Liabilities(2)
	(in millions)			
Derivative designated as hedging instruments				
Cash flow hedges	$ 1	$ 1	$ 3	$ 2
Derivative not designated as hedging instruments				
Foreign currency forward contracts	$ 5	$ —	$ —	$ 2
Total derivatives	$ 6	$ 1	$ 3	$ 4

(1) Derivative assets are included in prepaid and other current assets in the condensed consolidated balance sheets.

(2) Derivative liabilities are included in accrued liabilities in the condensed consolidated balance sheets.

Derivatives in Cash Flow Hedging Relationships

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

	June 30, 2021	December 31, 2020
	(in millions)	
Balance at the beginning of the period	$ 2	$ —
Other comprehensive income before reclassifications	16	9
Amounts recognized in Core marketplace revenue and reclassified out of accumulated other comprehensive income	(17)	(7)
Balance at the end of the period	$ 1	$ 2

The Company recognizes changes in fair value of the cash flow hedges of foreign currency denominated merchants payable in accumulated other comprehensive loss in its condensed consolidated balance sheets until the forecasted transaction occurs. When the forecasted transaction affects earnings, the Company reclassifies the related gain or loss on the cash flow hedge to Core marketplace revenue. All amounts in other comprehensive income at period end are expected to be reclassified to earnings within 12 months. In the event the underlying forecasted transaction does not occur, or it becomes probable that it will not occur, the Company reclassifies the gain or loss on the related cash flow hedge from accumulated other comprehensive loss to Core marketplace revenue. For the three and six months ended June 30, 2021, there were no net gains or losses recognized in Core marketplace revenue relating to hedges of forecasted transactions that did not occur. The Company did not have a hedging program during the three and six months ended June 30, 2020.

The Company classifies cash flows related to its cash flow hedges as operating activities in its condensed consolidated statements of cash flows.

Derivatives Not Designated as Hedging Instruments

The net gains on the change in fair value of the Company's foreign exchange forward contracts not designated as hedging instruments recognized in other income (expense), net in the condensed consolidated statements of operations were approximately $7 million and $11 million for the three and six months ended June 30, 2021, respectively, and were approximately $1 million for each of the three and six months ended June 30, 2020.

The Company classifies cash flows related to its non-designated hedging instruments as operating activities in its condensed consolidated statements of cash flows.

NOTE 6. OPERATING LEASES

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

Total operating lease cost was $4 million and $7 million for the three and six months ended June 30, 2021, respectively, and $3 million and $6 million for the three and six months ended June 30, 2020, respectively. Short-term lease costs, variable lease costs and sublease income were not material.

As of June 30, 2021 and December 31, 2020, the Company's condensed consolidated balance sheets included right-of-use assets in the amount of $32 million and $43 million, respectively, and lease liabilities in the amount of $14 million in accrued liabilities for each period and $31 million and $38 million in lease liabilities, non-current, respectively.

During the three months ended June 30, 2021, the Company adopted a hoteling model when it reopened its headquarters in San Francisco, California and as a result, it ceased using certain office space. As the carrying value of the related right-of-use assets and leasehold improvements exceeded the estimated fair value, the Company recognized an impairment loss of $6 million and included it as part of general and administrative expenses in its condensed consolidated statement of operations for the three and six months ended June 30, 2021. Of the $6 million total impairment loss, approximately $4 million relates to the impairment of the operating lease right-of-use assets and approximately $2 million primarily relates to the impairment of leasehold improvements.

As of June 30, 2021 and December 31, 2020, the weighted-average remaining lease term was 3.5 years and 3.9 years, respectively, and the weighted-average discount rate used to determine the net present value of the lease liabilities was 6%.

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

	Six Months Ended,	
	June 30, 2021	June 30, 2020
	(in millions)	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 7	$ 7
Right-of-use assets obtained in exchange for new lease liabilities	$ —	$ 6

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

Year ending December 31,	June 30, 2021 (in millions)
2021 (remaining six months)	$ 9
2022	15
2023	11
2024	10
2025	5
Total lease payments	50
Less: imputed interest	(5)
Present value of lease liabilities	$ 45

NOTE 7. COMMITMENTS AND CONTINGENCIES

Revolving Credit Facility

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

The Revolving Credit Facility contains customary conditions to borrowing, events of default and covenants, including covenants that restrict the Company’s ability (and the ability of certain of the Company’s subsidiaries) to incur indebtedness, grant liens, make certain fundamental changes and asset sales, make distributions to stockholders, make investments or engage in transactions with affiliates. It also contains a minimum liquidity financial covenant of $350 million, which includes unrestricted cash and any available borrowing capacity under the Revolving Credit Facility. The obligations under the Revolving Credit Facility are secured by liens on substantially all of the Company’s domestic assets and are guaranteed by any material domestic subsidiaries, subject to customary exceptions. A standby letter of credit in the amount of approximately $10 million has been issued under the Revolving Credit Facility in conjunction with the lease of the Company’s headquarters in San Francisco, California. As of June 30, 2021, the Company had not made any borrowings under the Revolving Credit Facility and it was in compliance with the related covenants.

Purchase Obligations

Effective September 1, 2019, the Company entered into an amendment to a colocation and cloud services arrangement committing the Company to make payments of $120 million for services over 3 years. As of June 30, 2021, the remaining commitment under this amended agreement was approximately $35 million and is payable within the next two years.

Legal Contingencies and Proceedings

Beginning in May 2021, four putative class action lawsuits were filed in U.S. federal court against the Company, its directors, certain of its officers and the underwriters named in its IPO registration statement alleging violations of securities laws based on statements made in its registration statement on Form S-1 filed with the SEC in connection with its IPO and seeking monetary damages. These lawsuits were filed in the U.S. District Court for the Northern District of California. The Company believes these lawsuits are without merit and it intends to vigorously defend them. Based on the preliminary nature of the proceedings in these cases, the outcome of these matters remains uncertain. Given that the Company is in the early stages of the litigation process, it is unable to estimate the range of potential loss, if any.

As of June 30, 2021 and December 31, 2020, in the opinion of management, there were no other legal contingency matters that arose in the ordinary course of business, either individually or in aggregate, that would have a material adverse effect on the financial position, results of operations, or cash flows of the Company. Given the unpredictable nature of legal proceedings, the Company bases its estimate on the information available at the time of the assessment. As additional information becomes available, the Company reassesses the potential liability and may revise the estimate.

NOTE 8. EQUITY AWARD ACTIVITY AND STOCK-BASED COMPENSATION

Equity Award Activity

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

	Options Outstanding			RSUs Outstanding
	Number of Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term (In Years)	Number of RSUs
	(in millions)			(in millions)
Balances at December 31, 2020	75	$ 0.234	3.2	30
Granted	—	$ —		14
Vested	—	$ —		(4)
Exercised	(5)	$ 0.312		—
Forfeited or cancelled	—	$ —		(1)
Balances at June 30, 2021(1)	70	$ 0.228	2.8	39

(1) Outstanding RSUs as of June 30, 2021 include 11 million performance-based RSUs.

The weighted-average grant date fair value of restricted stock units ("RSUs") granted during the three and six months ended June 30, 2021 was $14.55 and $14.91 per share, respectively.

Performance Stock Units

In May 2021, the Company's Board of Directors granted its Executive Chair an equity incentive award in the form of performance-based RSUs ("PSUs") consisting of approximately 1 million shares of the Company's common stock, with a grant date fair value per unit of $9.94. The award vests only if the Executive Chair satisfies a service-based vesting condition and if the Company's stock satisfies a market condition. The award will be eligible to vest if the Company's average closing stock price over the 30-calendar day period immediately preceding May 15, 2023 (the "Performance Measurement Date") equals or exceeds a threshold of 149% of the Company's closing stock price of $12.07 on April 20, 2021, with a maximum level of vesting of 200% based on a maximum stock price achievement level of 298%. The Executive Chair must also remain employed as the Company's Executive Chair or another senior executive-level position through the Performance Measurement Date.

The Company used a Monte Carlo simulation model to calculate the fair value of the PSUs on the grant date. The Monte Carlo simulation included the following assumptions, determined based on a term equal to the period of time from the grant date to the end of the performance period of two years: 75.00% stock price volatility, 0.16% risk-free rate and a 0% dividend yield. For the three and six months ended June 30, 2021, the Company recognized approximately $1 million of expense related to these PSUs. As of June 30, 2021, 1 million of these PSUs remained outstanding and the Company will recognize the remaining $7 million of unrecognized stock-based compensation expense related to these PSUs over a period of 1.9 years.

Stock-Based Compensation Expense

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
Cost of revenue	$ 5	$ —	$ 10	$ —
Sales and marketing	3	—	6	—
Product development	14	—	29	—
General and administrative	15	—	29	—
Total stock-based compensation	$ 37	$ —	$ 74	$ —

The Company will recognize the remaining $272 million and $74 million of unrecognized stock-based compensation expense over a weighted-average period of approximately 2.33 years and 3.42 years related to RSUs and PSUs, respectively.

Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan ("ESPP") allows eligible employees to purchase shares of the Company's Class A common stock at a discount through payroll deductions of up to 15% of eligible compensation, subject to caps of $25,000 in any calendar year and 2,500 shares on any purchase date. The ESPP provides for 24-month offering periods, generally beginning in November and May of each year, and each offering period consists of four six-month purchase periods. The initial offering period began on January 1, 2021 and will end in November 2022. During the three and six months ended June 30, 2021, fewer than 1 million shares of common stock were purchased under the ESPP for an aggregate amount of $3 million.

On each purchase date, participating employees will purchase Class A common stock at a price per share equal to 85% of the lesser of the fair market value of the Company's Class A common stock on (i) the first trading day of the applicable offering period, or (ii) the last trading day of each purchase period in the applicable offering period. If the stock price of the Company's Class A common stock on any purchase date in an offering period is lower than the stock price on the enrollment date of that offering period, the offering period will immediately reset after the purchase of shares on such purchase date and automatically roll into a new offering period (ESPP reset). During the three and six months ended June 30, 2021, there was an ESPP reset that resulted in an additional expense of approximately $7 million, which is being recognized over an offering period ending May 20, 2023.

The Company uses the Black-Scholes option pricing model to determine the fair value of shares to be purchased under the ESPP with the following assumptions on the date of grant:

	Three Months Ended June 30, 2021	Six Months Ended June 30, 2021
Expected term (in years)	0.50 to 2.00	0.38 to 2.00
Risk free interest rate	0.02% to 0.17%	0.02% to 0.17%
Volatility	72.87% to 96.88%	46.45% to 96.88%
Dividend yield	—	—
Estimated fair value per share	$3.91 to $5.07	$3.91 to $8.05

NOTE 9. INCOME TAXES

The Company's tax provision for the interim periods is determined using an estimate of the annual effective tax rate, adjusted for discrete items, if any, that arise during the period. Each quarter, the Company assesses its estimate of the annual effective tax rate, and if the estimated annual effective tax rate changes, the Company makes a cumulative adjustment in the period of change.

The Company's quarterly tax provision and the estimate of the annual effective tax rate is subject to fluctuation due to several factors, including variability in pre-tax earnings, the geographic distribution of the pre-tax earnings, tax law changes, non-deductible expenses, such as stock-based compensation, and changes in the estimate of the valuation allowance.

The provision for income taxes was $5 million and $7 million for the three and six months ended June 30, 2021 and was insignificant for the three and six months ended June 30, 2020. The year-over-year increase in provision for income taxes was primarily related to international operations. The Company continues to maintain a valuation allowance on its domestic net deferred tax assets which is excluded from the annual effective tax rate estimate.

The Company had immaterial unrecognized tax benefits as of June 30, 2021 and December 31, 2020, fully offset by a valuation allowance. These unrecognized tax benefits, if recognized, would not affect the effective tax rate. No interest or penalties were incurred during the three and six months ended June 30, 2021 and 2020.

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

NOTE 10. NET LOSS PER SHARE

The Company presents basic and diluted net loss per share attributable to common stockholders in conformity with the two-class method required for participating securities. Prior to the completion of the IPO, all series of redeemable convertible preferred stock were considered participating securities. Immediately prior to the completion of the IPO, all shares of redeemable convertible preferred stock then outstanding were converted into shares of Class B common stock. The Company has not allocated net loss attributable to common stockholders to redeemable convertible preferred stock in any period presented because the holders of its redeemable convertible preferred stock were not contractually obligated to share in losses.

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions, except per share data)			
Numerator:				
Net loss	$ (111)	$ (11)	$ (239)	$ (77)
Denominator:				
Weighted-average shares used in computing net loss per share, basic and diluted	624	107	621	106
Net loss per share, basic and diluted	$ (0.18)	$ (0.10)	$ (0.38)	$ (0.73)

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

	As of June 30,	
	2021	2020
	(in millions)	
Redeemable convertible preferred stock, all series	—	422
Series B warrant	—	10
Warrant to purchase common stock	—	1
Common stock options outstanding	70	76
Unvested restricted stock units outstanding[1]	39	45
Employee Stock Purchase Plan	3	—
Total	112	554

(1) Unvested RSUs outstanding as of June 30, 2021 include 11 million performance-based RSUs.

NOTE 11. GEOGRAPHICAL INFORMATION

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

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

	Three Months Ended June 30,				Six Months Ended June 30,			
	2021		2020		2021		2020	
	(in millions)							
Europe	$ 178	47%	$ 224	40%	$ 413	48%	$ 383	43%
North America[1]	149	39%	264	48%	335	39%	390	44%
South America	17	5%	24	4%	35	4%	47	5%
Other	34	9%	43	8%	72	9%	75	8%
Core marketplace revenue[2]	$ 378	100%	$ 555	100%	$ 855	100%	$ 895	100%

(1) United States accounted for $124 million and $280 million of Core marketplace revenue for the three and six months ended June 30, 2021, respectively and $227 million and $330 million for the three and six months ended June 30, 2020, respectively.

China accounted for substantially all of marketplace and logistics revenue during the three and six months ended June 30, 2021 and 2020 based on the location of the merchants' operations.

The Company's long-lived tangible assets, which consist of property and equipment, net and operating lease right-of-use assets, net, located in the United States were 86% and 87% of the total long-lived tangible assets as of June 30, 2021 and December 31, 2020, respectively. The long-lived tangible assets outside the United States were located in China, Canada and the Netherlands.

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

The following discussion and analysis of our financial condition, results of operations and cash flows should be read in conjunction with (1) the unaudited condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, and (2) the audited condensed consolidated financial statements and notes thereto and management's discussion and analysis of financial condition and results of operations for the year ended December 31, 2020 included in our Annual Report on Form 10-K filed on March 25, 2021. Unless otherwise indicated, all results presented are prepared in a manner that complies, in all material respects, with accounting principles generally accepted in the United States of America ("GAAP"). Additionally, unless otherwise indicated, all changes identified for the current-period results represent comparisons to results for the prior corresponding fiscal period.

Special note regarding forward-looking statements

This report contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those discussed in the forward-looking statements. The statements contained in this report that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, ("the Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipates," "believes," "could," "estimates," "expects," "forecast," "foresee," "intends," "likely," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" and similar expressions or variations intended to identify forward- looking statements. These statements are based on the beliefs and assumptions of the Company's management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Such forward-looking statements speak only as of the date of this report. Except as required by law, the Company undertakes no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" included under Part II, Item 1A below.

This report may contain references to its proprietary intellectual property, including, among others, trademarks for its products and services, such as, WISH, W, WISH LOCAL, WISH PICKUP, WISHPOST, CONTEXTLOGIC, and related registered and pending trademarks and logos.

These trademarks and trade names are the property of Wish or the property of its consolidated subsidiaries and are protected under applicable intellectual property laws. Solely for convenience, its trademarks and tradenames referred to in this Quarterly Report on Form 10-Q may appear without the ® or ™ symbols, but such references are not intended to indicate in any way that the Company will not assert, to the fullest extent under applicable law, its rights to these trademarks and tradenames.

Financial Results for the Three Months Ended June 30, 2021

- Total revenue was $656 million, a decrease of 6% year-over-year.
- Total cost of revenue and operating expenses were $770 million, including stock-based compensation expense of $37 million and $6 million of lease impairment related expenses.
- Loss from operations was $114 million.
- Net loss was $111 million.
- Adjusted EBITDA was a loss of $67 million or 10% of total revenue.
- Cash and cash equivalents and marketable securities were $1.6 billion.

As of June 30, 2021, we had an accumulated deficit of $2.4 billion. We expect losses from operations to continue for the foreseeable future as we incur costs and expenses related to brand development, expansion of market share, continued development of our mobile shopping marketplace infrastructure and development of other businesses.

COVID-19

The outbreak of coronavirus disease 2019 ("COVID-19"), including recent and any future variants, has affected businesses worldwide, as of the date of filing of this Quarterly Report, and continues to impact the major markets in which we operate. The COVID-19 pandemic has resulted in significant governmental measures being implemented to control the spread of the virus. Our operations as well as the operations of our third-party merchants have been, and we expect will continue to be, disrupted by varying individual and governmental responses to COVID-19 around the world. Our MAUs, LTM Active Buyers and revenue declined in the second quarter of 2021 as compared to growth during the second quarter one year ago. The growth last year was driven by the shift of global consumers to purchase online as a result of various government responses, including lockdowns, stay-at-home orders, and business closings, among others. Our MAUs, LTM Active Buyers and revenue may continue to be negatively impacted as we proceed through 2021 due to a combination of reasons including: (i) macroeconomic factors such as worldwide retail businesses reopening; (ii) increased consumer spending on travel and other discretionary items; and, (iii) the waning impact of U.S. and other government economic stimulus programs.

Our Financial Model

Our business benefits from powerful network effects, fueled by our data advantage and scale. As more users join Wish, we are able to increase revenue potential for our merchants. As more merchants succeed on Wish, more merchants join the platform and grow their businesses with Wish, broadening our product selection, which in turn improves user experience. By developing a strategy focused on users and merchants, we align user and merchant success with the success of our financial model. Growth in users and merchants generates more data, which further strengthens our data advantage and helps create an even better experience for everyone on our platform, which in turn should attract more users and high-quality merchants.

Our model relies on cost-effectively adding new users, converting those users into buyers and improving engagement and monetization of those buyers on Wish over time as well as adding new merchants, delivering economic success for those merchants, and having those merchants use more of our end-to-end platform.

Key Financial and Performance Metrics

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
MAU	90	116	95	113
LTM Active Buyers	52	70	52	70
Adjusted EBITDA	$ (67)	$ 16	$ (146)	$ (35)
Adjusted EBITDA Margin	(10)%	2%	(10)%	(3)%
Free Cash Flow	$ (205)	$ 625	$ (559)	$ 496

Monthly Active Users

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

MAUs decreased approximately 22% and 16% from the three and six months ended June 30, 2020 to the three and six months ended June 30, 2021, respectively, which we believe was primarily driven by a decrease in overall mobile usage as stay-at-home restrictions eased around the world and lower marketing efficiency as the costs to advertise on key digital platforms increased.

LTM Active Buyers

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

LTM Active Buyers decreased approximately 26% from the three months ended June 30, 2020 to the three months ended June 30, 2021. We believe this decline was primarily driven by lower monthly active users and reduced conversion.

A Note About Metrics

The numbers for some of our metrics, including MAUs, are calculated and tracked with internal tools, which are not independently verified by any third party. We use these metrics to assess the growth and health of our overall business. While these numbers are based on what we believe to be reasonable estimates of our user or merchant base for the applicable period of measurement, there are inherent challenges in measurement as the methodologies used require significant judgment and may be susceptible to algorithm or other technical errors. In addition, we regularly review and adjust our processes for calculating metrics to improve their accuracy, and our estimates may change due to improvements or changes in technology or our methodology.

Non-GAAP Financial Measures

Adjusted EBITDA and Adjusted EBITDA Margin

We provide Adjusted EBITDA, a non-GAAP financial measure that represents our net income (loss) adjusted to exclude; interest and other income (expense), net (which includes foreign exchange gain or loss, foreign exchange forward contracts gain or loss and gain or loss on one-time non-operating transactions); provision or benefit for income taxes; depreciation and amortization; stock-based compensation expense and related payroll taxes; lease impairment related expenses, remeasurement of redeemable convertible preferred stock warrant liability and other items. Additionally, we provide Adjusted EBITDA Margin, a non-GAAP financial measure that represents Adjusted EBITDA divided by revenue. Below is a reconciliation of Adjusted EBITDA to net loss, the most directly comparable GAAP financial measure.

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

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

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

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
Revenue	$ 656	$ 701	$ 1,428	$ 1,141
Net loss	(111)	(11)	(239)	(77)
Net loss as a percentage of revenue	(17)%	(2)%	(17)%	(7)%
Excluding:				
Interest and other expense (income), net	(8)	(5)	(8)	(8)
Provision for income taxes	5	—	7	—
Depreciation and amortization	3	3	5	5
Stock-based compensation expense	37	—	74	—
Employer payroll taxes related to stock-based compensation expense	—	—	7	—
Remeasurement of redeemable convertible preferred stock warrant liability	—	28	—	43
Lease impairment related expenses	6	—	6	—
Recurring other items	1	1	2	2
Adjusted EBITDA	(67)	16	(146)	(35)
Adjusted EBITDA margin	(10)%	2%	(10)%	(3)%

Free Cash Flow

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

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

- it is not a substitute for net cash provided by (used in) operating activities;
- other companies may calculate Free Cash Flow or similarly titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of free cash flow as a tool for comparison; and
- the utility of free cash flow is further limited as it does not reflect our future contractual commitments and does not represent the total increase or decrease in our cash balance for any given period.

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
Cash provided by (used in) operating activities	$ (204)	$ 625	$ (558)	$ 496
Less:				
Purchases of property and equipment	1	—	1	—
Free Cash Flow	$ (205)	$ 625	$ (559)	$ 496

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
Revenue	$ 656	$ 701	$ 1,428	$ 1,141
Cost of revenue(1)	272	208	607	364
Gross profit	384	493	821	777
Operating expenses:				
Sales and marketing(1)	396	444	866	739
Product development(1)	52	23	103	48
General and administrative(1)	50	14	92	32
Total operating expenses	498	481	1,061	819
Income (loss) from operations	(114)	12	(240)	(42)
Other income (expense), net				
Interest and other income, net	8	5	8	8
Remeasurement of convertible preferred stock warrant liability	—	(28)	—	(43)
Loss before provision for income taxes	(106)	(11)	(232)	(77)
Provision for income taxes	5	—	7	—
Net loss	$ (111)	$ (11)	$ (239)	$ (77)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
	(in millions)			
Cost of revenue	$ 5	$ —	$ 10	$ —
Sales and marketing	3	—	6	—
Product development	14	—	29	—
General and administrative	15	—	29	—
Total stock-based compensation	$ 37	$ —	$ 74	$ —

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	100%	100%	100%	100%
Cost of revenue	41%	30%	43%	32%
Gross profit	59%	70%	57%	68%
Operating expenses:				
Sales and marketing	60%	63%	61%	65%
Product development	8%	3%	7%	4%
General and administrative	8%	2%	6%	3%
Total operating expenses	76%	68%	74%	72%
Loss from operations	(17)%	3%	(17)%	(4)%
Other income (expense), net:				
Interest and other income, net	1%	1%	1%	1%
Remeasurement of convertible preferred stock warrant liability	—	(4)%	—	(4)%
Loss before provision for income taxes	(16)%	(1)%	(16)%	(7)%
Provision for income taxes	1%	—	1%	—
Net loss	(17)%	(1)%	(17)%	(7)%

Comparison of Three and Six Months Ended June 30, 2021 and 2020

Revenue

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
				(in millions)				
Core marketplace revenue[1]	$ 378	$ 555	$ (177)	(32)%	$ 855	$ 895	$ (40)	(4)%
ProductBoost revenue	50	45	5	11%	100	89	11	12%
Marketplace revenue	428	600	(172)	(29)%	955	984	(29)	(3)%
Logistics revenue	228	101	127	126%	473	157	316	201%
Revenue	$ 656	$ 701	$ (45)	(6)%	$ 1,428	$ 1,141	$ 287	25%

(1) Core marketplace revenue for the three and six months ended June 30, 2021 included approximately $21 million that we recognized related to Wish Cash liability breakage. Refer to Note 4 to our condensed consolidated financial statements in Item 1 of Part I, “Financial Information” for additional details. In addition, Core marketplace revenue for the three and six months ended June 30, 2021 included approximately $8 million and $17 million net gains, respectively, from our cash flow hedging program. We did not have a hedging program during the three and six months ended June 30, 2020.

Revenue for the three months ended June 30, 2021 decreased $45 million, or 6%, compared to the same period in 2020 primarily due to a $172 million decrease in marketplace revenue, partially offset by a $127 million increase in logistics revenue.

Revenue for the six months ended June 30, 2021 increased $287 million, or 25%, compared to the same period in 2020 primarily due to increased logistics revenue.

Marketplace revenue for the three and six months ended June 30, 2021 decreased $172 million, or 29%, and $29 million, or 3%, respectively, compared to the same periods in 2020. We believe this decrease was primarily driven by lower order volumes associated with reduced MAUs and LTM Active Buyers, as discussed above under “Key Financial and Performance Metrics.” This decrease in marketplace revenue was partially offset by $21 million of revenue that we recognized during the three and six months ended June 30, 2021 related to Wish Cash liability breakage. Refer to Note 4 to our condensed consolidated financial statements in Item 1 of Part I, “Financial Information” for additional details.

With the reduced digital advertising expenditures, we expect our marketplace revenue to decline further in the second half of 2021.

Logistics revenue for the three and six months ended June 30, 2021 increased $127 million, or 126% and $316 million, or 201%, respectively, compared to the same periods in 2020. We believe this increase was primarily due to accelerated merchant adoption of our logistics offerings, as well as the expansion of our A+ program, in which Wish manages first mile collection from merchants to warehousing operations all the way to last mile delivery to the buyer.

Cost of Revenue and Gross Margin

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
	(in millions)							
Cost of revenue	$ 272	$ 208	$ 64	31%	$ 607	$ 364	$ 243	67%
Percentage of revenue	41%	30%			43%	32%		
Gross Margin	59%	70%			57%	68%		

Cost of revenue for the three and six months ended June 30, 2021 increased $64 million, or 31%, and $243 million, or 67%, respectively, compared to the same periods in 2020. This increase was primarily due to costs related to the increased volume of logistics services provided and increased headcount. The increase was also driven by a $5 million and $10 million stock-based compensation expense and related employer payroll taxes that we recognized for our employees involved in infrastructure, merchant support, and logistics functions during the three and six months ended June 30, 2021, respectively.

Gross margin decreased to 59% and 57% for the three and six months ended June 30, 2021, respectively, from 70% and 68% for the three and six months ended June 30, 2020, respectively, primarily due to increased volume of logistics services provided and the fact that logistics gross margin was at a significantly lower rate than marketplace gross margin.

Sales and Marketing

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
	(in millions)							
Sales and marketing	$ 396	$ 444	$ (48)	(11)%	$ 866	$ 739	$ 127	17%
Percentage of revenue	60%	63%			61%	65%		

Sales and marketing expense for the three months ended June 30, 2021 decreased $48 million, or 11%, compared to the same period in 2020 primarily due to lower digital advertising expense.

Sales and marketing expenses for the six months ended June 30, 2021 increased $127 million, or 17%, compared to the same period in 2020. The increase in sales and marketing expenses consisted primarily of incremental digital advertising spend associated with increased pricing from our largest vendors. To a lesser extent, the increase was also driven by a $7 million stock-based compensation expense and related employer payroll taxes for our employees involved in marketing, user support, and business development functions. While we anticipate that sales and marketing expenses will continue to be our most significant operating expense in the future, we expect these expenses to decline in the second half of 2021 as compared to the same period in 2020 primarily due to reduced digital advertising expenditures.

Product Development

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
				(in millions)				
Product development	$ 52	$ 23	$ 29	126%	$ 103	$ 48	$ 55	115%
Percentage of revenue	8%	3%			7%	4%		

Product development expense for the three and six months ended June 30, 2021 increased $29 million, or 126%, and $55 million, or 115%, respectively, compared to the same periods in 2020 primarily as a result of an increase in employee-related costs driven by increased headcount and a $15 million and a $32 million stock-based compensation expense and related employer payroll taxes that we recognized for our employees involved in product development activities during the three and six months ended June 30, 2021, respectively. The increase was also, to a lesser extent, driven by expenses associated with data warehousing, processing and analytics.

General and Administrative

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
				(in millions)				
General and administrative	$ 50	$ 14	$ 36	257%	$ 92	$ 32	$ 60	188%
Percentage of revenue	8%	2%			6%	3%		

General and administrative expense for the three and six months ended June 30, 2021 increased $36 million, or 257%, and $60 million, or 188%, respectively compared to the same periods in 2020. The increase was primarily related to a $15 million and a $31 million stock-based compensation expense and related employer payroll taxes that we recognized during the three and six months ended June 30, 2021, respectively, and increases in headcount, legal, tax, insurance and audit-related expenses associated with being a publicly listed company. During the three and six months ended June 30, 2021, we also recognized approximately $6 million of lease impairment related expenses. Refer to Note 6 to our condensed consolidated financial statements in Item 1 of Part I, “Financial Information” for additional details.

Remeasurement of Redeemable Convertible Preferred Stock Warrant Liability

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	2020	$	%	2021	2020	$	%
				(in millions)				
Remeasurement of redeemable convertible preferred stock warrant liability	$ —	$ (28)	$ 28	(100)%	$ —	$ (43)	$ 43	(100)%
Percentage of revenue	—	(4)%			—	(4)%		

The $28 million and $43 million expense that we recognized during the three and six months ended June 30, 2020, respectively, was related to the change in fair value of the redeemable convertible preferred stock warrant liability. There was no remeasurement charge recognized during the three and six months ended June 30, 2021 because immediately prior to the completion of our IPO in December 2020, the outstanding redeemable convertible preferred stock warrant was net exercised. The fair value of the warrant at the time of exercise was reclassified into the Company’s Class A common stock and additional paid-in capital.

Provision for Income Taxes

	Three Months Ended June 30,		Change		Six Months Ended June 30,		Change	
	2021	**2020**	**$**	**%**	**2021**	**2020**	**$**	**%**
				(in millions)				
Provision for income taxes	$ 5	$ —	$ 5	100%	$ 7	$ —	$ 7	100%
Percentage of revenue	1%	—			1%	—		

Provision for income taxes for the three and six months ended June 30, 2021 increased $5 million and $7 million, respectively, compared to the same periods in 2020 primarily due to an increase of taxes related to our international operations.

Liquidity and Capital Resources

As of June 30, 2021, we had cash, cash equivalents and marketable securities of $1.6 billion, a majority of which were held in cash deposits and money market funds, and were held for working capital purposes. We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet our anticipated cash needs for at least the next 12 months. Additional future financing may be necessary to fund our operations and there can be no assurance that, if needed, we will be able to secure additional debt or equity financing on terms acceptable to us or at all, especially in light of the market volatility and uncertainty as a result of the COVID-19 pandemic. Although we believe we have adequate sources of liquidity over the long term, the success of our operations, the global economic outlook, and the pace of sustainable growth in our markets, in each case, in light of the market volatility and uncertainty as a result of the COVID-19 pandemic, among other factors, could impact our business and liquidity.

November 2020 Credit Facility

In November 2020, we entered into the Revolving Credit Facility which enables us to borrow up to $280 million. The Revolving Credit Facility contains an accordion option which, if exercised and provided we are able to secure additional lender commitments and satisfy certain other conditions, would allow us to increase the aggregate commitments by up to $100 million. As of June 30, 2021, we had not made any borrowings under the Revolving Credit Facility. Refer to Note 7 to our condensed consolidated financial statements in Item 1 of Part I, “Financial Information” for additional details related to the Revolving Credit Facility.

Cash Flows

	Six Months Ended June 30,	
	2021	**2020**
	(in millions)	
Cash provided by (used in):		
Operating activities	$ (558)	$ 496
Investing activities	(2)	66
Financing activities	—	—

Net Cash Provided by (Used in) Operating Activities

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

Net cash used in our operating activities for the six months ended June 30, 2021 was $558 million. This was primarily driven by our net loss of $239 million and $410 million unfavorable net working capital changes, which was partially offset by non-cash expenses, such as stock-based compensation expense of $74 million. Unfavorable working capital movement was mainly driven by accounts payable, merchants payable and accrued and refund liabilities. Accounts payable decreased by $179 million primarily due to timing of payments and shorter vendor payment terms. Earlier during the COVID-19 pandemic, we were able to negotiate favorable payment terms with certain key digital advertising partners (45 days and 60 days). The payment terms with these key digital advertising partners reverted back to 30 days when the favorable terms expired on December 31, 2020. Merchants payable decreased by $141 million primarily driven by lower volumes in the first half of 2021 compared to the fourth quarter of 2020 due to seasonality and higher percentage of shipments through our A+ program which accelerated the payment of merchants payable due to higher delivery confirmation rates.

Net cash provided by our operating activities for the six months ended June 30, 2020 was $496 million. This was primarily driven by favorable net working capital changes of $521 million and the remeasurement of redeemable convertible preferred stock warrant liability of $43 million, which was partially offset by our net loss of $77 million.

Net Cash Provided by (Used in) Investing Activities

Our primary investing activities have consisted of investing excess cash balances in marketable securities.

Net cash used in investing activities was $2 million for the six months ended June 30, 2021. This was primarily due to $124 million purchases of marketable securities, partially offset by $123 million of maturities of marketable securities.

Net cash provided by investing activities was $66 million for the six months ended June 30, 2020. This was primarily due to $244 million maturities of marketable securities, partially offset by $178 million purchases of marketable securities.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by (used in) our financing activities was nil for each of the six months ended June 30, 2021 and 2020.

Off Balance Sheet Arrangements

For the three and six months ended June 30, 2021 and 2020, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Contingencies

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

Critical Accounting Policies

The preparation of financial statements and related disclosures in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, we evaluate our estimates, including those listed below. We base our estimates on historical facts and various other assumptions that we believe to be reasonable at the time the estimates are made. Actual results could differ from those estimates.

Our critical accounting policies are as follows:

- Revenue recognition;
- Operating lease obligations;
- Stock-based compensation; and
- Income taxes.

Our critical accounting policies are important to the portrayal of our financial condition and results of operations, and require us to make judgments and estimates about matters that are inherently uncertain.

There have been no material changes to our critical accounting policies and estimates as compared to those described in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on March 25, 2021.

Recent Accounting Pronouncements

See Note 1 of Part I, Item 1 of this Quarterly Report on Form 10-Q for a full description of recent accounting pronouncements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Sensitivity

Cash, cash equivalents and marketable securities as of June 30, 2021 were held primarily in cash deposits and money market funds. The fair value of our cash, cash equivalents, and investments would not be significantly affected by either an increase or decrease in interest rates due mainly to the short-term nature of these instruments. A 100 basis point increase or decrease in our current interest rates would have increased or decreased our interest income by $16 million for each of the three and six months ended June 30, 2021.

Foreign Currency Risk

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

The credit risk of our foreign exchange derivative contracts is minimized since contracts are not concentrated with any one financial institution and all contracts are only placed with large financial institutions. The gains and losses on foreign exchange derivative contracts generally offset the losses and gains on the assets, liabilities and transactions hedged. The fair value of foreign exchange derivative contracts is reported in the condensed consolidated balance sheets. The majority of these foreign exchange contracts expire in less than three months and all expire within one year. Refer to Note 5 to our condensed consolidated financial statements in Item 1 of Part I, “Financial Statements” for more information related to our derivative financial instruments.

Based on our overall currency rate exposures as of June 30, 2021, including the derivative financial instruments intended to hedge the nonfunctional currency-denominated monetary assets, liabilities and cash flows, and other factors, a 10% appreciation or depreciation of the U.S. dollar from its cross-functional rates would not be expected, in the aggregate, to have a material effect on our financial position, results of operations and cash flows in the near-term.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations. If the Company’s costs were to become subject to significant inflationary pressures, the Company may not be able to fully offset such higher costs through increases in revenue. The Company’s inability or failure to do so could harm the Company’s business, financial condition, and results of operations.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this report. Based on management’s evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures are effective at a reasonable assurance level.

In designing and evaluating our disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the three months ended June 30, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Information with respect to this item may be found in Note 7, Commitments and Contingencies, in our Notes to Unaudited Condensed Consolidated Financial Statements included in Part I, Item 1, of this Quarterly Report on Form 10-Q, which information is incorporated herein by reference.

Item 1A. Risk Factors.

You should carefully consider the risks and uncertainties described under the heading "Risk Factors" in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 (the "2020 Form 10-K"), together with all of the other information contained in this Quarterly Report on Form 10-Q, including our condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect our business. These risk factors could materially and adversely affect our business, financial condition and results of operations, and the market price of our Class A common stock could decline. These risk factors do not identify all risks that we face – our operations could also be affected by factors that are not presently known to us or that we currently consider to be immaterial to our operations. Due to risks and uncertainties, known and unknown, our past financial results may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods. There have been no additional material changes from the risks and uncertainties previously disclosed under the "Risk Factors" section in our 2020 Form 10-K.

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

(a) Unregistered Sales of Equity Securities
None

(b) Use of Proceeds

Our IPO of Class A common stock was effected through a Registration Statement on Form S-1 (File Nos. 333-250531), which was declared or became effective on December 15, 2020. There has been no material change in the use of proceeds from our IPO as described in our final prospectus dated December 15, 2020 filed with the Securities and Exchange Commission, or SEC, pursuant to Rule 424(b) of the Securities Act of 1933, as amended, or the Securities Act.

Item 6. Exhibits.

Exhibit Number	Description
10.1	Offer Letter, dated May 11, 2021, by and between the Company and Jacqueline Reses (incorporated by reference from our Current Report on Form 8-K filed on May 12, 2021).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.3*	Certification of Interim Co-Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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.
32.3**	Certification of Interim Co-Chief 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 XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

* Filed herewith.

** Furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ContextLogic Inc.

Date: August 12, 2021

By: /s/ Brett Just

Brett Just

Interim Co-Chief Financial Officer

(Principal Financial Officer)

Exhibit 31.1

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

I, Piotr Szulczewski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ContextLogic Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [Omitted];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 12, 2021

By: /s/ Piotr Szulczewski
Piotr Szulczewski
Chief Executive Officer and Chairperson
(Principal Executive Officer)

Exhibit 31.2

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

I, Brett Just, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ContextLogic Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [Omitted];

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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

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

Date: August 12, 2021

By: /s/ Brett Just
Brett Just
Interim Co-Chief Financial Officer
(Principal Financial Officer)

Exhibit 31.3

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

I, Jennifer Oliver, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of ContextLogic Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) 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) [Omitted];
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 12, 2021

By: /s/ Jennifer Oliver
Jennifer Oliver
Interim Co-Chief Financial Officer

Exhibit 32.1

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

In connection with the Quarterly Report of ContextLogic Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2021

By: /s/ Piotr Szulczewski
Piotr Szulczewski
Chief Executive Officer and Chairperson
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of ContextLogic Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2021

By: /s/ Brett Just
Brett Just
Interim Co-Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.3

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

In connection with the Quarterly Report of ContextLogic Inc. (the “Company”) on Form 10-Q for the period ended June 30, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 12, 2021

By: /s/ Jennifer Oliver
Jennifer Oliver
Interim Co-Chief Financial Officer