

REFINITIV

DELTA REPORT

10-Q

FROG - JFROG LTD

10-Q - SEPTEMBER 30, 2023 COMPARED TO 10-Q - JUNE 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS 650

 **CHANGES** 247

 **DELETIONS** 185

 **ADDITIONS** 218

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended **June** September 30, 2023

OR

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

Commission File Number: 001-39492

JFrog Ltd.

(Exact name of Registrant as specified in its charter)

Israel **98-0680649**

(State or other jurisdiction of incorporation or organization) **(I.R.S. Employer Identification Number)**

**270 E. Caribbean Drive
Sunnyvale, California 94089
(408) 329-1540**

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Ordinary Shares, NIS 0.01 par value	FROG	The 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
Emerging growth company
 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

As of July 31, 2023 October 27, 2023, the registrant had 103,788,604 104,887,026 ordinary shares, NIS 0.01 par value per share, outstanding.

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NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, operating expenses, operating cash flow and free cash flow, and our ability to achieve, and maintain, future profitability
- market acceptance of our products;
- our expectations about the impact of global economic disruptions resulting from natural disasters, public health epidemics, protests or riots, and geopolitical tensions or war, such as the war between Hamas and Israel and the war in Ukraine, on our business, results of operations and financial condition;
- our expectations about the impact of unfavorable economic conditions, and adverse macroeconomic conditions, such as recent inflation and slower growth or recession, on our business and financial condition;

- the effects of increased competition in our markets and our ability to compete effectively;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate;
- our expectations about the impact of global economic disruptions resulting from natural disasters, public health epidemics, protests or riots, and geopolitical tensions or war, such as the war in Ukraine, on our business, results of operations and financial condition;
- our ability to maintain and expand our customer base, including by attracting new customers;
- our ability to successfully expand in our existing markets and into new markets;
- our ability to maintain the security and availability of our software;
- our ability to maintain or increase our net dollar retention rate;
- our ability to develop new products, or enhancements to our existing products, and bring them to market in a timely manner;
- our business model and our ability to effectively manage our growth and associated investments;
- our ability to integrate and realize anticipated synergies from acquisitions of complementary businesses;
- beliefs and objectives for future operations, including regarding our market opportunity;
- our relationships with third parties, including our technology partners and cloud providers;
- our ability to maintain, protect, and enhance our intellectual property rights;
- our ability to successfully defend litigation brought against us;
- our ability to attract and retain qualified employees and key personnel;
- the sufficiency of our cash and cash equivalents to meet our liquidity needs;
- our ability to comply with laws and regulations that currently apply or become applicable to our business in Israel, the United States, and internationally; and
- the future trading prices of our ordinary shares.

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You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "*Risk Factors*" and elsewhere in this Quarterly Report on Form 10-Q. Moreover,

we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking 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. 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 we may make.

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

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JFROG LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

Assets	As of		As of	
	June 30,	Decembe	Septembe	Decembe
	2023	r 31, 2022	r 30, 2023	r 31, 2022
Current assets:				

Cash and cash equivalents	46,6	45,59	60,98	45,59
	\$ 94	\$ 5	\$ 4	\$ 5
Short-term investments	423,	397,6	441,1	397,6
	100	05	94	05
Accounts receivable, net	62,4	62,11	60,92	62,11
	98	7	2	7
Deferred contract acquisition costs	9,06		10,21	
	3	8,102	1	8,102
Prepaid expenses and other current assets	16,9	18,60	13,92	18,60
	55	3	4	3
Total current assets	558,	532,0	587,2	532,0
	310	22	35	22
Property and equipment, net	7,02			
	8	8,021	6,582	8,021
Deferred contract acquisition costs, noncurrent	14,1	13,50	16,16	13,50
	34	1	1	1
Operating lease right-of-use assets	27,3	24,60	25,21	24,60
	61	2	2	2
Intangible assets, net	31,6	37,54	28,65	37,54
	18	4	7	4
Goodwill	247,	247,9	247,9	247,9
	955	55	55	55
Other assets, noncurrent	8,71			
	5	7,576	7,805	7,576
Total assets	895,	871,2	919,6	871,2
	\$ 121	\$ 21	\$ 07	\$ 21
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	13,0	14,86	14,71	14,86
	\$ 97	\$ 7	\$ 2	\$ 7
Accrued expenses and other current liabilities	31,7	28,84	32,08	28,84
	24	8	3	8
Operating lease liabilities	8,27			
	2	7,132	8,163	7,132
Deferred revenue	170,	158,7	179,4	158,7
	967	25	46	25

Total current liabilities	224, 060	209,5 72	234,4 04	209,5 72
Deferred revenue, noncurrent	13,4 41	16,99 0	12,48 9	16,99 0
Operating lease liabilities, noncurrent	18,2 41	16,82 9	15,90 3	16,82 9
Other liabilities, noncurrent	3,48 7		3,713 3,057	3,057
Total liabilities	259, 229	246,4 48	266,5 09	246,4 48
Commitments and contingencies (Note 10)				
Shareholders' equity:				
Preferred shares, NIS 0.01 par value per share; 50,000,000 shares authorized; 0 issued and outstanding as of June 30, 2023 and December 31, 2022	—	—		
Ordinary shares, NIS 0.01 par value per share, 500,000,000 shares authorized; 103,620,107 and 100,907,857 shares issued and outstanding as of June 30, 2023 and December 31, 2022, respectively	290	283		
Preferred shares, NIS 0.01 par value per share; 50,000,000 shares authorized; 0 issued and outstanding as of September 30, 2023 and December 31, 2022			—	—
Ordinary shares, NIS 0.01 par value per share, 500,000,000 shares authorized; 104,864,865 and 100,907,857 shares issued and outstanding as of September 30, 2023 and December 31, 2022, respectively			294	283
Additional paid-in capital	904, 531	856,4 38	935,4 45	856,4 38
Accumulated other comprehensive loss	(3,4 77)	(2,772)	(3,442)	(2,772)
Accumulated deficit	(265 ,452)	(229,1 76)	(279,1 99)	(229,1 76)
Total shareholders' equity	635, 892	624,7 73	653,0 98	624,7 73
Total liabilities and shareholders' equity	895, \$ 121	871,2 \$ 21	919,6 \$ 07	871,2 \$ 21

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

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JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue:								
Subscription—self-managed and SaaS	79,4	63,	154,	,74	84,1	67,7	238,	190,
	\$ 67	\$ 679	\$ 010	\$ 8	\$ 31	\$ 50	\$ 141	\$ 498
License—self-managed	4,70	4,1	9,98	8,7	4,50	4,24	14,4	12,9
Total subscription revenue	70	807	990	3	36	91	626	494
Cost of revenue:								
Subscription—self-managed and SaaS	18,2	15,	36,4	28,	19,5	15,6	55,9	44,3
	31	024	34	667	32	78	66	45
License—self-managed	218	220	436	440	218	220	654	660
Total cost of revenue—subscription	18,4	15,	36,8	29,	19,7	15,8	56,6	45,0
Gross profit	49	244	70	107	50	98	20	05
	21	563	120	6	86	93	006	489
Operating expenses:								
Research and development	33,5	28,	68,4	56,	33,3	31,6	101,	87,7
Sales and marketing	44	945	30	046	58	98	788	44
	36,3	31,	71,8	61,	37,9	33,1	109,	94,3
	52	991	38	171	15	52	753	23

General and administrative	14,7 32	14, 037	28,9 72	26, 728	15,6 63	14,6 82	44,6 35	41,4 10
Total operating expenses	84,6 28	74, 973	169, 240	,94 5	86,9 36	79,5 32	256, 176	223, 477
Operating loss	(18, 907)	(22, 410)	(42, 120)	(41, 549)	(18,0 50)	(23, 439)	(60, 170)	(64, 988)
Interest and other income, net	4,89 6		8,88 8		5,73 3	1,36 9	14,6 21	2,15 9
Loss before income taxes	(14, 011)	(21, 893)	(33, 232)	(40, 759)	(12,3 17)	(22, 070)	(45, 549)	(62, 829)
Income tax expense	1,45 6	1,8 80	3,04 4	2,7 18	1,43 0	1,48 2	4,47 4	4,20 0
Net loss	(15, \$ 467)	(23, \$ 773)	(36, \$ 276)	(43, \$ 477)	(13,7 \$ 47)	(23, \$ 552)	(50, \$ 023)	(67, \$ 029)
Net loss per share, basic and diluted	(0.1 \$ 5)	(0.2 \$ 4)	(0.3 \$ 6)	(0.4 \$ 4)		(0.2 \$ 4)	(0.4 \$ 9)	(0.6 \$ 8)
Weighted-average shares used in computing net loss per share, basic and diluted	98, 102, 512, 578	98, 955 ,71 1	98, 101, 890, 022	422 ,72 3	104, 134, 17,6 649	99,6 102, 646, 87	102, 98,8 25,4 453	98,8 22

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

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JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023	2022	2023	2022
Net loss	\$ (15,467)	\$ (23,773)	\$ (36,276)	\$ (43,477)

Other comprehensive loss, net of tax:

Unrealized losses on available-for-sale marketable securities, net	(865)	(192)	(293)	(909)
Unrealized losses on derivative instruments, net	(239)	(3,284)	(412)	(4,048)
Other comprehensive loss	(1,104)	(3,476)	(705)	(4,957)
Comprehensive loss	<u>\$ (16,571)</u>	<u>\$ (27,249)</u>	<u>\$ (36,981)</u>	<u>\$ (48,434)</u>

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Net loss	\$ (13,747)	\$ (23,552)	\$ (50,023)	\$ (67,029)
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on available-for-sale marketable securities, net of tax	449	(830)	156	(1,739)
Unrealized gains (losses) on derivative instruments, net of tax	(414)	934	(826)	(3,114)
Other comprehensive income (loss)	35	104	(670)	(4,853)
Comprehensive loss	<u>\$ (13,712)</u>	<u>\$ (23,448)</u>	<u>\$ (50,693)</u>	<u>\$ (71,882)</u>

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

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JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

Three Months Ended June 30, 2023

Three Months Ended September 30, 2023

	Accumulated Other						Accumulated Other					
	Addition			Comprehensive			Additional			Comprehensive		
	Ordinary Shares	Paid-in Capital	Shareholders' Deficit	Ordinary Shares	Capital	Shareholders' Deficit	Ordinary Shares	Paid-in Capital	Shareholders' Deficit	Ordinary Shares	Paid-in Capital	Shareholders' Deficit
	Shares	Amount		Shares	Amount		Shares	Amount		Shares	Amount	
Balance as of March 31, 2023	10,183	\$ 6,023		(2,88)	49,49		62,62			10,362	\$ 2,903	
	38,543	28	1,037	37	98	8,9				20,20	29	4,547
	3,3	\$ 6	\$ 02	\$ 3)	\$ 5)	\$ 30				7,7	\$ 0	\$ 31 \$ 7)
												\$ 2)
Balance as of June 30, 2023	10,362						10,65,63			20,90	(3,	65,63
	20,20						10,45			29	4,547	
	7,7						7,47			\$ 31	\$ 7)	
												\$ 2)
Issuance of ordinary shares upon exercise of share options	55						38			2,7	2,0	
	5,8		2,2				2,2					2,0
	42	1	10	—	—	11				42	2	64
Issuance of ordinary shares upon release of restricted share units	1,2						2,0			—	—	66
	25,											
	72											
	2	3	(3)	—	—	—				20	2	(2)

Issuance of ordinary shares under the employee share purchase plan	16	1,7	3,1	3,1
Issuance of ordinary shares related to business combination	55,46	6	—	—
Share-based compensation expense	21,32	21,32	25,68	25,68
Other comprehensive loss, net of tax	(1,10)	(1,10)	—	—
Other comprehensive income, net of tax	—	—	35	35
Net loss	(1,5,4)	(1,5,4)	(1,3,7)	(1,3,7)
Balance as of June 30, 2023	10,3,6,20,10,7	10,29,90,4,5,47,2,7)	10,65,63,45,5,8,67)	10,66,66,66,67)

Balance as of September 30, 2023	10	4,8	(2)	64,	93	(3,	79,	65
	86	29	5,4	44	19	3,0		
	5	\$ 4	\$ 45	\$ 2)	\$ 9)	\$ 98		
	<u> </u>							

Three Months Ended June 30, 2022						Three Months Ended September 30, 2022					
		Accumulated Other						Accumulated Other			
		Addition	Compr	Accum	Total			Addition	Compr	Accum	Total
Ordinary Shares		Paid-in				Ordinary Shares		Paid-in			
Amount						Share					
		Shares									
Balance as of March 31, 2022	98,	64	79	58,	63	99,	28	81	(4,	82,	62
	1,8	27	5,8	(87	69	2,5	27	1,9	34	46	5,4
	58	\$ 6	\$ 08	\$ 0	\$ 6)	\$ 18	27	\$ 8	\$ 61	\$ 6)	\$ 9)
Balance as of June 30, 2022											
Issuance of ordinary shares upon exercise of share options	43					30	8,4	1,8			1,8
	8,5		1,0			8,4	1	01	—	—	02
	77	1	77	—	—	92					
Issuance of ordinary shares upon release of restricted share units	20					47	5,5				
	2,0					64	2	(2)	—	—	—
	92	1	(1)	—	—						

Issuance of ordinary shares under the employee share purchase plan	10	6,9	1,9	1,9
	44	—	23	—
Issuance of ordinary shares related to business combination	10, 95	—	—	—
n	1	—	—	—
Share-based compensation on expense	15, 07	15, 07	19, 21	19, 21
—	7	—	7	7
Other comprehensive loss, net of tax	(3, 47	(3, 47	—	—
—	—	—	6)	6)
Other comprehensive income, net of tax	—	—	—	10
Net loss	(2 3,7 —	(2 3,7 —	—	10
—	—	—	—	4
Balance as of June 30, 2022	99, 28 2,5 27 1,9 34 46 5,4 27 \$ 8 \$ 61 \$ 6) \$ 9) \$ 24	(1 81 (4, 82, 62 5,4 52) 52)	—	—

Balance as	10						
of	0,1						(2)
September	84,	83	(4,	06,	62		
30, 2022	47	28	4,9	24	02	4,9	
	8	\$ 1	\$ 00	\$ 2)	\$ 1)	\$ 18	
	<u> </u>						

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

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JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except share data)
(unaudited)

	Six Months Ended June 30, 2023						Nine Months Ended September 30, 2023					
Balance as												
of	10						10					
September	0,9						0,9					
30, 2022	07,	85	(2,	29,	62		07,	85	(2,	29,	62	
	85	28	6,4	77	17	4,7	85	28	6,4	77	17	4,7
	7	\$ 3	\$ 38	\$ 2)	\$ 6)	\$ 73	7	\$ 3	\$ 38	\$ 2)	\$ 6)	\$ 73

Issuance of ordinary shares upon exercise of share options	90,7,6,36	3,3,65	—	—	3,3,67	1,2,37,8	5,4,29,4	—	—	5,4,33
Issuance of ordinary shares upon release of restricted share units	1,5,97,22,6	—,4,(4)	—	—	—	2,2,42,04,6	6,6,(6)	—	—	—
Issuance of ordinary shares under the employee share purchase plan	20,7,3,88	3,4,1,98	—	—	3,4,99	36,9,1,18	6,6,64	—	—	6,6,65
Issuance of ordinary shares related to business combination	55,46,6	—	—	—	—	—	—	—	—	—
Share-based compensation expense	41,23,4	—	—	—	41,23,4	66,92,0	—	—	—	66,92,0
Other comprehensive loss, net of tax	(70,5)	—	—	—	(7,05)	(6,70)	—	—	—	(6,70)

Net loss			(3	(3			(5	(5
			6,2	6,2			0,0	0,0
	—	—	—	—	76)	76)	—	—
Balance as	10						—	—
of June 30,	3,6			(2				
2023	20,	90	(3,	65,	63			
	10	29	4,5	47	45	5,8		
	7	\$ 0	\$ 31	\$ 7)	\$ 2)	\$ 92		
Balance as					10			
of					4,8			(2
September					64,	93	(3,	79,
30, 2023					86	29	5,4	44
					5	\$ 4	\$ 45	\$ 2)
						\$ 9)	\$ 98	

	Six Months Ended June 30, 2022					Nine Months Ended September 30, 2022				
	Accum					Accum				
	ulated					ulated				
	Other					Other				
	Additi	Compr		Total		Additi	Compr		Total	
	onal	ehensi	Accum	Shareh		onal	ehensi	Accum	Shareh	
Ordinary Shares	Paid-in	ve	ulated	olders'		Ordinary Shares	in	ve	ulated	olders'
	Amoun		Incom				Incom			
	Shares	t	Capital	e (Loss)	Deficit	Equity	Share	Amou	Capita	e
								s	nt	
Balance as	97,				(1		97,			
of December	31		77		38,	63	31		77	
31, 2021	2,0	27	6,6	61	99	8,5	2,0	27	6,6	61
	40	\$ 2	\$ 90	\$ 1	\$ 2)	\$ 81	40	\$ 2	\$ 90	\$ 1
Issuance of										
ordinary										
shares										
upon	1,4						1,7			
exercise of	56,						64,			
share	24		2,8		2,8		73		4,6	
options	6	4	69	—	—	73	8	5	70	—
										4,6
										75

Issuance of ordinary shares upon release of restricted share units	31	1	(1)	—	—	—	78	7,0	72	3	(3)	—	—	—
Issuance of ordinary shares under the employee share purchase plan	1,5	08	1	(1)	—	—	—	—	72	3	(3)	—	—	—
Issuance of ordinary shares	15	4,5	50	1	52	—	—	53	26	1,4	5,1	—	—	5,1
under the employee share purchase plan	15	4,5	50	1	52	—	—	53	94	1	75	—	—	76
Issuance of ordinary shares related to business combination	48,18	3	—	—	—	—	—	—	59,13	—	—	—	—	—
Share-based compensation expense	29,15	—	—	1	—	—	1	—	—	8	—	—	—	8
on expense	29,15	—	—	1	—	—	1	—	—	8	—	—	—	8
Other comprehensive loss, net of tax	(4,95)	—	—	—	7)	—	7)	—	—	—	3)	—	—	(4,85)
Net loss	(4,3,4)	—	—	—	—	—	—	—	—	—	—	—	—	(6,7,0)
	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Balance as of June 30, 2022	99,28	2,5	81	(4,27)	1,9	34	46	62	5,4	—	—	—	—	29)
	—	—	—	—	—	—	—	—	—	—	—	—	—	29)
	—	—	—	—	—	—	—	—	—	—	—	—	—	29)

Balance as	10					
of	0,1					(2
September	84,	83	(4,	06,	62	
30, 2022	47	28	4,9	24	02	4,9
	8	\$ 1	\$ 00	\$ 2)	\$ 1)	\$ 18
	<u> </u>					

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

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JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Six Months Ended June		Nine Months Ended	
	30,		September 30,	
	2023	2022	2023	2022
Cash flows from operating activities:				
Net loss	(36, \$ 276)	(43, \$ 477)	(50,0 \$ 23)	(67,0 \$ 29)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Depreciation and amortization	7,67 5	7,09 1	11,51 2	10,7 89
Share-based compensation expense	41,2 34	29,1 51	66,92 0	48,3 68
Non-cash operating lease expense	4,14 5	3,60 2	6,294 0	5,44 9
Net amortization of premium or discount on investments	(2,8 70)	2,38 8	(4,58 8)	3,01 4
Gain on foreign exchange	(591)	—		
Losses (gains) on foreign exchange				1,93 7
Changes in operating assets and liabilities:				

Accounts receivable	(2,5)	1,21
	(221)	5
Prepaid expenses and other assets	4,13	5,10
	61)	5
Deferred contract acquisition costs	(3,6)	(5,47
	94)	0)
Accounts payable	2,22	2,12
	13)	8
Accrued expenses and other liabilities	5,45	3,18
	0	9
Operating lease liabilities	(5,4	(7,21
	70)	2)
Deferred revenue	9,96	12,6
	3	28
Net cash provided by operating activities	8,98	14,1
	15,5	14,1
	81	11
Cash flows from investing activities:		
Purchases of short-term investments	(181	(305,
	,572)	715)
Maturities and sales of short-term investments	155,	273,
	171	775
Purchases of property and equipment	(2,1	(3,43
	(773)	7)
Payments related to business combination	(179)	(179)
Purchase of intangible asset		(300)
Net cash used in investing activities	(27,	(35,8
	174)	56)
Cash flows from financing activities:		
Proceeds from exercise of share options	2,87	4,67
	7	5
Proceeds from employee share purchase plan	3,25	5,17
	9	6
Proceeds from employee equity transactions, net of payments to tax authorities	(495)	
	817	
Payments to tax authorities from employee equity transactions, net	(332)	(160)

Net cash provided by financing activities	7,68	5,63	11,76	9,69
	3	1	6	1
Effect of exchange rate changes on cash, cash equivalents and restricted cash	9	—	(112)	(2,29)
Net increase (decrease) in cash, cash equivalents, and restricted cash	1,09	(13,	15,38	(14,3
	9	106)	9	47)
Cash, cash equivalents, and restricted cash—beginning of period	45,6	68,5	45,60	68,5
	07	40	7	40
Cash, cash equivalents, and restricted cash—end of period	46,7	55,4	60,99	54,1
	\$ 06	\$ 34	\$ 6	\$ 93
Reconciliation of cash, cash equivalents, and restricted cash within the Condensed Consolidated Balance Sheets to the amounts shown in the Condensed Consolidated Statements of Cash Flows above:				
Cash and cash equivalents	46,6	55,1	60,98	53,9
	\$ 94	\$ 94	\$ 4	\$ 71
Restricted cash included in prepaid expenses and other current assets	12	13	12	12
Restricted cash included in other assets, noncurrent	—	227	—	210
Total cash, cash equivalents, and restricted cash	46,7	55,4	60,99	54,1
	\$ 06	\$ 34	\$ 6	\$ 93

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

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JFROG LTD.
NOTES TO CONDENSED CONSOLIDATED STATEMENTS
(unaudited)

1. Organization and Description of Business

JFrog Ltd. (together with its subsidiaries, "JFrog", or the "Company") was incorporated under the laws of the State of Israel in 2008. JFrog provides an end-to-end, hybrid, universal DevOps Platform that powers and controls the software supply chain, enabling organizations to continuously and securely deliver software updates across any system. JFrog's platform is the critical bridge between software development and deployment of that software, paving the way for the

modern DevOps paradigm. The Company enables organizations to build and release software faster and more securely while empowering developers to be more efficient. The Company's solutions are designed to run on-premise, in public or private clouds, or in hybrid environments.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP"), and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting, and include the accounts of JFrog Ltd. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2022 was derived from the audited consolidated financial statements as of that date, but does not include all of the disclosures, including certain notes required by GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2022, included in the Company's Annual Report on Form 10-K for the year ended December 31, 2022 filed with the SEC on February 9, 2023.

In management's opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair presentation of the Company's financial position as of **June 30, 2023** **September 30, 2023** and the Company's consolidated results of operations and shareholders' equity for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, and cash flows for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022. The results for the three and **six** **nine** months ended **June 30, 2023** **September 30, 2023** are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 or any other future interim or annual period.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods and accompanying notes. Significant items subject to such estimates and assumptions include, but are not limited to, the allocation of transaction price among various performance obligations, the estimated customer life on deferred contract acquisition costs, the allowance for credit losses, the fair value of financial assets and liabilities, including the fair value of derivatives, the fair value of acquired intangible assets and goodwill, the

useful lives of acquired intangible assets and property and equipment, the incremental borrowing rate for operating leases, loss contingency, the fair value of share purchase rights granted under the Company's employee share purchase plan, and the valuation of deferred tax assets and uncertain tax positions. The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events. Actual results could differ from those estimates.

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Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Company's Annual Report on Form 10-K for the year ended December 31, 2022. There have been no significant changes to these policies during the six nine months ended **June 30, 2023** **September 30, 2023**.

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Interest and Other Income, Net

Interest and other income, net primarily consists of income earned on cash equivalents and short-term investments and foreign exchange gains and losses. Interest income was \$5.1 **6.1** million and \$0.8 **1.6** million for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively and \$9.5 **15.6** million and \$1.2 **2.8** million for the six nine months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Foreign exchange gains (losses) were not material for the periods presented.

Geographical Information

Revenue by geographical region can be found in Note 3, *Revenue Recognition*. The following table presents the Company's long-lived assets by geographic region, which consist of property and equipment, net and operating lease right-of-use assets:

	June 30, 2023		December 31, 2022		September 30, 2023		December 31, 2022	
	(in thousands)				(in thousands)			
United States	\$	9,925	\$	11,569	\$	9,103	\$	11,569
Israel		19,241		17,887		17,843		17,887
India		4,535		2,246		4,304		2,246
Rest of world		688		921		544		921
Total long-lived assets	\$	34,389	\$	32,623	\$	31,794	\$	32,623

3. Revenue Recognition

Disaggregation of Revenue

The following table presents revenue by category:

	Three Months Ended June								Three Months Ended				Nine Months Ended			
	30,		Six Months Ended June 30,		September 30,		September 30,									
	2023	2022	2023	2022	2023	2022	2023	2022	Perc	Perc	Perc	Perc	Perc	Perc	Perc	Perc
Self																
-																
ma									1					1		1
nag	5	4	1	9					5	5			6		4	
ed	6	8	1	5					8	0			9		6	
sub	,	,	,	,					,	,			,		,	
scri	5	5	3	4					0	9			3		4	
ptio	3	6	6	7	1	6	9	7	2	6	6	7	3	6	5	7
n	\$ 0	7 %	\$ 9	2 %	\$ 0	8 %	\$ 1	3 %	\$ 2	5 %	\$ 6	1 %	\$ 2	7 %	\$ 7	2 %
S																
u																
b																
s									1					1		1
c	5	4	0	8					5	4			5		3	
ri	1	4	1	6					3	6			4		3	
p	,	,	,	,					,	,			,		,	
ti	8	4	3	7					5	7			8		4	
o	2	6	4	6	3	6	3	6	1	6	2	6	4	6	6	6
n	7	1	1	6	0	2	6	6	7	0	5	5	7	1	1	6

Li	4	4	9	8					1	1
c	,	,	,	,					4	2
e	7	1	9	7					4	9
n	0	2	8	5					8	9
s	3	6	8	6	0	6	5	7	5	6
e									5	6
Saa	2	1	5	3					8	5
S	7	9	2	6					3	7
	,	,	,	,					,	,
	6	2	6	0					2	0
	4	3	3	2	8	3	1	2	9	3
	0	3	8	8	0	2	2	7	4	3
	—	—	—	—	—	—	—	—	—	—
T										
o										
t										
al										
s										
u										
b										
s										
c										
ri										
p										
ti										
o										
n										
r					1	1			2	2
e	8	6	6	3					5	0
v	4	7	3	1					2	3
e	,	,	,	,					,	,
n	1	1	8	1	9	1	5	1	6	1
u	7	0	0	0	9	0	0	0	2	0
e	\$ 0	0 %	\$ 7	0 %	\$ 0	0 %	\$ 3	0 %	\$ 6	0 %
	—	—	—	—	—	—	—	—	—	—

The following table summarizes revenue by region based on the shipping address of customers:

Three Months Ended June				Three Months Ended			Nine Months Ended		
30,		Six Months Ended June 30,		September 30,		September 30,			

2023		2022		2023		2022		2023		2022		2023		2022		
Perc	ent	Perc	ent	Perc	ent	Perc	ent	Perc	ent	Perc	ent	Perc	ent	Perc	ent	
ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	ge	
of	of	of	of	of	of	of	of	of	of	of	of	of	of	of	of	
Rev	Am	Rev	Am	Rev	Am	Rev	Am	Rev	Am	Rev	Am	Rev	Am	Rev	Am	
Amo	enu	oun	enu	Amo	enu	Amo	enu	Amo	enu	Amo	enu	Amo	enu	Amo	enu	
unt	e	t	e	unt	e	unt	e	unt	e	unt	e	unt	e	unt	e	
(in thousands, except percentages)								(in thousands, except percentages)								
Unit				1								1		1		
ed	5	4	0	8				5	4	5	2					
Stat	1	3	1	2				5	5	6	8					
es	,	,	,	,				,	,	,	,					
	7	0	2	7				1	4	4	1					
	3	6	2	6	7	6	3	6	6	6	6					
	\$ 9	1 %	\$ 2	3 %	\$ 8	2 %	\$ 9	3 %	\$ 2	2 %	\$ 6	3 %	\$ 0	2 %	\$ 5	3 %
Isra	2	1	4	3				2	1	6	5					
el	,	,	,	,				,	,	,	,					
	2	7	2	3				2	7	4	0					
	3	1	7	3				1	1	9	4					
	1	3	2	3	4	3	5	3	6	3	2	0	3	8	2	
Rest	3	2	5	4				3	2	8	7					
of	0	3	8	5				1	4	9	0					
wor	,	,	,	,				,	,	,	,					
d	2	0	4	4				2	8	6	2					
	0	3	7	3	3	3	2	3	5	3	3	9	3	6	3	
	0	6	3	4	8	5	9	4	8	5	2	5	6	5	1	

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Contract Balances

Of the \$178.4 million and \$152.4 million of deferred revenue recorded as of **March 31, 2023** **June 30, 2023** and 2022, respectively, the Company recognized \$64.8 million and \$51.6 million as revenue during the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively. Of the \$175.7 million and \$147.1 million of deferred revenue recorded as of December 31, 2022 and 2021, respectively, the Company recognized \$111.8 million and \$85.6 million as revenue during the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

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Remaining Performance Obligation

The Company's remaining performance obligations are comprised of product and service revenue not yet delivered. As of **June 30, 2023** **September 30, 2023**, the aggregate amount of the transaction price allocated to remaining performance obligations was **\$213.6** **235.1** million, which consists of billed considerations of **\$184.4** **191.9** million and unbilled considerations of **\$29.2** **43.2** million, that the Company expects to recognize as revenue. As of **June 30, 2023** **September 30, 2023**, the Company expects to recognize **85** **83%** of its remaining performance obligations as revenue over the next 12 months, and the remainder thereafter.

Cost to Obtain a Contract

Amortization of deferred contract acquisition costs was **\$2.4** **2.7** million and **\$1.7** **1.9** million for the three months ended **June 30, 2023** **September 30, 2023** and 2022, respectively, and **\$4.6** **7.3** million and **\$3.2** **5.1** million for the **six** **nine** months ended **June 30, 2023** **September 30, 2023** and 2022, respectively.

4. Short-Term Investments

Short-term investments consisted of the following:

	June 30, 2023				September 30, 2023			
	Amortized	Gross	Gross	Estimate	Amortized	Gross	Gross	Estimate
		Unrealized	Unrealized	Value		Unrealized	Unrealized	Value
		ed	ed	Fair		ed	ed	Fair
	Cost	Gains	Losses	Value	Cost	Gains	Losses	Value
	(in thousands)				(in thousands)			
Bank deposits	105,2			105,2	106,1			106,1
	\$ 05	\$ —	\$ —	\$ 05	\$ 17	\$ —	\$ —	\$ 17
Certificates of deposit	2,456	—	(54)	2,402	2,467	—	(42)	2,425
Commercial paper	33,90			33,83	20,69			20,67
Corporate debt securities	130,1			129,2	151,5			150,7
	62	64	(956)	70	54	15	(810)	59
Municipal securities	35,42			35,21	27,77			27,65
	1	—	(208)	3	4	—	(121)	3
Government and agency debt	117,9			117,1	134,2			133,5
	29	—	(752)	77	19	4	(654)	69
Marketable securities	319,8		(2,03)	317,8	336,7		(1,65)	335,0
	68	64	7)	95	11	19	3)	77

Total short-term investments	425,0	(2,03)	423,1	442,8	(1,65)	441,1
	\$ 73	\$ 64	\$ 7)	\$ 28	\$ 19	\$ 94

	December 31, 2022				
	Gross		Gross		
	Amortized	Unrealized	Unrealized	Estimated	
	Cost	Gains	Losses	Fair Value	
	(in thousands)				
Bank deposits	\$ 96,034	\$ —	\$ —	\$ 96,034	
Certificates of deposit	2,204	—	(51)	2,153	
Commercial paper	38,164	2	(137)	38,029	
Corporate debt securities	137,191	41	(859)	136,373	
Municipal securities	38,543	23	(222)	38,344	
Government and agency debt	87,149	7	(484)	86,672	
Marketable securities	303,251	73	(1,753)	301,571	
Total short-term investments	\$ 399,285	\$ 73	\$ (1,753)	\$ 397,605	

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

	June 30, 2023
	(in thousands)
Due in 1 year or less	\$ 249,687
Due in 1 year through 2 years	68,208
Total	\$ 317,895

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	September 30, 2023
	(in thousands)
Due in 1 year or less	\$ 267,996

Due in 1 year through 2 years	67,081
Total	\$ 335,077

The following table presents fair value and gross unrealized losses of the Company's marketable securities that have been in a continuous loss position, aggregated by length of time:

	June 30, 2023						September 30, 2023					
	Less Than 12 Months		12 Months or Greater		Total		Less Than 12 Months		12 Months or Greater		Total	
	Gross	Unre	Gross	Unre	Gross	Unre	Gross	Unre	Gross	Unre	Gross	Unre
	Fair	alized	Unrea	Fair	alized	Unrea	Fair	alized	Unrea	Fair	alized	Unrea
	Valu	Losse	Fair	lized	Valu	Losse	Valu	Losse	Fair	lized	Valu	Losse
	e	s	Value	Losses	e	s	e	s	Value	Losses	e	s
	(in thousands)						(in thousands)					
Cert												2
ifica												,
tes												4
of												,
dep	49		1,9		0	(5	24		2,1		0	(4
osit	\$ 7	\$ (8)	\$ 05	\$ (46)	\$ 2	\$ 4)	\$ 7	\$ (3)	\$ 57	\$ (39)	\$ 4	\$ 2)
Co												2
mm												0
erci												,
al	33				8		20					6
pap	,8	(6			3	(6	,6	(2				7
er	33	7)	—	—	3	7)	71	6)	—	—	1	(2
Cor												1
por												3
ate					1							,
deb					1							5
t	11				7,		10					,
sec	0,				2		8,		26,			4
uriti	36	(8	6,9		9	(9	64	(5	76	(24	1	(8
es	7	69)	23	(87)	0	56)	9	66)	2	4)	1	10)

Mu													2
nici													4
pal													,
sec	26												1
uriti	,5	(1	2,9			9	(2		,5	(4	8,6		2
es	00	87)	99	(21)		9	08)		00	5)	24	(76)	4
Gov													21)
ern													
me													1
nt													2
and													6
age	10					1,			11				,
ncy	6,					6			4,		11,		1
deb	16	(7	5,5			7	(7		62	(5	50	(13	3
t	5	18)	12	(34)		7	52)		6	19)	9	5)	5
	—	—	—	—		—	—		—	—	—	—	54)
T													3
o													0
ta													8
I	27					4,			25				,
	7,	(1,	17,			7	(2,		9,	(1,	49,		7
	36	84	33	(18		0	03		69	15	05	(49	4
	\$ 2	\$ 9)	\$ 9	\$ 8)		\$ 1	\$ 7)		\$ 3	\$ 9)	\$ 2	\$ 4)	\$ 5
	—	—	—	—		—	—		—	—	—	—	\$ 3)

December 31, 2022

	Less Than 12 Months		12 Months or Greater		Total	
	Gross		Gross		Gross	
	Unrealized		Unrealized		Unrealized	
	Fair Value	Losses	Fair Value	Losses	Fair Value	Losses
(in thousands)						
Certificates of deposit	\$ 2,153	\$ (51)	\$ —	\$ —	\$ 2,153	\$ (51)
Commercial paper	31,838	(137)	—	—	31,838	(137)
Corporate debt securities	123,540	(859)	—	—	123,540	(859)
Municipal securities	25,336	(222)	—	—	25,336	(222)
Government and agency debt	71,781	(484)	—	—	71,781	(484)
Total	\$ 254,648	\$ (1,753)	\$ —	\$ —	\$ 254,648	\$ (1,753)

As of June 30, 2023 September 30, 2023 and December 31, 2022, the unrealized losses related to marketable securities were determined to be not due to credit related losses. Therefore, the Company did not recognize an allowance for credit losses. See Note 12, *Accumulated Other Comprehensive Income (Loss)*, for the realized gains or losses from available-for-sale marketable securities that were reclassified out of accumulated other comprehensive income (loss) ("AOCL") during the periods presented.

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5. Fair Value Measurements

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis:

	June 30, 2023			September 30, 2023		
	Fair			Fair		
	Value (in thousands)	Level 1	Level 2	Value (in thousands)	Level 1	Level 2
Financial Assets:						
Money market funds	19,5 \$ 69	19, \$ 569	\$ —	27,8 \$ 34	27, \$ 834	\$ —
Commercial paper	993	—	993			
Cash equivalents	20,5 62	19, 569	993	27,8 34	27, 834	\$ —
Bank deposits	105, 205	—	105, 205	106, 117	—	106, 117
Certificates of deposit	2,40 2	—	2,40 2	2,42 5	—	2,42 5
Commercial paper	33,8 33	—	33,8 33	20,6 71	—	20,6 71
Corporate debt securities	129, 270	—	129, 270	150, 759	—	150, 759
Municipal securities	35,2 13	—	35,2 13	27,6 53	—	27,6 53
Government and agency debt	117, 177	—	117, 177	133, 569	—	133, 569

Short-term investments	423, 100 —	423, 100 —	441, 194 —	441, 194 —
Foreign currency contracts designated as hedging instruments included in prepaid expenses and other current assets	34 —	34	72 —	72
Foreign currency contracts not designated as hedging instruments included in prepaid expenses and other current assets	251 —	251	18 —	18
Restricted bank deposits included in prepaid expenses and other current assets	12 —	12	12 —	12
Total financial assets	443, \$ 959 —	19, \$ 569 —	424, \$ 390 —	469, \$ 130 —
Financial Liabilities:				
Foreign currency contracts designated as hedging instruments included in accrued expenses and other current liabilities	1,52 \$ 4 —	1,52 \$ 4 —	1,97 \$ 6 —	1,97 \$ 6 —
Foreign currency contracts not designated as hedging instruments included in accrued expenses and other current liabilities	505 —	505	142 —	142 —
Total financial liabilities	2,02 \$ 9 —	2,02 \$ 9 —	2,11 \$ 8 —	2,11 \$ 8 —

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	December 31, 2022		
	Fair Value (in thousands)	Level 1	Level 2
Financial Assets:			
Money market funds	\$ 9,562	\$ 9,562	\$ —
Cash equivalents	9,562	9,562	—
Bank deposits	96,034	—	96,034
Certificates of deposit	2,153	—	2,153
Commercial paper	38,029	—	38,029

Corporate debt securities	136,373	—	136,373
Municipal securities	38,344	—	38,344
Government and agency debt	86,672	—	86,672
Short-term investments	397,605	—	397,605
Foreign currency contracts designated as hedging instruments included in prepaid expenses and other current assets	20	—	20
Foreign currency contracts not designated as hedging instruments included in prepaid expenses and other current assets	21	—	21
Restricted bank deposits included in prepaid expenses and other current assets	12	—	12
Total financial assets	\$ 407,220	\$ 9,562	\$ 397,658

Financial Liabilities:

Foreign currency contracts designated as hedging instruments included in accrued expenses and other current liabilities	\$ 1,098	\$ —	\$ 1,098
Foreign currency contracts not designated as hedging instruments included in accrued expenses and other current liabilities	379	—	379
Total financial liabilities	\$ 1,477	\$ —	\$ 1,477

The Company classifies its money market fund within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its bank deposits, certificates of deposit, commercial paper, corporate debt securities, municipal securities, government and agency debt, and derivative financial instruments within Level 2 because they are valued using inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded. As of **June 30, 2023** **September 30, 2023** and December 31, 2022, the Company did not have any assets or liabilities valued based on Level 3 valuations.

6. Derivative Financial Instruments and Hedging

The Company enters into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks, mainly the exposure to changes in the exchange rate of the New Israeli Shekel ("NIS") against the U.S. dollar that are associated with forecasted future cash flows and certain existing assets and liabilities for up to twelve months. The Company's primary objective in entering into these contracts is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not use derivative instruments for trading or speculative purposes.

Notional Amount of Foreign Currency Contracts

The notional amounts of outstanding foreign currency contracts in U.S. dollar as of the periods presented were as follows:

	December 31,		September 30,	December 31,
	June 30, 2023	2022	2023	2022
	(in thousands)		(in thousands)	
Derivatives Designated as Hedging Instruments:				
Foreign currency contracts	\$ 54,903	\$ 42,854	\$ 54,653	\$ 42,854
Derivatives Not Designated as Hedging Instruments:				
Foreign currency contracts	21,963	17,555	18,637	17,555
Total derivative instruments	<u>\$ 76,866</u>	<u>\$ 60,409</u>	<u>\$ 73,290</u>	<u>\$ 60,409</u>

Effect of Foreign Currency Contracts on the Condensed Consolidated Statements of Operations

Derivative instruments that hedge the exposure to variability in expected future cash flows are designated as cash flow hedges. The Company records changes in the fair value of these derivatives in AOCI in the Condensed Consolidated Balance Sheets, until the forecasted transaction occurs. Upon occurrence, the Company reclassifies the related gains or losses on the derivative to the same financial statement line item in the Condensed Consolidated Statements of Operations to which the derivative relates. In case the Company discontinues cash flow hedges, it records the related amount in interest and other income, net, on the Condensed Consolidated Statements of Operations. Derivative instruments that hedge the exposure to variability in the fair value of assets or liabilities are currently not designated as hedges for financial reporting purposes. The Company records changes in the fair value of these derivatives in interest and other income, net in the Condensed Consolidated Statements of Operations.

The losses gains (losses) on foreign currency contracts were presented on the Condensed Consolidated Statements of Operations during the periods presented as follows:

Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments	Derivatives Designated as Hedging Instruments	Derivatives Not Designated as Hedging Instruments
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Condensed Statement of Operations Location:	Three Months Ended June								Three Months Ended June								
	Months		Six Months		Months		Six Months		Months		Nine Months Ended September		Months		Three Months Ended September		
	Ended June		Ended June		Ended June		Ended June		September		September		September		September		
	30,		30,		30,		30,		30,		30,		30,		30,		
	202		202		202		202		202		202		202		202		
	2023	2022	2023	2	2023	2022	2023	2022	2023	2022	2023	2	2023	2022	2023	2022	
Cost of revenue: subscription-self-managed and SaaS	\$ (4)	\$ 21)	\$ 81)	\$ 7)	\$ —	\$ —	\$ —	\$ —	\$ 11)	\$ 7)	\$ 92)	\$ 4)	\$ —	\$ —	\$ —	\$ —	
Research and development				(1	1							(2	2				
	(9	(1	(1	2					(1	(9	(2	2					
Sales and marketing	\$ 05)	\$ 54)	\$ 3)	\$ 9)	—	—	—	—	\$ 29)	\$ 35)	\$ 2)	\$ 4)	—	—	—	—	—
				(1	2							(2	3				

General and administrative	(2,15)	(2,35)	(3,96)	(0)	—	—	—	(2,52)	(2,14)	(6,48)	(4)	—	—	—	(4)
Interest and other income, net	—	—	—	8	(14)	(22)	(19)	(00)	—	—	—	8	(06)	65	(5)
Total losses	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(35)
Recongnized in earnings	(1,30)	(1,40)	(2,41)	8	(4)	(4)	(8)	(4)	—	—	—	—	—	—	(1,32)
Net unrealized gains (losses) (net of tax)	\$ (2)	\$ (1)	\$ 0	\$ 0	\$ (14)	\$ (22)	\$ (19)	\$ (00)	—	—	—	—	—	—	(35)
Total gains (losses)	—	—	—	—	—	—	—	—	—	—	—	—	—	—	(35)
Reclassified in earnings	(1,51)	(1,42)	(3,92)	0	(5)	(5)	(5)	(5)	—	—	—	—	—	—	(1,32)
Net unrealized gains (losses) (net of tax)	\$ (1)	\$ (4)	\$ 1)	\$ 4)	\$ (06)	\$ 65	\$ 5)	\$ (00)	—	—	—	—	—	—	(35)

Effect of Foreign Currency Contracts on Accumulated Other Comprehensive Income

Net unrealized gains (losses) of foreign currency contracts designated as hedging instruments, net of tax, are recorded in AOCI. See Note 12, *Accumulated Other Comprehensive Income (Loss)*, for the effect on other comprehensive income (loss) and the reclassification out of AOCI during the periods presented. All of net deferred losses in AOCI as of **June 30**,

2023 September 30, 2023 are expected to be recognized as operating expenses in the same financial statement line item in the Condensed Consolidated Statements of Operations to which the derivative relates over the next twelve months.

7. Condensed Consolidated Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following:

	December 31,		September 30, 2023 (in thousands)	December 31, 2022 (in thousands)
	June 30, 2023	2022		
	(in thousands)			
Computer and software	\$ 8,830	\$ 8,330	\$ 9,216	\$ 8,330
Furniture and office equipment	3,026	2,802	3,042	2,802
Leasehold improvements	5,780	5,748	5,804	5,748
Property and equipment, gross	17,636	16,880	18,062	16,880
Less: accumulated depreciation and amortization	(10,608)	(8,859)	(11,480)	(8,859)
Property and equipment, net	<u>\$ 7,028</u>	<u>\$ 8,021</u>	<u>\$ 6,582</u>	<u>\$ 8,021</u>

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Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	December 31,		September 30, 2023 (in thousands)	December 31, 2022 (in thousands)
	June 30, 2023	2022		
	(in thousands)			
Accrued compensation and benefits	\$ 20,717	\$ 20,892	\$ 22,097	\$ 20,892
Accrued expenses	11,007	7,956	9,986	7,956
Accrued expenses and other current liabilities	<u>\$ 31,724</u>	<u>\$ 28,848</u>	<u>\$ 32,083</u>	<u>\$ 28,848</u>

8. Intangible Assets, Net

Intangible assets consisted of the following as of **June 30, 2023** **September 30, 2023**:

	Weighted-Average				Weighted-Average			
	Accumulated		Remaining		Accumulated		Remaining	
	Gross	Amortization	Net	Useful Life	Gross	Amortization	Net	Useful Life
	Carrying Amount	Amortization	Carrying Amount	Useful Life (in years)	Carrying Amount	Amortization	Carrying Amount	Useful Life (in years)
	(in thousands)				(in thousands)			
Developed technology	(22,644)		27,703	2.8	50,347	(25,248)	25,099	2.6
Customer relationships	5,541	(2,313)	3,228	3.6	5,541	(2,549)	2,992	3.4
Other intangible assets	1,132	(445)	687	1.4	1,132	(566)	566	1.2
Total	(25,402)		31,618		57,020	(28,363)	28,657	
	\$ 57,020	\$ 2)	\$ 8		\$ 0	\$ 3)	\$ 7	

Intangible assets consisted of the following as of December 31, 2022:

	Weighted-Average			
	Gross		Accumulated	
	Carrying Amount	Amortization	Net Carrying Amount	Remaining Useful Life
	(in thousands)			(in years)
Developed technology	\$ 50,347	\$ (17,434)	\$ 32,913	3.3
Customer relationships	5,541	(1,840)	3,701	4.1
Other intangible assets	1,132	(202)	930	1.9
Total	\$ 57,020	\$ (19,476)	\$ 37,544	

Amortization expenses for intangible assets were \$3.0 million and \$2.8 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$5.9 million and \$5.7 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

The expected future amortization expenses by year related to the intangible assets as of June 30, 2023 September 30, 2023 are as follows:

	June 30, 2023		September 30, 2023	
	(in thousands)		(in thousands)	
Year Ending December 31,				
2023 (Remainder)	\$	5,850	\$	2,889
2024		11,034		11,034
2025		9,110		9,110
2026		5,241		5,241
2027		383		383
Total	\$	31,618	\$	28,657

9. Leases

The Company has entered into non-cancelable lease agreements for its offices with lease periods expiring at various dates through March 2028.

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Components of operating lease expense were as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	(in thousands)							
Operating lease cost	2,3	1,8	4,4	3,7	2,35	1,91	6,84	5,66
	\$ 12	\$ 91	\$ 93	\$ 51	\$ 0	\$ 8	\$ 3	\$ 9

Short-term lease cost	202	167	314	255	148	172	462	427
Variable lease cost	110	100	206	192	96	92	302	284
Total operating lease cost	2,6	2,1	5,0	4,1	2,59	2,18	7,60	6,38
	\$ 24	\$ 58	\$ 13	\$ 98	\$ 4	\$ 2	\$ 7	\$ 0
	<u> </u>							

Supplementary cash flow information related to operating leases was as follows:

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023		2022	
	(in thousands)		(in thousands)	
Cash paid for operating leases	\$ 4,119	\$ 3,770	\$ 6,369	\$ 5,628
ROU assets obtained in exchange for new operating lease liabilities	\$ 2,867	\$ 1,236	\$ 2,867	\$ 1,236
Adjustment to ROU assets upon modification of existing lease	\$ 4,037	\$ 1,952	\$ 4,037	\$ 1,952

As of **June 30, 2023** **September 30, 2023**, the weighted-average discount rate is **3.2** **3.3**% and the weighted-average remaining term is **3.3** **3.1** years. Maturities of the Company's operating lease liabilities as of **June 30, 2023** **September 30, 2023** were as follows:

	June 30, 2023		September 30, 2023	
	(in thousands)		(in thousands)	
Year Ending December 31,				
2023 (Remainder)	\$ 4,438		\$ 2,223	
2024	8,884		8,746	
2025	8,116		7,989	
2026	4,829		4,748	
2027	1,627		1,606	
Thereafter	156		156	
Total operating lease payments	28,050		25,468	

Less: imputed interest	(1,537)	(1,402)
Total operating lease liabilities	<u>\$ 26,513</u>	<u>\$ 24,066</u>

10. Commitments and Contingencies

Non-cancelable Purchase Obligations

In the normal course of business, the Company enters into non-cancelable purchase commitments with various parties mainly for hosting services, as well as software products and services. As of **June 30, 2023** **September 30, 2023**, the Company had outstanding non-cancelable purchase obligations with a term of 12 months or longer as follows:

Year Ending December 31,	June 30, 2023		September 30, 2023	
	(in thousands)		(in thousands)	
2023 (Remainder)	\$ 1,786		\$ 1,357	
2024	20,528		21,242	
2025	21,854		16,499	
2026	108		107	
Total	\$ 44,276		\$ 39,205	

Indemnifications and Contingencies

The Company enters into indemnification provisions under certain agreements with other parties in the ordinary course of business. In its customer agreements, the Company has agreed to indemnify, defend and hold harmless the indemnified party for third party claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party intellectual property infringement claims. For certain large or strategic customers, the Company has agreed to indemnify, defend and hold

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harmless the indemnified party for certain additional matters including but not limited to non-compliance with certain representations and warranties made by the Company.

Grants from Israeli Innovation Authority

The Company has received in the past grants from the Israeli Innovation Authority ("IIA") and repaid them in full. Still, as any grant recipient, the Company is subject to the provisions of the Israeli Law for the Encouragement of Research, Development and Technological Innovation in the Industry and the regulations and guidelines thereunder (the

"Innovation Law"). Pursuant to the Innovation Law, there are restrictions related to transferring intellectual property outside of Israel. Such transfer requires the approval from the IIA. The approval may be subject to a maximum additional payment amount of approximately \$6.0 million. In the past, the Company received an approval from the IIA to perform a limited development of IIA funded know-how outside of Israel, subject to the terms specified in the IIA approval, including that all of its core R&D activities will remain in Israel.

Legal Proceedings

In the ordinary course of business, the Company may be subject from time to time to various proceedings, lawsuits, disputes, or claims. The Company investigates these claims as they arise. Although claims are inherently unpredictable, the Company is currently not aware of any matters that, if determined adversely to the Company, would individually or taken together, have a material adverse effect on its business, financial position, results of operations, or cash flows.

11. Shareholders' Equity and Equity Incentive Plans

Equity Incentive Plans

Effective January 1, 2023, the number of ordinary shares authorized for issuance under the 2020 Equity Incentive Plan (the "2020 Plan") automatically increased by 5,819,265 shares pursuant to the terms of the 2020 Plan.

Share Options

A summary of share option activity under the Company's equity incentive plans and related information is as follows:

	Options Outstanding				Options Outstanding			
	Outsta nding	Weighted- Average		Remaining Share	Contractu al	Weighted- Average		Remaining Share
		Weighted- Average	Contractu al		Aggreg ate	Weighted- Average	Contractu al	
	Options	Exercise	Life	Options	Intrinsi c	Options	Exercise	Intrinsi c
		Price	(Years)		Value		Price	Value
	(in thousands, except share, life and per share data)							
Balance as of December 31, 2022	7,20			101		7,20		101
Exercise d	5,32			,33		5,32		,33
	4	\$ 7.88	5.4	\$ 4		4	\$ 7.88	5.4
	(907		17,			(1,2		26,
	,636)	\$ 3.71		\$ 244		90,3		
						78)	\$ 4.21	\$ 135

Forfeited	(95, 011)	\$ 13.75	(115 ,611)	\$ 14.65
Balance as of June 30, 2023	6,20 2,67 7	\$ 8.40 5.0	121 ,59 0	
Exercisable as of June 30, 2023	4,95 0,49 8	\$ 6.33	106 ,67 3	
Balance as of September 30, 2023			5,79 9,33 5	99, 709
Exercisable as of September 30, 2023			4,79 5,66 0	90, 423
			\$ 8.56 6.80 \$ 6.80	4.7 4.4 \$ 4.4

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Restricted Share Units

A summary of restricted share units ("RSU") activity under the Company's equity incentive plan and related information is as follows, including RSUs with a market-based condition for which the fair value was determined using a Monte Carlo simulation model:

	RSUs		RSUs	
	Weighted-Average		Weighted-Average	
	Unvested RSUs	Grant Date Fair Value Per Share	Unvested RSUs	Grant Date Fair Value Per Share
Unvested as of December 31, 2022	7,981,147	\$ 26.90	7,981,147	\$ 26.90
Granted	2,666,187	\$ 21.45	5,721,837	\$ 25.82
Vested	(1,597,226)	\$ 26.20	(2,242,046)	\$ 26.85
Forfeited	(657,012)	\$ 25.53	(1,013,170)	\$ 25.85

Unvested as of June 30, 2023	<u>8,393,096</u>	\$	25.41
Unvested as of September 30, 2023		<u>10,447,768</u>	\$ 26.42

The total release date fair value of RSUs was \$37.957.1 million during the six nine months ended June 30, 2023 September 30, 2023.

Employee Share Purchase Plan

Effective January 1, 2023, the number of ordinary shares authorized for issuance under the 2020 Employee Share Purchase Plan ("ESPP") automatically increased by 1,009,633 shares pursuant to the terms of ESPP.

Shares Reserved for Future Issuance

The Company has the following ordinary shares reserved for future issuance:

	June	September 30,	2023
Outstanding share options	6,202,677	5,799,335	
Outstanding RSUs		8,393,096	
Issuable ordinary shares related to business combinations	55,466	10,447,768	
Shares available for future issuance under the 2020 Plan	17,014,187	14,335,295	
Shares available for future issuance under ESPP	4,443,395	4,281,665	
Total ordinary shares reserved	36,108,821	34,864,063	

Share-Based Compensation

The share-based compensation expense by line item in the accompanying condensed consolidated statements of operations is summarized as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	(in thousands)				(in thousands)			
Cost of revenue:								
subscription-self-managed and SaaS	2,01	\$ 3	1,61	\$ 5	4,21	\$ 9	2,91	\$ 9
	\$ 9				\$ 2,650		\$ 1,903	\$ 5
								\$ 4,822

Research and development	7,79	5,33	14,9	10,4			23,5	17,26
	8	0	70	62	8,596	6,806	66	8
Sales and marketing	6,74	4,79	13,2	9,54			21,4	16,09
	0	2	13	7	8,248	6,548	61	5
General and administrative	4,76	3,34	8,83	6,22			15,0	10,18
	5	2	6	3	6,192	3,960	28	3
Total share-based compensation expense	21,3	15,0	41,2	29,1	25,68	19,21	66,9	48,36
	\$ 22	\$ 77	\$ 34	\$ 51	\$ 6	\$ 7	\$ 20	\$ 8

As of **June 30, 2023** **September 30, 2023**, unrecognized share-based compensation cost related to unvested share-based compensation awards was **\$212.4** **268.8** million, which is expected to be recognized over a weighted-average period of **2.9** **3.0** years.

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12. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in AOCI by component, net of tax, during the periods presented:

	Net			Net		
	Unrealized	Losses on	Derivative	Unrealized	Losses on	Derivative
	s			Net	s	
	Net Unrealized	Designate		Net Unrealized	Designate	
	Losses on	as		Available-for-	as	
	Available-for-	Hedging		Sale	Hedging	
	Sale Marketable	Instrumen		Marketable	Instrume	
	Securities	ts	Total	Securities	nts	Total
	(in thousands)			(in thousands)		
Balance as of December 31, 2022	\$ (1,694)	\$ (1,078)	\$ 72	\$ (1,694)	\$ (1,078)	\$ 72

Other comprehensive loss before reclassifications	(455)	(2,822)	77	(3,2)	(6)	(4,747)	(4,753)
Net realized losses reclassified from AOCI	162	2,410	2	2,57	162	3,921	4,083
Other comprehensive loss	(293)	(412)	5)	(70)	156	(826)	(67)0
Balance as of June 30, 2023	\$ (1,987)	\$ (1,490)	\$ 77)	(3,4)			
Balance as of September 30, 2023				\$ (1,538)	\$ (1,904)	\$ 42)	(3,4)

	Net			Net		
	Unrealized	Gains	(Losses) on	Unrealized	Gains	(Losses)
	Derivative	s	Derivative	on	Derivative	
	Net Unrealized	Designate		Net Unrealized	Designate	
	Losses on	as		Losses on	as	
	Available-for-	Hedging		Sale	Hedging	
	Sale Marketable	Instrumen		Marketable	Instrumen	
	Securities	ts	Total	Securities	ts	Total
	(in thousands)			(in thousands)		
Balance as of December 31, 2021	\$ (264)	\$ 875	\$ 611	\$ (264)	\$ 875	\$ 611
Other comprehensive loss before reclassifications	(908)	(5,528)	(6,436)	(1,738)	(6,018)	(7,756)
Net realized losses (gains) reclassified from AOCI	(1)	1,480	1,479	(1)	2,904	2,903
Other comprehensive loss	(909)	(4,048)	(57)	(1,739)	(3,114)	(4,853)
Balance as of June 30, 2022	\$ (1,173)	\$ (3,173)	\$ 46)			

Balance as of September 30, 2022	\$ <u>(2,003)</u>	\$ <u>(2,239)</u>	\$ <u>42</u>	(4,2)
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13. Income Taxes

The Company's quarterly tax provision and estimates of its annual effective tax rate are subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, tax law developments, as well as non-deductible expenses, such as share-based compensation, and changes in its valuation allowance. Income tax expense was \$1.5 million and \$1.9 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$3.0 million and \$2.7 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively. The income tax expense for the periods consisted primarily of income taxes related to the Company's U.S. operations.

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. Based on the available objective evidence during six nine months ended June 30, 2023 September 30, 2023, the Company believes it is more likely than not that the tax benefits of the Company's losses incurred in Israel may not be realized.

Gross unrecognized tax benefits were \$4.8 million as of June 30, 2023 September 30, 2023 and December 31, 2022. As of June 30, 2023 September 30, 2023, the Company does not expect its unrecognized tax benefits to change significantly within the next twelve months.

14. Net Loss Per Share

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

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands, except share and per share data)								
data)								
Numerator:								
Net loss	(15, \$ 467)	(23, \$ 773)	(36, \$ 276)	(43, \$ 477)	(13,7 \$ 47)	(23,5 \$ 52)	(50,0 \$ 23)	(67, \$ 029)
Denominator:								
Weighted-average shares used in computing net loss per share, basic and diluted	98, 102, 512, 578	98, 955 ,71 1	98, 422 ,72 022	98, 422 ,72 3	104, 134, 17,6 649	99,6 17,6 87	102, 646, 25,4 453	98,8 25,4 22

Net loss per share, basic and diluted	(0.1 \$ 5)	(0.2 \$ 4)	(0.3 \$ 6)	(0.4 \$ 4)	\$ (0.13)	\$ (0.24)	\$ (0.49)	\$ (0.6 \$ 8)
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The potential shares of ordinary shares that were excluded from the computation of diluted net loss per share for the periods presented because including them would have been anti-dilutive are as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Outstanding share options	6,50		6,76	8,85				
	4,44	8,362	3,41	1,53	5,992,	7,917,	6,503	8,536,
	4	,407	5	7	799	840	,720	885
Unvested RSUs	8,46		8,26	4,37				
	7,12	5,023	0,84	2,36	10,02	7,994,	8,856	5,592,
	0	,261	8	2	7,845	184	,319	902
Share purchase rights under the ESPP	184,	119,6	191,	130,	59,04	147,7	146,5	136,0
	891	69	078	185	4	04	83	89
Issuable ordinary shares related to business combination	55,4	110,9	55,4	126,			102,1	36,77
	66	32	66	638	—	24	4	77
Total	15,2		15,2	13,4				
	11,9	13,61	70,8	80,7	16,07	16,16	15,54	14,38
	21	6,269	07	22	9,688	1,852	3,396	4,253

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on February 9, 2023, or our Annual Report. As discussed in the section titled "Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. 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" under Part II, Item 1A in this Quarterly Report on Form 10-Q and under Part I, Item 1A in our Annual Report.

Overview

JFrog's vision is to power a world of continuously updated, version-less software—we call this Liquid Software.

We provide an end-to-end, hybrid, universal DevOps Platform that powers and controls the software supply chain, enabling organizations to continuously and securely deliver software updates across any system. This platform is the critical bridge between software development and deployment of that software, paving the way for the modern DevOps paradigm. We enable organizations to build and release software faster and more securely while empowering developers to be more efficient.

We have designed our subscription structure and go-to-market strategy to align our growth with the success of our customers. Our business model benefits from our ability to serve the needs of all customers, from individual software developers, security teams, and IT operators to the largest organizations, in a value-oriented manner. All references to our customers included in this Quarterly Report on Form 10-Q refer to paying customers.

We generate revenue from the sale of subscriptions to customers. We offer subscription tiers for self-managed deployments, where our customers deploy and manage our products across their public cloud, on-premise, private cloud, or hybrid environments, as well as JFrog-managed public cloud deployments, which we refer to as our SaaS subscriptions. Revenue from SaaS subscriptions contributed 33% 35% and 32% 33% of our total revenue for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to 28% 29% and 27% 28% for the corresponding periods in 2022, respectively.

Our self-managed subscriptions are offered on an annual and multi-year basis, and our SaaS subscriptions are offered on a monthly, annual, and multi-year basis. Revenue from subscriptions that provide our customers with access to multiple products represented approximately 95% of our total revenue for the three and six nine months ended June 30, 2023 September 30, 2023, compared to approximately 95% and 94%, respectively, for the corresponding periods in 2022. Revenue from Enterprise Plus subscription represented approximately 46% and 45% of our total revenue for the three and six nine months ended June 30, 2023 September 30, 2023, respectively, compared to approximately 36% 39% and 37%, respectively, for the corresponding periods in 2022. The growth in revenue from our Enterprise Plus subscription demonstrates the increased demand for our end-to-end solutions for customers' entire software supply chain management.

We have an unwavering commitment to the software developer, security and IT operator communities, and show this commitment by offering varying forms of free access to our products in addition to the paid subscriptions described above. This free access takes the form of freemium offerings, free trials, and open source software, and helps generate demand for our paid offerings within the software developer, security, and IT operator communities.

We generated revenue of \$84.2 million \$88.6 million and \$67.8 million \$72.0 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, representing 24% 23% growth, and \$164.0 million \$252.6 million and \$131.5 million \$203.5 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively, representing 25% 24% growth. We have continued to invest in our business and had a net loss of \$15.5 million \$13.7 million and \$23.8 million \$23.6 million for the three months ended June 30, 2023 September 30, 2023 and 2022, respectively, and \$36.3 million \$50.0 million and \$43.5 million \$67.0 million for the six nine months ended June 30, 2023 September 30, 2023 and 2022, respectively.

Israel-Hamas War

On October 7, 2023, Hamas militants and members of other terrorist organizations infiltrated Israel's southern border from the Gaza Strip and conducted a series of terror attacks on civilian and military targets. Following the attack, Israel's security cabinet

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declared war against Hamas and a military campaign against these terrorist organizations commenced in parallel with continued rocket and terror attacks from Hamas.

In connection with the Israeli security cabinet's war declaration against Hamas and possible hostilities with other organizations, several hundred thousand Israeli military reservists were drafted by the Israel Defense Forces to perform immediate military service. Certain of our employees and consultants in Israel have been called and additional employees may be called as the conflict progresses. Such employees may be absent for an extended period of time. Accordingly, we have taken steps to mitigate the effects of the war between Hamas and Israel on our business and results of operations.

Although we are domiciled in Israel, we are a global, cloud-based company, with operations spanning numerous countries with redundant infrastructure and code located outside of Israel. We maintain a comprehensive business continuity plan and have taken the necessary steps in line with such plan, in an effort to ensure that our operations and service to our customers remain consistent, in light of certain employees drafted as reservists in the war between Hamas and Israel. Our business continuity plan is structured around three pillars and was activated on October 7, 2023, hours after the attack on Israel. The first pillar is our internal plan focused on the safety of our employees in Israel and maintaining internal communication channels. The second pillar revolves around technology to support continuity of our services, security, cyber defense, and research and development. The third pillar is dedicated to our external-facing

activities to promote continuity of customer engagements, support and external communication. As of the date of this Quarterly Report on Form 10-Q, there has been no major interruption or material adverse impact on our business activities. We will continue to monitor the situation as it progresses.

Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including the following:

Extending Our Technology Leadership

We intend to continue to enhance our platform by developing new products and expanding the functionality of existing products to maintain our technology leadership. Today, with JFrog Artifactory at its center, our platform is comprised of additional security solutions and the connected device management solution. We have continued to invest in innovation and introduce new products and capabilities. For instance, in July 2023, we released JFrog Curation, a solution that prevents malicious open source or third-party software packages and their respective dependencies from entering an organization's software development environment.

We invest heavily in integrating our products with the major package technologies so that our products can be easily adopted in any development environment. We believe that these integrations increase the value of our platform to our customers, as they provide freedom of choice for software developers, security and IT operators and help avoid vendor lock-in. We intend to expend additional resources in the future to continue introducing new products, features, and functionality.

Expanding Usage by Existing Customers

We believe that there is a significant opportunity for growth with many of our existing customers. Many customers purchase our products through self-service channels and often materially expand their usage over time. Increased engagement with our products provides our support and customer success teams opportunities to work directly with customers and introduce them to additional products and features, as well as drive usage of our products across large teams and more broadly across organizations. Furthermore, we see expansion opportunities when customers migrate from self-managed subscriptions to SaaS solutions because customers have generally increased their platform usage levels after migration. We will continue to expand our strategic team to identify new use cases and drive expansion and standardization on JFrog within our largest customers, to maintain engineering-level customer support, and to introduce new products and features that are responsive to our customers' needs.

We quantify our expansion across existing customers through our net dollar retention rate. Our net dollar retention rate compares our annual recurring revenue ("ARR") from the same set of customers across comparable periods. We define ARR as the annualized revenue run-rate of subscription agreements from all customers as of the last month of the quarter. The ARR includes monthly subscription customers so long as we generate revenue from these customers. We annualize our monthly subscriptions by taking the revenue we would contractually expect to receive from such customers in a given month and multiplying it by 12. We calculate net dollar retention rate by first identifying customers (the "Base

Customers"), which were customers in the last month of a particular quarter (the "Base Quarter"). We then calculate the contracted ARR from these Base Customers in the last month of the same quarter of the subsequent year (the "Comparison Quarter"). This calculation captures

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upsells, contraction, and attrition since the Base Quarter. We then divide total Comparison Quarter ARR by total Base Quarter ARR for Base Customers. Our net dollar retention rate in a particular quarter is obtained by averaging the result from that particular quarter with the corresponding results from each of the prior three quarters. Our net dollar retention rate may fluctuate as a result of a number of factors, including the level of penetration within our customer base, expansion of products and features, and our ability to retain our customers. As of **June 30, 2023** **September 30, 2023** and 2022, our net dollar retention rate was **120%** **119%** and 130%, respectively. We started experiencing slower expansion across existing customers towards the end of fiscal 2022. We expect our net dollar retention rate to stabilize around current levels.

We focus on growing the number of large customers as a measure of our ability to scale with our customers and attract larger organizations to adopt our products. As of **June 30, 2023** **September 30, 2023**, **813** **848** of our customers had ARR of \$100,000 or more, increasing from 736 customers as of December 31, 2022. We had **24** **30** customers with ARR of at least \$1.0 million as of **June 30, 2023** **September 30, 2023**, increasing from 19 customers as of December 31, 2022.

Acquiring New Customers

We believe there is a significant opportunity to grow the number of customers that use our platform. Our results of operations and growth prospects will depend in part on our ability to attract new customers. To date, we have primarily relied on our self-service and inbound sales model to attract new customers. Prospective customers can evaluate and adopt our products through our freemium offerings, free trials, and open source software options. The costs associated with providing these freemium offerings, free trials, and open source software options are included in sales and marketing. While we believe we have a significant

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market opportunity that our platform addresses, we will need to continue to invest in customer support, sales and marketing, and research and development in order to address this opportunity.

Additionally, we believe our products address the software release needs of customers worldwide, and we see international expansion as a major opportunity. We have been operating and selling our products in international markets since our inception. While we believe global demand for our products will continue to increase as international market awareness of our brand grows, our ability to conduct our operations internationally will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an

environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe that free cash flow, a non-GAAP financial measure, is useful in evaluating the performance of our business.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that we calculate as net cash provided by operating activities less purchases of property and equipment. We believe this is a useful indicator of liquidity that provides information to management and investors about the amount of cash generated from our core operations that, after the purchases of property and equipment, can be used for strategic initiatives, including investing in our business, making strategic acquisitions, and strengthening our balance sheet. Free cash flow has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of free cash flow are that this metric does not reflect our future contractual commitments and may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure. We expect our free cash flow to fluctuate in future periods as we invest in our business to support our plans for growth.

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The following table summarizes our cash flows for the periods presented and provides a reconciliation of net cash from operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to free cash flow, a non-GAAP financial measure, for each of the periods presented:

	Six Months Ended June 30,		Nine Months Ended September 30,	
	2023		2022	
	(in thousands)		(in thousands)	
Net cash provided by operating activities	\$ 15,581	\$ 8,983	\$ 41,562	\$ 14,111
Less: purchases of property and equipment	(773)	(2,131)	(1,364)	(3,437)
Free cash flow	\$ 14,808	\$ 6,852	\$ 40,198	\$ 10,674
Net cash used in investing activities	\$ (22,174)	\$ (27,720)	\$ (37,827)	\$ (35,856)
Net cash provided by financing activities	\$ 7,683	\$ 5,631	\$ 11,766	\$ 9,691

Components of Results of Operations

Revenue

Our revenues are comprised of revenue from self-managed subscriptions and SaaS subscriptions. Subscriptions to our self-managed software include license, support, and upgrades and updates on a when-and-if-available basis. Our SaaS subscriptions provide access to our latest managed version of our product hosted in a public cloud.

Subscription—Self-Managed and SaaS

Subscription—self-managed and SaaS revenue is generated from the sale of subscriptions for our self-managed software products and revenue from our SaaS subscriptions. For subscriptions to our self-managed software products, revenue is

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recognized ratably over the subscription term. For our SaaS subscriptions, revenue is recognized based on usage as the usage occurs over the contract period.

License—Self-Managed

The license component of our self-managed subscriptions reflects the revenue recognized by providing customers with access to proprietary software features. License revenue is recognized upfront when the software license is made available to our customer.

Cost of Revenue

Subscription—Self-Managed and SaaS

Cost of subscription—self-managed and SaaS revenue primarily consists of expenses related to providing support to our customers and cloud-related costs, such as hosting and managing costs. These costs primarily consist of personnel-related expenses of our services and customer support personnel, share-based compensation expenses, amortization of acquired intangible assets, public cloud infrastructure costs, depreciation of property and equipment, and allocated overhead. We expect our cost of subscription and SaaS revenue to increase in absolute dollars as our subscription and SaaS revenue increases.

License—Self-Managed

Cost of license self-managed revenue consists of amortization of acquired intangible assets.

Operating Expenses

Research and Development

Research and development costs primarily consist of personnel-related expenses, share-based compensation expenses, associated with our engineering personnel responsible for the design, development, and testing of our products, cost of development environments and tools, and allocated overhead. We expect that our research and development expenses will

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continue to increase as we increase our research and development headcount to further strengthen and enhance our products and invest in the development of our software.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel-related expenses, share-based compensation expenses, sales commissions primarily associated with our sales and marketing organizations, public cloud infrastructure costs associated with our free trials, freemium offerings, and open source software options, and costs associated with marketing programs and user events. Marketing programs include advertising, promotional events, and brand-building activities. We plan to increase our investment in sales and marketing over the foreseeable future, as we continue to hire additional personnel and invest in sales and marketing programs.

General and Administrative

General and administrative expenses primarily consist of personnel-related expenses, share-based compensation expenses, associated primarily with our finance, legal, human resources and other operational and administrative functions, professional fees for external legal, accounting and other consulting services, directors and officer's insurance expenses, and allocated overhead. We expect to increase the size of our general and administrative function to support the growth of our business.

Interest and Other Income, Net

Interest and other income, net primarily consists of income earned on our cash equivalents and short-term investments. Interest and other income, net also includes foreign exchange gains and losses.

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Income Tax Expense

Income tax expense consists primarily of income taxes related to the U.S. and other foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on certain deferred tax assets in Israel as we have concluded that

it is not more likely than not that the deferred tax assets will be realized. Our effective tax rate is affected by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses, such as share-based compensation, and changes in our valuation allowance.

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Results of Operations

The following tables set forth selected condensed consolidated statements of operations data and such data as a percentage of total revenue for each of the periods indicated:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)								
Revenue:								
Subscription—self-managed and SaaS	79,4	63,6	154,	122,	84,13	67,75	238,1	190,4
	\$ 67	\$ 79	\$ 010	\$ 748	\$ 1	\$ 0	\$ 41	\$ 98
License—self-managed	4,70	4,12	9,98	8,75			14,48	12,99
	3	8	0	5	4,505	4,241	5	6
Total subscription revenue	84,1	67,8	163,	131,	88,63	71,99	252,6	203,4
	70	07	990	503	6	1	26	94
Cost of revenue:								
Subscription—self-managed and SaaS ⁽¹⁾⁽²⁾⁽³⁾	18,2	15,0	36,4	28,6	19,53	15,67	55,96	44,34
	31	24	34	67	2	8	6	5
License—self-managed ⁽²⁾	218	220	436	440	218	220	654	660
Total cost of revenue—subscription	18,4	15,2	36,8	29,1	19,75	15,89	56,62	45,00
	49	44	70	07	0	8	0	5
Gross profit	65,7	52,5	127,	102,	68,88	56,09	196,0	158,4
	21	63	120	396	6	3	06	89
Operating expenses:								

Research and development ⁽¹⁾	33,5	28,9	68,4	56,0	33,35	31,69	101,7	87,74
(3)	44	45	30	46	8	8	88	4
Sales and marketing ⁽¹⁾⁽²⁾	36,3	31,9	71,8	61,1	37,91	33,15	109,7	94,32
(3)	52	91	38	71	5	2	53	3
General and administrative	14,7	14,0	28,9	26,7	15,66	14,68	44,63	41,41
1)(3)(4)	32	37	72	28	3	2	5	0
Total operating expenses	84,6	74,9	169,	143,	86,93	79,53	256,1	223,4
Operating loss	28	73	240	945	6	2	76	77
Interest and other income, net	(18,9	(22,4	(42,	(41,	(18,0	(23,4	(60,1	(64,9
07)	10)	120)	549)	50)	39)	70)	88)	
Loss before income taxes	4,89		8,88				14,62	
11)	517	8	790		5,733	1,369	1	2,159
Income tax expense	(14,0	(21,8	(33,	(40,	(12,3	(22,0	(45,5	(62,8
11)	93)	232)	759)	17)	70)	49)	29)	
Net loss	1,45	1,88	3,04	2,71	1,430	1,482	4,474	4,200
	6	0	4	8				
	(15,4	(23,7	(36,	(43,	(13,7	(23,5	(50,0	(67,0
	\$ 67)	\$ 73)	\$ 276)	\$ 477)	\$ 47)	\$ 52)	\$ 23)	\$ 29)

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

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
	(in thousands)							
Cost of revenue:								
subscription-self-managed and SaaS	2,01	1,61	4,21	2,91			6,86	
	\$ 9	\$ 3	\$ 5	\$ 9	\$ 2,650	\$ 1,903	\$ 5	\$ 4,822
Research and development	7,79	5,33	14,9	10,4			23,5	17,26
	8	0	70	62	8,596	6,806	66	8
Sales and marketing	6,74	4,79	13,2	9,54			21,4	16,09
	0	2	13	7	8,248	6,548	61	5

General and administrative	4,76	3,34	8,83	6,22		15,0	10,18
	5	2	6	3	6,192	3,960	28
Total share-based compensation expense	21,3	15,0	41,2	29,1	25,68	19,21	66,9
	\$ 22	\$ 77	\$ 34	\$ 51	\$ 6	\$ 7	\$ 20
	<u> </u>						

(2) Includes amortization expense of acquired intangible assets as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)								
Cost of revenue: subscription—self-managed and SaaS	2,38	2,38	4,77	4,77	2,38		7,16	7,15
	\$ 7	\$ 6	\$ 4	\$ 2	\$ 6	\$ 2,386	\$ 0	\$ 8
Cost of revenue: license—self-managed	218	220	436	440	218	220	654	660
Sales and marketing	358	236	716	472	357	298	3	770
Total amortization expense of acquired intangible assets	2,96	2,84	5,92	5,68	2,96		8,88	8,58
	\$ 3	\$ 2	\$ 6	\$ 4	\$ 1	\$ 2,904	\$ 7	\$ 8
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

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(3) Includes acquisition-related costs as follows:

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
(in thousands)								

Cost of revenue: subscription—self- managed and SaaS	\$ 5	\$ 6	\$ 10	\$ 13	\$ 6	\$ 6	\$ 16	\$ 19
Research and development	2,74	2,14	5,68	4,52			6,93	6,82
Sales and marketing	5	9	0	4	1,251	2,304	1	8
General and administrative	—	112	70	236	19	228	89	464
Total acquisition- related costs	64	68	140	234	18	10	158	244
	2,81	2,33	5,90	5,00			7,19	7,55
	\$ 4	\$ 5	\$ 0	\$ 7	\$ 1,294	\$ 2,548	\$ 4	\$ 5

(4) Includes legal settlement costs as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2023		2022	
	(in thousands)			
General and administrative	\$ —	\$ 122	\$ —	\$ 216

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2023	2022	2023	2022
(in thousands)				
General and administrative	\$ —	\$ —	\$ —	\$ 216

	Three Months Ended		Six Months Ended		Three Months Ended		Nine Months Ended	
	June 30,		June 30,		September 30,		September 30,	
	2023	2022	2023	2022	2023	2022	2023	2022
Revenue:								
Subscription —self- managed and SaaS	94 %	94 %	94 %	93 %	95 %	94 %	94 %	94 %
License—self- managed	6	6	6	7	5	6	6	6

Total subscription revenue	100	100	100	100	100	100	100	100
Cost of revenue:								
Subscription—self-managed and SaaS	22	22	22	22	22	22	22	22
License—self-managed	—	—	—	—	—	—	—	—
Total cost of revenue—subscription	22	22	22	22	22	22	22	22
Gross profit	78							
Operating expenses:								
Research and development	40	43	42	43	37	44	40	43
Sales and marketing	43	47	44	47	43	46	44	47
General and administrative	17	21	18	20	18	21	18	20
Total operating expenses	100	111	104	110	98	111	102	110
Operating loss	(22)	(33)	(26)	(32)	(20)	(33)	(24)	(32)
Interest and other income, net	5	1	6	1	6	2	6	1
Loss before income taxes	(17)	(32)	(20)	(31)	(14)	(31)	(18)	(31)
Income tax expense	1	3	2	2	2	2	2	2

Net loss	(18)%	(35)%	(22)%	(33)%	(16)%	(33)%	(20)%	(33)%
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Comparison of the Three Months Ended June 30, 2023 September 30, 2023 and 2022

Revenue

	Three Months Ended June 30,					Three Months Ended September 30,				
					%					%
	2023	2022	Change	\$	Chang	2023	2022	Change	\$	Chang
	(in thousands, except percentages)									
Subscription—self-managed and SaaS	79,46	63,67	15,7			84,13		16,3		
	\$ 7	\$ 9	\$ 88		25 %	\$ 1	\$ 67,750	\$ 81		24 %
License—self-managed	4,703	4,128	575		14 %	4,505	4,241	264		6 %
Total subscription revenue	84,17	67,80	16,3			88,63		16,6		
	\$ 0	\$ 7	\$ 63		24 %	\$ 6	\$ 71,991	\$ 45		23 %

The increase in total subscription revenue for the three months ended June 30, 2023 September 30, 2023 compared to the three months ended June 30, 2022 September 30, 2022 consisted of approximately a \$12.6 million \$13.8 million growth from existing customers and the remaining attributable to new customers.

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Cost of Revenue and Gross Margin

	Three Months Ended June 30,					Three Months Ended September 30,				
					%					%
	2023	2022	Change	\$	Chang	2023	2022	Change	\$	Chang
	(in thousands, except percentages)									
Cost of revenue										

Subscription— self-managed and SaaS	18,2 \$ 31	15,0 \$ 24	3,2 \$ 07	21 %	19,53 \$ 2	15,67 \$ 8	3,8 \$ 54	25 %
License—self- managed	218	220	(2)	(1)%	218	220	(2)	(1)%
Total cost of revenue— subscription	18,4 \$ 49	15,2 \$ 44	3,2 \$ 05	21 %	19,75 \$ 0	15,89 \$ 8	3,8 \$ 52	24 %
Gross margin	78 %	78 %			78 %	78 %		

Total cost of revenue increased for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**. The increase was primarily attributable to an increase of **\$2.3 million** **\$2.7 million** in third-party hosting costs mainly driven by increased revenue from SaaS subscriptions and an increase of **\$0.4 million** **\$0.7 million** in share-based compensation expense as discussed in the section titled *"Share-Based Compensation Expense"* below.

Gross margin remained consistent for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**.

Operating Expenses

Research and Development

	Three Months Ended June 30,			
	2023	2022	\$ Change	% Change
(in thousands, except percentages)				
Research and development	\$ 33,544	\$ 28,945	\$ 4,599	16%

	Three Months Ended September 30,			
	2023	2022	\$ Change	% Change
(in thousands, except percentages)				
Research and development	\$ 33,358	\$ 31,698	\$ 1,660	5%

Research and development expense increased for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**. The increase was primarily attributable to an increase of **\$2.5 million** **\$1.8 million** in share-based compensation expense as discussed in the section titled *"Share-Based Compensation Expense"* below and an increase of **\$0.9 million** **\$0.5 million** in personnel-related expenses mainly as a result of increased

headcount, partially offset by a decrease of \$1.1 million in compensation expense associated with the holdback and retention arrangements from our acquisitions in 2021.

Sales and Marketing

	Three Months Ended June 30,				(in thousands, except percentages)	
	2023		2022			
Sales and marketing	\$ 36,352	\$ 31,991	\$ 4,361	14%		

	Three Months Ended				(in thousands, except percentages)	
	September 30,		2023			
Sales and marketing	\$ 37,915	\$ 33,152	\$ 4,763	14%		

Sales and marketing expense increased for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**. The increase was primarily attributable to an increase of **\$1.9 million** **\$1.7 million** in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, an increase of **\$1.5 million** in personnel-related expenses mainly as a result of increased headcount, and an increase of **\$1.1 million** **\$1.3 million** in commissions mainly from amortization of deferred contract acquisition **costs**, **costs**, and an increase of **\$1.0 million** in marketing expense mainly related to our annual user conference.

General and Administrative

	Three Months Ended June 30,				(in thousands, except percentages)	
	2023		2022			
General and administrative	\$ 14,732	\$ 14,037	\$ 695	5%		

	Three Months Ended				(in thousands, except percentages)	
	September 30,		2023			
General and administrative	\$ 15,663	\$ 14,682	\$ 981	7%		

General and administrative expense increased for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**. The increase was primarily attributable to an increase of **\$1.4 million** **\$2.2 million** in share-based compensation

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expense as discussed in the section titled “*Share-Based Compensation Expense*” below, partially offset by a decrease of **\$0.6 million** **\$0.5 million** in professional fees for legal, recruiting, and other consulting services.

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Share-based Compensation Expense

	Three Months Ended				Three Months Ended			
	June 30,				September 30,			
	2023		2022		\$	%	\$	%
	Chang	Chang	Chang	Chang	e	e	e	e
(in thousands, except percentages)								
Cost of revenue:								
subscription-self-managed and SaaS	2,01		1,61					
	\$ 9	\$ 3	\$ 406		25 %		\$ 2,650	\$ 1,903
Research and development	7,79		5,33	2,4				1,7
	8	0	68	46 %			8,596	6,806
Sales and marketing	6,74		4,79	1,9				90
	0	2	48	41 %			8,248	6,548
General and administrative	4,76		3,34	1,4				26 %
	5	2	23	43 %			6,192	3,960
Total share-based compensation expense	21,3		15,0	6,2			25,68	19,21
	\$ 22	\$ 77	\$ 45	41 %			\$ 6	\$ 69
	<u><u>\$ 22</u></u>	<u><u>\$ 77</u></u>	<u><u>\$ 45</u></u>	<u><u>41 %</u></u>			<u><u>\$ 6</u></u>	<u><u>\$ 69</u></u>
								34 %

Share-based compensation expenses increased for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**, primarily attributable to grants to new and existing employees.

Interest and Other Income, Net

	Three Months Ended June 30,				% Change	
	2023		2022			
	(in thousands, except percentages)					
Interest and other income, net	\$ 4,896	\$ 517	\$ 4,379		847%	

	Three Months Ended				% Change	
	September 30,		2023			
	(in thousands, except percentages)					
Interest and other income, net	\$ 5,733	\$ 1,369	\$ 4,364		319%	

Interest and other income, net increased for the three months ended **June 30, 2023** **September 30, 2023** compared to the three months ended **June 30, 2022** **September 30, 2022**, primarily due to higher interest income on deposits and marketable securities as a result of higher interest rates.

Income Tax Expense

	Three Months Ended				Three Months Ended			
	June 30,				September 30,			
	2023	2022	\$ Change	% Change	2023	2022	\$ Change	% Change
(in thousands, except percentages)								
Income tax expense	1,45	1,88	(42		\$ 1,430	\$ 1,482	\$ (52)	(4)%
	\$ 6	\$ 0	\$ 4)	(23)%				
Effective income tax rate	(10)%	(9)%			(12)%	(7)%		

Our effective tax rate is affected primarily by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses, tax benefits arising from deductions for share-based compensation, and changes in our valuation allowance.

Comparison of the Six Nine Months Ended **June 30, 2023** **September 30, 2023** and 2022

Revenue

	Six Months Ended June 30,					Nine Months Ended September 30,				
			%					%		
	2023	2022	Change	Chang	e	2023	2022	Change	Chang	e
(in thousands, except percentages)										
Subscription—self-managed and SaaS	154,010	122,748	\$ 62	31,2	25 %	238,141	190,498	\$ 47,6	47,6	25 %
License—self-managed	9,980	8,755	1,225	1,22	14 %	14,485	12,996	\$ 9	1,489	11 %
Total subscription revenue	163,990	131,503	\$ 87	32,4	25 %	252,626	203,494	\$ 49,1	49,1	24 %

The increase in total subscription revenue for the six nine months ended June 30, 2023 September 30, 2023 compared to the six nine months ended June 30, 2022 September 30, 2022 consisted of approximately a \$25.9 million \$42.9 million growth from existing customers and the remaining attributable to new customers.

Cost of Revenue and Gross Margin

	Six Months Ended June 30,				
	2023		2022		\$ Change
	(in thousands, except percentages)				
Subscription—self-managed and SaaS	\$ 36,434	\$ 28,667	\$ 7,767		27%
License—self-managed	436	440	(4)		(1)%
Total cost of revenue—subscription	\$ 36,870	\$ 29,107	\$ 7,763		27%
Gross margin	78%	78%			

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Cost of Revenue and Gross Margin

	Nine Months Ended September 30,				
	2023		2022		\$ Change
	(in thousands, except percentages)				

Subscription—self-managed and SaaS	\$ 55,966	\$ 44,345	\$ 11,621	26 %
License—self-managed	654	660	(6)	(1) %
Total cost of revenue—subscription	<u>\$ 56,620</u>	<u>\$ 45,005</u>	<u>\$ 11,615</u>	26 %
Gross margin	78 %	78 %		

Total cost of revenue increased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The increase was primarily attributable to an increase of \$4.3 million \$7.0 million in third-party hosting costs mainly driven by increased revenue from SaaS subscriptions, an increase of \$1.3 million in personnel-related expenses mainly as a result of increased headcount, and an increase of \$1.3 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below.

Gross margin remained consistent for the six months ended June 30, 2023 compared to the six months ended June 30, 2022.

Operating Expenses

Research and Development

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Research and development	\$ 68,430	\$ 56,046	\$ 12,384	22 %

Research and development expense increased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The increase was primarily attributable to an increase of \$4.5 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, an increase of \$4.4 million in personnel-related expenses mainly as a result of increased headcount, and an increase of \$1.5 million in costs of development environments and tools.

Sales and Marketing

	Six Months Ended June 30,			
	2023	2022	\$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	\$ 71,838	\$ 61,171	\$ 10,667	17 %

Sales and marketing expense increased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The increase was primarily attributable to an increase of \$4.0 million in personnel-related expenses mainly as a result of increased headcount, an increase of \$3.7 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below.

titled *"Share-Based Compensation Expense"* below, and an increase of \$2.0 million in commissions mainly from amortization of deferred contract acquisition costs.

General and Administrative

	Six Months Ended June 30,				(in thousands, except percentages)
	2023	2022	\$ Change	% Change	
General and administrative	\$ 28,972	\$ 26,728	\$ 2,244	8%	

General and administrative expense increased for the six months ended June 30, 2023 compared to the six months ended June 30, 2022. The increase was primarily attributable to an increase of \$2.6 million in share-based compensation expense as discussed in the section titled *"Share-Based Compensation Expense"* below, and an increase of \$1.5 million in personnel-related expenses mainly as a result of increased headcount.

Gross margin remained consistent for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022.

Operating Expenses

Research and Development

	Nine Months Ended				(in thousands, except percentages)	
	September 30,					
	2023	2022	\$ Change	% Change		
Research and development	\$ 101,788	\$ 87,744	\$ 14,044	16%		

Research and development expense increased for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase was primarily attributable to an increase of \$6.3 million in share-based compensation expense as discussed in the section titled *"Share-Based Compensation Expense"* below, an increase of \$4.8 million in personnel-related expenses mainly as a result of increased headcount, and an increase of \$1.9 million in costs of development environments and tools.

Sales and Marketing

	Nine Months Ended				(in thousands, except percentages)	
	September 30,					
	2023	2022	\$ Change	% Change		

Sales and marketing	\$ 109,753	\$ 94,323	\$ 15,430	16%
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Sales and marketing expense increased for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase was primarily attributable to an increase of \$5.4 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, an increase of \$4.7 million in personnel-related expenses mainly as a result of increased headcount, and an increase of \$3.9 million in commissions mainly from amortization of deferred contract acquisition costs.

General and Administrative

	Nine Months Ended			
	September 30,		\$ Change	% Change
	2023	2022		
(in thousands, except percentages)				
General and administrative	\$ 44,635	\$ 41,410	\$ 3,225	8%

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General and administrative expense increased for the nine months ended September 30, 2023 compared to the nine months ended September 30, 2022. The increase was primarily attributable to an increase of \$4.8 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below and an increase of \$1.2 million in personnel-related expenses mainly as a result of increased headcount, partially offset by a decrease of \$1.4 million \$2.0 million in professional fees for legal, recruiting, and other consulting services.

Share-based Compensation Expense

	Six Months Ended June 30,					
	2023		2022		\$ Change	% Change
	(in thousands, except percentages)					
Cost of revenue: subscription-self-managed and SaaS	\$ 4,215	\$ 2,919	\$ 1,296			44%
Research and development	14,970	10,462	4,508			43
Sales and marketing	13,213	9,547	3,666			38
General and administrative	8,836	6,223	2,613			42
Total share-based compensation expense	\$ 41,234	\$ 29,151	\$ 12,083			41%

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	Nine Months Ended					
	September 30,					
	2023	2022	\$ Change		% Change	
(in thousands, except percentages)						
Cost of revenue: subscription-self-managed and SaaS	\$ 6,865	\$ 4,822	\$ 2,043		42%	
Research and development	23,566	17,268	6,298		36	
Sales and marketing	21,461	16,095	5,366		33	
General and administrative	15,028	10,183	4,845		48	
Total share-based compensation expense	\$ 66,920	\$ 48,368	\$ 18,552		38%	

Share-based compensation expenses increased for the **six nine** months ended **June 30, 2023** **September 30, 2023** compared to the **six nine** months ended **June 30, 2022** **September 30, 2022**, primarily attributable to grants to new and existing employees.

Interest and Other Income, Net

	Six Months Ended June 30,					
	September 30,					
	2023	2022	\$ Change		% Change	
(in thousands, except percentages)						
Interest and other income, net	\$ 8,888	\$ 790	\$ 8,098		1025%	

	Nine Months Ended					
	September 30,					
	2023	2022	\$ Change		% Change	
(in thousands, except percentages)						
Interest and other income, net	\$ 14,621	\$ 2,159	\$ 12,462		577%	

Interest and other income, net increased for the **six nine** months ended **June 30, 2023** **September 30, 2023** compared to the **six nine** months ended **June 30, 2022** **September 30, 2022** primarily due to higher interest income on deposits and marketable securities as a result of higher interest rates.

Income Tax Expense

Six Months Ended June	Nine Months Ended
30,	September 30,

	%				\$ %			
	2023		2022		\$ Change	% Change	\$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentages)			
Income tax expense	3,04		2,71				\$ 4,474	\$ 4,200
Effective income tax rate	\$ 4	\$ 8	\$ 326	12%			\$ 274	7%
	(9)%		(7)%			(10)%		(7)%

Our effective tax rate is affected primarily by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses, tax benefits arising from deductions for share-based compensation, and changes in our valuation allowance.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through sales of equity securities and cash generated from operations. Our principal uses of cash in recent periods have been funding our operations, investing in capital expenditures, and business and asset acquisitions.

As of ~~June 30, 2023~~ September 30, 2023, our principal sources of liquidity were cash, cash equivalents, and short-term investments of ~~\$469.8 million~~ \$502.2 million. Cash and cash equivalents primarily consist of cash in banks and money market funds. Short-term investments generally consist of bank deposits, certificates of deposit, commercial paper, corporate debt securities, municipal securities, and government and agency debt. We believe our existing cash, cash equivalents, and short-term investments, together with cash provided by operations, will be sufficient to meet our needs for the next 12 months, as well as in the long-term.

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Our future capital requirements will depend on many factors including our revenue growth rate, subscription renewal activity, billing frequency, the timing, and extent of spending to support further sales and marketing and research and development efforts, the continuing market acceptance of our products and services, as well as expenses associated with our international expansion, the timing, and extent of additional capital expenditures to invest in existing and new office spaces. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, our business, results of operations, and financial condition would be materially and adversely affected.

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

	Six Months Ended June 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 15,581	\$ 8,983
Net cash used in investing activities	\$ (22,174)	\$ (27,720)
Net cash provided by financing activities	\$ 7,683	\$ 5,631

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	Nine Months Ended September 30,	
	2023	2022
	(in thousands)	
Net cash provided by operating activities	\$ 41,562	\$ 14,111
Net cash used in investing activities	\$ (37,827)	\$ (35,856)
Net cash provided by financing activities	\$ 11,766	\$ 9,691

Operating Activities

Net cash provided by operating activities of \$15.6 million \$41.6 million for six nine months ended June 30, 2023 September 30, 2023 was related to our net loss of \$36.3 million \$50.0 million adjusted for non-cash charges of \$49.6 million \$79.3 million, including share-based compensation expense of \$41.2 million \$66.9 million and depreciation and amortization expense of \$7.7 million \$11.5 million, and changes in our operating assets and liabilities of \$2.3 million \$12.3 million. The changes in our operating assets and liabilities were primarily related to an increase of \$8.7 million \$16.2 million in deferred revenue driven by higher sales and an increase of \$3.0 million \$4.9 million in accrued expenses and other liabilities primarily due to higher income tax obligations, partially offset by a decrease of \$3.8 million \$5.8 million in operating lease liabilities as a result of payments an increase of \$2.0 million in prepaid assets and other assets primarily due to higher accrued interest receivable, a decrease of \$1.9 million in accounts payable due to timing of payments, and an increase of \$1.6 million \$4.8 million in deferred contract acquisition costs related to capitalized commissions.

Net cash provided by operating activities of \$9.0 million \$14.1 million for the six nine months ended June 30, 2022 September 30, 2022 was related to our net loss of \$43.5 million \$67.0 million adjusted for non-cash charges of \$42.2 million \$69.6 million, including share-based compensation expense of \$29.2 million \$48.4 million and depreciation and amortization expense of \$7.1 million \$10.8 million, and changes in our operating assets and liabilities of \$10.2 million \$11.6 million. The changes in our operating assets and liabilities were primarily related to an increase of \$10.0 million \$12.6 million in deferred revenue driven by higher sales and an increase a decrease of \$5.5 million \$5.1 million in accrued prepaid expense and other liabilities mostly assets primarily due to higher income tax liabilities, amortization of our acquisition

holdbacks, partially offset by a decrease of \$5.4 million \$7.2 million in operating lease liabilities primarily as a result of payments and revaluation an increase of lease liabilities denominated \$5.5 million in currencies other than our functional currency net deferred contract acquisition costs related to capitalized commissions.

Investing Activities

Net cash used in investing activities of \$22.2 million \$37.8 million for the six nine months ended June 30, 2023 September 30, 2023 consisted primarily of the net purchase of short-term investments of \$21.4 million \$36.5 million.

Net cash used in investing activities of \$27.7 million \$35.9 million for the six nine months ended June 30, 2022 September 30, 2022 consisted primarily of the net purchase of short-term investments of \$25.4 million \$31.9 million and capital expenditure of \$2.1 million \$3.7 million.

Financing Activities

Net cash provided by financing activities of \$7.7 million \$11.8 million for the six nine months ended June 30, 2023 September 30, 2023 consisted primarily of proceeds from employee share purchases under our ESPP of \$3.5 million \$6.7 million and proceeds from exercise of share options of \$3.4 million \$5.4 million.

Net cash provided by financing activities of \$5.6 million \$9.7 million for the six nine months ended June 30, 2022 September 30, 2022 consisted primarily of proceeds from employee share purchases under our ESPP of \$3.3 million \$5.2 million and proceeds from exercise of share options of \$2.9 million, partially offset by net payments \$4.7 million.

[Table of \\$0.5 million to tax authorities associated with our employee equity transactions](#) [Contents](#)

Contractual Obligations

The following table summarizes our non-cancellable contractual obligations as of June 30, 2023 September 30, 2023:

	Payments Due by Period			Payments Due by Period		
	Total	2023	2024 and	Total	2023	2024 and
		(Remainder)	Thereafter		(Remainder)	Thereafter
Operating lease obligations	28,05			25,46		
	\$ 0	\$ 4,438	\$ 23,612	\$ 8	\$ 2,223	\$ 23,245
Purchase obligations	44,27			39,20		
	6	1,786	42,490	5	1,357	37,848

Total	72,32	64,67
	\$ 6 \$ 6,224 \$ 66,102	\$ 3 \$ 3,580 \$ 61,093

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Purchase obligations represent our commitments primarily for hosting services, software products and services under contracts of 12 months or longer. Obligations under contracts that we can cancel without a significant penalty are not included in the table above.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets,

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liabilities, revenue and expenses, as well as related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances. As events continue to evolve and additional information becomes available, our estimates and assumptions may change materially in future periods.

Our critical accounting policies and estimates were disclosed in Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report. There have been no significant changes to these policies and estimates during the **six** **nine** months ended **June 30, 2023** **September 30, 2023**.

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ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

We have operations in the United States and internationally, and we are exposed to market risk in the ordinary course of our business.

Foreign Currency Exchange Risk

Our revenue and expenses are primarily denominated in U.S. dollars. Our functional currency is the U.S. dollar. Substantially all of our sales are denominated in U.S. dollars, and therefore our revenue is not subject to significant foreign currency risk. However, a significant portion of our operating costs in Israel, consisting principally of salaries and related personnel expenses, and operating lease and facility expenses are denominated in NIS. This foreign currency exposure

gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS. Furthermore, we Since the beginning of the war between Israel and Hamas, the volatility of NIS against the U.S. dollar has not materially affected the results of our business. We anticipate that a material portion of our expenses will continue to be denominated in NIS.

To reduce the impact of foreign exchange risks associated with forecasted future cash flows and certain existing assets and liabilities and the volatility in our Condensed Consolidated Statements of Operations, we have established a hedging program. Foreign currency contracts are generally utilized in this hedging program. Our foreign currency contracts are generally short-term in duration. We do not enter into derivative instruments for trading or speculative purposes. We account for our derivative instruments as either assets or liabilities and carry them at fair value in the Condensed Consolidated Balance Sheets. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. Our hedging program reduces but does not eliminate the impact of currency exchange rate movements. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business, after considering our hedging programs, would not have had a material impact on our results of operations for the three and ~~six~~ nine months ended ~~June 30, 2023~~ September 30, 2023.

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading the risk across a number of major financial institutions. However, failure of one or more of these financial institutions is possible and could result in incurred losses.

As of ~~June 30, 2023~~ September 30, 2023, our cash, cash equivalents, restricted cash, and short-term investments were primarily denominated in U.S. dollars. A 10% increase or decrease in current exchange rates would not materially affect our cash, cash equivalents, restricted cash, and short-term investment balances as of ~~June 30, 2023~~ September 30, 2023.

Interest Rate Risk

As of ~~June 30, 2023~~ September 30, 2023, we had cash and cash equivalents of ~~\$46.7 million~~ \$61.0 million, and short-term investments of ~~\$423.1 million~~ \$441.2 million. Cash and cash equivalents primarily consist of cash in banks and money market funds. Short-term investments generally consist of bank deposits, certificates of deposit, commercial paper, corporate debt securities, municipal securities, and government and agency debt. Our cash, cash equivalents, and short-term investments are held for working capital purposes. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash. We do not enter into investments for trading or speculative purposes. Such interest-earning instruments carry a degree of interest rate risk. Changes in interest rates affect the interest earned on our cash and cash equivalents and marketable securities, and the market value of those securities. A hypothetical 1% increase in interest rates would not have had a material impact on their fair value as of ~~June 30, 2023~~ September 30, 2023.

Inflation Risk

We do not believe that inflation has had a material effect on our business, financial condition, or results of operations, other than its impact on the general economy. However, if our costs, in particular labor, sales and marketing, and hosting costs, were to become subject to inflationary pressures, we might not be able to fully offset such higher costs through price increases. Our inability or failure to do so could harm our business, financial condition, and results of operations.

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ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have evaluated the effectiveness 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 Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of such date, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

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 Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute, 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 their judgment in evaluating the benefits of possible

controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information set forth under the heading "Legal Proceedings" in Note 10 to the condensed consolidated financial statements in Part I, Item 1 of this Quarterly Report on Form 10-Q is incorporated herein by reference.

ITEM 1A. RISK FACTORS

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report. There have been no material changes from the risk factors previously disclosed in our Annual Report, except for the following risk factors. The risk factors below should be read in conjunction with the risk factors and other information disclosed in our Annual Report.

Risks Related to Our Business and Industry

Unfavorable economic conditions may adversely affect our business and financial condition due to impacts on consumer and business spending, including reductions in information technology spending and decreased demand for our products, which could limit our ability to grow our business.

Our operations and financial performance depend in part on global economic conditions and the impact of these conditions on levels of information technology spending and the willingness of our current and prospective customers to purchase our products. Adverse macroeconomic conditions, including recent inflation, slower growth or recession, bank failures or instability in the financial services sector, tighter credit, higher interest rates, and currency fluctuations, could adversely impact consumer and businesses confidence and spending and negatively affect demand for our products.

For example, we are currently operating in a period of economic uncertainty and the United States has recently experienced historically high levels of inflation and rising interest rates, which has led to increased costs of labor, capital, employee compensation and other similar effects. If unfavorable conditions in the national and global economy persist, or worsen, our current and potential customers' operating costs will likely increase, which could result in reduced operating and information technology budgets. To the extent our products are perceived by customers and potential customers as discretionary, our revenue may be disproportionately affected by delays or reductions in general information technology

spending. Such delays or reductions in technology spending are often associated with enhanced budget scrutiny by our customers including additional levels of approvals, cloud optimization efforts and additional time to evaluate and test our products, which can lead to long and unpredictable sales cycles. We have recently experienced longer sales cycles for certain products and enhanced budget scrutiny by our customers, and expect to continue to experience these challenges given the current macroeconomic environment. Also, customers may choose to develop in-house software as an alternative to using our products, and competitors may respond to such negative conditions in the general economy by lowering prices, any of which could adversely affect demand for our products and limit our ability to grow our business.

The present conditions and state of the U.S. and global economies make it difficult to predict whether, when and to what extent a recession has occurred or will occur in the **near** future. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate do not improve, or worsen from present levels, our business, results of operations, and financial condition could be adversely affected.

Risks Related to Our Incorporation **Interruptions or performance problems associated with our technology and Location in Israel**

Conditions in Israel could materially affect our business, business operations and financial results.

Many We outsource substantially all of the infrastructure relating to our cloud products to third-party cloud providers chosen by our customers. Customers of our employees, including certain management members operate from SaaS offerings need to be able to access our offices platform at any time, without interruption or degradation of performance, and we provide them with service-level commitments with respect to uptime. Third-party cloud providers run their own platforms that we access, and we are, located therefore, vulnerable to their service interruptions and any changes in Netanya and Tel Aviv, Israel. In addition, a number their product offerings. Any limitation on the capacity of our officers and directors are residents third-party hosting services could impede our ability to onboard new customers or expand the usage of Israel. Accordingly, political, economic, and military conditions in Israel and the surrounding region may directly our existing customers, which could adversely affect our business, financial condition, and results of operations. In recent years, Israel has been engaged in sporadic armed conflicts with Hamas, an Islamist terrorist group addition, any incident affecting our third-party hosting services' infrastructure that controls the Gaza Strip, with Hezbollah, an Islamist terrorist group that controls large portions of southern Lebanon, and with Iranian-backed military forces in Syria. In addition, Iran has threatened to attack Israel and may be developing nuclear weapons. Some of these hostilities were accompanied caused by missiles being fired from the Gaza Strip against civilian targets in various parts of Israel, including areas in which cyber-attacks, natural disasters, fire, flood, severe storm, earthquake, power loss, telecommunications failures, terrorist or other attacks, protests or riots, and other similar events beyond our control could negatively affect our cloud-based and multi-cloud hybrid products.

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employees and some of our consultants are located, and negatively affected business conditions. These risks may be heightened in Israel. Any hostilities involving Israel or connection with the interruption or curtailment of trade war between Israel and its trading partners, Hamas, the war between Russia and Ukraine, and associated geopolitical tensions and regional instability. It is also possible that our customers and regulators would seek to hold us accountable for any breach of security affecting a third-party cloud provider's infrastructure and we may incur significant liability in investigating such an incident and responding to any claims, investigations, or proceedings made or initiated by those customers, regulators, and other third parties. We may not be able to recover a material portion of such liabilities from any of our third-party cloud providers. It may also become increasingly difficult to maintain and improve our performance, especially during peak usage times, as our software becomes more complex and the usage of our software increases. Moreover, our insurance may not be adequate to cover such liability and may be subject to exclusions. Any of the above circumstances or events may harm our business, results of operations, and financial condition.

In addition, our website and internal technology infrastructure may experience performance issues due to a variety of factors, including infrastructure changes, human or software errors, website or third-party hosting disruptions, capacity constraints, technical failures, natural disasters, or fraud or security attacks. Our use and distribution of open source software may increase this risk. If our website is unavailable or our users are unable to download our products or order subscriptions or services within a reasonable amount of time or at all, our business could be harmed. We expect to continue to make significant investments to maintain and improve website performance and to enable rapid releases of new features and applications for our products. To the extent that we do not effectively upgrade our systems as needed and continually develop our technology to accommodate actual and anticipated changes in technology, our business and results of operations may be harmed.

In the event that our service agreements with our third-party hosting services are terminated, or there is a lapse of service, elimination of services or features that we utilize, interruption of internet service provider connectivity or damage to such facilities, we could experience interruptions in access to our platform as well as significant delays and additional expense in arranging or creating new facilities and services and/or re-architecting our cloud solution for deployment on a different cloud infrastructure service provider, which could adversely affect our operations business, financial condition, and results of operations.

We also rely on cloud technologies from third parties in order to operate critical functions of our business, including financial management services, relationship management services, and lead generation management services. If these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices, our expenses could increase, our ability to manage our finances could be interrupted, our processes for managing sales of our products and supporting our customers could be impaired, and our ability to generate and manage sales leads could be weakened until equivalent services, if available, are identified, obtained, and implemented, any of which could harm our business and results of operations.

Risks Related to Privacy, Data Protection and Cybersecurity

A breach of our security measures or unauthorized access to proprietary and confidential data, or a perception that any security breach or other incident has occurred, may result in our platform or products being perceived as not secure, lower customer use or stoppage of use of our products, and significant liabilities.

Although our products do not involve the processing of large amounts of personal data or personal information, our platform and products support customers' software, which may involve the processing of large amounts of personal data, personal information, and information that is confidential or otherwise sensitive or proprietary. Data security incidents affecting widely trusted data security architecture (such as the incident affecting SolarWinds Orion, the incident involving Accellion FTA, the incident affecting Microsoft Exchange, the incident affecting Kaseya VSA, and the incident involving Log4J – none of which have directly affected us) may increase customer expectations regarding the security, testing, and compliance documentation of our platform and products for secure software development operations, management, automation and releases. In addition, these or other incidents may trigger new laws and regulations that increase our compliance burdens, add reporting obligations, or otherwise increase costs for oversight and monitoring of our platform, products, and supply chain.

We do collect and store certain sensitive and proprietary information, and to a lesser degree, personal data and personal information, in the operation of our business. This information includes trade secrets, intellectual property, employee data, and other confidential data. We have taken measures to protect our own sensitive and proprietary information, personal data and personal information, as well as such information that we otherwise obtain, including from our customers. We also engage vendors and service providers to store and otherwise process some of our and our customers' data, including sensitive and proprietary information, personal data and personal information. Our commercial insurance does not cover vendors and service providers have been and, in the future may be, the targets of cyberattacks, malicious software, phishing schemes, fraud, and other risks to the confidentiality, security, and integrity of their systems and the data they process for us. Our ability to monitor our vendors and service providers' data

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security is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized or unlawful access to, misuse, disclosure, loss, acquisition, corruption, unavailability, alteration, modification or destruction of our and our customers' data, including sensitive and proprietary information, personal data and personal information.

Security breaches and other security incidents that affect us may result from employee or contractor error or negligence or those of vendors, service providers, and strategic partners on which we rely. These attacks may come from individual hackers, criminal groups, and state-sponsored organizations. There have been and may continue to be significant supply chain attacks, and we cannot guarantee that our or our vendors or service providers' systems and networks have not been breached or that they do not contain exploitable vulnerabilities, defects or bugs that could result in a

breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services. In addition, our customers and users may occur also disclose or leak their passwords, API keys, or secrets that could lead to unauthorized access to their accounts and data, including information about their software, source code, and security environment, stored within our products. As we continue to expand the products that we can offer our customers, including through the acquisition of complementary businesses, such as our acquisition of Vdoo in 2021, and through internal development, such as developing new security services, our products could have access to more sensitive information of our customers, which could result in greater adverse effects from security breaches and other security incidents. Also, our expansion into new services and products could subject us to additional regulations. In addition, we are subject to other laws and regulations that obligate us to employ reasonable security measures. From time to time, we do identify product vulnerabilities, including through our bug bounty program. Certain vulnerabilities under certain circumstances could be exploited if our customers do not patch vulnerable versions of the product. In the future, we also may experience security breaches, including breaches resulting from a cybersecurity attack, phishing attack, or other means, including unauthorized access, unauthorized usage, viruses or similar breaches or disruptions. We incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, including those to secure our product development, test, evaluation, and deployment activities, and we expect our costs will increase as we make improvements to our systems and processes to prevent future breaches and incidents.

Despite our efforts, our systems and those of our vendors, service providers, and strategic partners also are potentially vulnerable to computer malware, viruses, computer hacking, fraudulent use, social engineering attacks, phishing attacks, ransomware attacks, credential stuffing attacks, denial-of-service attacks, unauthorized access, exploitation of bugs, defects, and vulnerabilities, breakdowns, damage, interruptions, system malfunctions, power outages, terrorism, acts of vandalism, failures, security breaches and incidents, inadvertent or intentional actions by our employees, contractors, consultants, partners, and/or other third parties, and other real or perceived cyberattacks. Our risks of cyberattacks and other sources of security breaches and incidents, and those faced by our vendors, service providers, and strategic partners, may be heightened in connection with the war between Israel and Hamas, the war between Russia and Ukraine, and associated geopolitical tensions and regional instability. Any of these incidents or any compromise of our security or any unauthorized access to or breaches of the security of our or our service providers' systems or data processing tools or processes, or of our platform and product offerings, as a result of events associated with third-party action, employee error, vulnerabilities, defects or bugs, malfeasance, or otherwise, could result in unauthorized or unlawful access to, misuse, disclosure, loss, acquisition, corruption, unavailability, alteration, modification or destruction of our and our customers' data, including sensitive and proprietary information, personal data and personal information, or a risk to the security of our or our customers' systems.

We may be more susceptible to security breaches and other security incidents in view of many of our employees and employees of our service providers working remotely, because we and our service providers have less capability to implement, monitor and enforce our information security and data protection policies for those employees. Based on the examples set in other recent incidents, the more widespread our platform and products become, the more they may be viewed by malicious cyber threat actors as an attractive target for such an attack. We and our service providers may be

unable to anticipate these techniques, react, remediate or otherwise address any security breach or other security incident in a timely manner, or implement adequate preventative measures.

A security breach could result in reputational damage, litigation, regulatory investigations and orders, loss of business, indemnity obligations, damages for contract breach, penalties for violation of applicable laws, regulations, or contractual obligations, and significant costs, fees and other monetary payments for remediation, including in connection with war forensic examinations and terrorism. Although costly and burdensome breach notification requirements. Any belief by customers or others that a security breach or other incident has affected us or any of our vendors or service providers, even if a security breach or other incident has not affected us or any of our vendors or service providers or has not actually occurred, could have any or all of the Israeli foregoing impacts on us, including damage to our reputation. Even the perception of inadequate security may damage our reputation and negatively impact our ability to gain new customers and retain existing customers. In the event of any such breach or incident, we could be required to expend significant capital and other resources to address our or our vendor or service provider's incident.

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Considering the SolarWinds Orion incident and the Kaseya VSA incident, if our products were compromised in a way that offered a means of malicious access or delivery of ransomware or other malicious software to our customers, the impact of such an incident would likely be significant.

Techniques used to sabotage or obtain unauthorized access to systems or networks are constantly evolving and, in some instances, are not identified until launched against a target. We and our vendors and service providers may be unable to anticipate these techniques, react, remediate or otherwise address any security breach or other security incident in a timely manner, or implement adequate preventative measures. In addition, laws, regulations, government currently covers guidance, and industry standards and practices in the reinstatement value U.S. and elsewhere are rapidly evolving to combat these threats. We may face increased compliance burdens regarding such requirements with regulators and customers regarding our products and services and also incur additional costs for oversight and monitoring of direct our own supply chain.

Further, any provisions in our customer and user agreements, contracts with our vendors and service providers or other contracts relating to limitations of liability may not be enforceable or adequate or otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. While our insurance policies include liability coverage for certain of these matters, subject to applicable deductibles, if we experienced a widespread security breach or other incident that impacted a significant number of our customers, we could be subject to indemnity claims or other damages that are caused by terrorist attacks exceed our insurance coverage. If such a breach or acts incident occurred, our insurance coverage might not be adequate for data handling or data security liabilities actually incurred, such insurance may not continue to be available to us in the future on economically reasonable terms, or at all, and insurers may deny us coverage as to any future claim. The successful assertion of war, we cannot assure you one or more large claims against us that this government exceed available insurance coverage, will be

maintained or that it will sufficiently cover the occurrence of changes in our potential damages. Any losses insurance policies, including premium increases or damages incurred by us the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business. Any armed conflicts business, including our financial condition, operating results, and reputation.

Risks Related to Foreign Operations

Our international operations and expansion expose us to risk.

Our primary research and development operations are located in Israel, which is currently at war against Hamas. As of September 30, 2023, we had customers located in over 90 countries, and our strategy is to continue to expand internationally. As of September 30, 2023, we had employees located in nine countries. Our current international operations involve, and future initiatives will involve, a variety of risks, including:

- unexpected changes in practices, tariffs, export quotas, custom duties, trade disputes, tax laws and treaties, particularly due to economic tensions and trade negotiations or political instability other trade restrictions;
- different labor regulations, especially in the region would likely negatively affect business conditions European Union, where labor laws are generally more advantageous to employees as compared to the United States, including differing hourly wages and could harm our results of operations overtime regulations in these locations;
- exposure to many stringent and potentially inconsistent laws and regulations relating to privacy, data protection, and information security, particularly in the past European Union;
- changes in a specific country's or region's political or economic conditions, such as the war between Israel and Hamas and the war between Russia and Ukraine and the associated geopolitical tensions and regional instability, as well as economic sanctions the U.S. and other countries have imposed on Russia and certain of its allies and the impact of the foregoing on the global economy;
- risks resulting from changes in currency exchange rates, in particular, fluctuations in the value of the NIS compared to the U.S. dollar as a result of the war between Israel and Hamas;
- challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- risks relating to the implementation of exchange controls, including restrictions promulgated by the OFAC, and other similar trade protection regulations and measures in the United States or in other jurisdictions;
- reduced ability to timely collect amounts owed to us by our customers in countries where our recourse may be more limited;

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- slower than anticipated availability and adoption of cloud and hybrid infrastructures by international businesses;
- limitations on our ability to reinvest earnings from operations derived from one country to fund the capital needs of our operations in other countries;
- potential changes in laws, regulations, and costs affecting our U.K operations and personnel due to Brexit;
- limited or unfavorable intellectual property protection; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended, and similar applicable laws and regulations in other jurisdictions.

If we are unable to address these difficulties and challenges or other problems encountered in connection with our international operations and expansion, we may incur unanticipated liabilities or otherwise suffer harm to our business generally.

Risks Related to Our Incorporation and Location in Israel

While JFrog's operation runs smoothly with most of our go-to-market and support services outside of Israel (mainly in the U.S., India and France), given the conditions in Israel, including the recent attack by Hamas and other terrorist organizations from the Gaza Strip and Israel's war against them, it is possible that our operations could be adversely affected over time and the war could limit our ability to market our products, which could lead to a decrease in revenues.

Because a material part of our research and development is conducted in Israel and certain members of our board of directors and management as well as approximately half of our employees and consultants are located in Israel, our business and operations could be affected by economic, political, geopolitical and military conditions in Israel. Since the establishment of the State of Israel in 1948, a number of armed conflicts have occurred between Israel and Israeli companies its neighboring countries and terrorist organizations active in the region.

In October 2023, Hamas militants and members of other terrorist organizations infiltrated Israel's southern border from the Gaza Strip and conducted a series of terror attacks on civilian and military targets. The intensity and duration of Israel's current war against Hamas is difficult to predict, as are such war's economic implications on the Company's business and operations and on Israel's economy in general. These events may imply wider macroeconomic indications of a deterioration of Israel's economic standing, which may have a material adverse effect on the Company and its ability to effectively conduct its operations.

Certain of our employees and consultants in Israel have been subjected to economic boycotts. Several countries still restrict business called, and additional employees may be called, for service in the current or future wars or other armed conflicts with the State of Hamas. Such persons may be absent for an extended period of time. As a result, our

operations may be disrupted by such absences, which disruption may materially and with Israeli companies. These restrictive laws and policies may have an adverse impact on our results of operations, financial condition or the expansion of our business. A campaign of boycotts, divestment, and sanctions has been undertaken against Israel, which could also adversely affect our business. Actual business and results of operations.

General Risk Factors

The impact of the war between Israel and Hamas, the war between Russia and Ukraine, and other areas of geopolitical tension around the world, including the related global economic disruptions, remains uncertain at this time, and could harm or perceived political instability in continue to harm our business and results of operations.

The war between Israel or any negative changes and Hamas, the war between Russia and Ukraine, and other areas of geopolitical tension around the world continue to impact worldwide economic activity and financial markets. As a result of the war between Israel and Hamas, the war between Russia and Ukraine, and related global economic disruptions, we have experienced and expect to continue to experience slowed growth for new customers, fewer orders from our existing customers for upgrades within our platform, an increase in the political environment, may individually or average length of sales cycles to onboard new customers, delays in the aggregate new projects, and requests by some customers for extension of payment obligations, all of which adversely affect the Israeli economy and in turn, the Group's could materially adversely impact our business, financial condition, results of operations, and prospects, overall financial condition in future periods.

In addition, many Israeli citizens The extent and continued impact of the Israel-Hamas war, the Russia-Ukraine war, and related global economic disruptions on our operational and financial condition will depend on certain developments, including: government responses to the wars; the impact of the wars on our customers and our sales cycles; their impacts on customer, industry, or technology-based community events; and their effect on our partners, some of which are obligated uncertain, difficult to perform several weeks predict, and not within our control. General

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[Table of annual military reserve duty each year until they reach](#) [Contents](#)

economic conditions and disruptions in global markets due to the age Israel-Hamas war, the Russia-Ukraine war, and other areas of 40 (or older, for reservists who are military officers or who have certain occupations) geopolitical tension around the world, and any actions taken by governmental authorities and other third parties in the event of a military conflict, response may be called to active duty. In response to increases in terrorist activity, there have been periods of significant call-ups of military reservists. It is possible that there will be military reserve duty call-ups in the future. Our operations could be disrupted by such call-ups, which may include the call-up of members of our management. Such disruption could materially adversely also affect our business, prospects, future performance.

As of the date of this Quarterly Report on Form 10-Q, the full impact of the war between Israel and Hamas, the war between Russia and Ukraine, and related global economic disruptions on our financial condition and results of operations.

Since early 2023, operations remains uncertain. Furthermore, because of our subscription-based business model, the Israeli government has been pursuing changes to Israel's judicial system. On July 24, 2023, the government passed into law what is commonly referred to as the "reasonableness" bill, limiting, among others, the Israeli Supreme Court's power to exercise judicial review on the reasonableness of government decisions and actions. This change marked the initial step of a planned judicial overhaul that led to domestic social and political tensions during the second quarter of 2023. In response to the foregoing developments, individuals, organizations and institutions, both within and outside of Israel, have voiced concerns that the proposed changes may negatively impact the business environment in Israel including due to reluctance of foreign investors to invest or transact business in Israel as well as to increased currency fluctuations, downgrades in credit rating, increased interest rates, increased volatility in security markets, and other changes in macroeconomic conditions. To the extent that any of these negative developments occur, they factors may have an adverse effect on our business, not be fully reflected in our results of operations and our ability to raise additional funds, overall financial condition until future periods, if deemed necessary by our management and board of directors. at all.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the three months ended June 30, 2023 September 30, 2023, the following directors, director and officer, as defined in Rule 16a-1(f) of the Exchange Act, adopted a "Rule 10b5-1 trading arrangement" as defined in Item 408 of Regulation S-K, as follows:

On May 12, August 11, 2023, Mr. Frederic Simon Yoav Landman, our Chief Data Scientist Technology Officer and member of our board of directors, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 870,000 ordinary shares. The trading

On May 9, 2023, Ms. Elisa Steele, a member of our board of directors, adopted a Rule 10b5-1 trading arrangement providing for the sale, from time to time of an aggregate of up to 3,598 1,500,000 ordinary shares. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the trading arrangement is until May 9, October 11, 2024, or earlier if all transactions under the trading arrangement are completed.

No other officers or directors, as defined in Rule 16a-1(f), adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each as defined in Item 408 of Regulation S-K, during the three months ended June 30, 2023 September 30, 2023.

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ITEM 6. EXHIBITS

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
31.1	<u>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.</u>				
31.2	<u>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.</u>				
32.1*	<u>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.</u>				
32.2*	<u>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.</u>				
101 INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101 SCH	Inline XBRL Taxonomy Extension Schema Document.				

101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101 DEF	Inline XBRL 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 (formatted as Inline XBRL and contained in Exhibit 101).

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

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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.

Date: **August 3, November 2, 2023**

By: **/s/ Shlomi Ben Haim**

Name: Shlomi Ben Haim

Title: Chief Executive Officer

(Principal Executive Officer)

Date: **August 3, November 2, 2023**

By: **/s/ Jacob Shulman**

Name: Jacob Shulman

Title: Chief Financial Officer

(Principal Financial Officer & Principal Accounting Officer)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF
THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES OXLEY ACT OF 2002**

I, Shlomi Ben Haim, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JFrog Ltd.;
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 control and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting;

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.

JFROG LTD.

Date: August 3,
2023 November 2, 2023

/s/ Shlomi Ben Haim

Shlomi Ben Haim
Chief Executive Officer
(*Principal Executive Officer*)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF
THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES OXLEY ACT OF 2002**

I, Jacob Shulman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of JFrog Ltd.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial

reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

- c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
- d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

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

- a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

JFROG LTD.

Date: **August 3,**

2023 **November 2, 2023**

/s/ Jacob Shulman

Jacob Shulman

Chief Financial Officer

(Principal Financial Officer)

Exhibit 32.1

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

I, Shlomi Ben Haim, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of JFrog Ltd. for the fiscal quarter ended **June 30, 2023** **September 30, 2023** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the

information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of JFrog Ltd.

JFROG LTD.

Date: **August 3, 2023** **November 2, 2023**

/s/ Shlomi Ben Haim

Shlomi Ben Haim

Chief Executive Officer

(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**

I, Jacob Shulman, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of JFrog Ltd. for the fiscal quarter ended **June 30, 2023** **September 30, 2023** fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of JFrog Ltd.

JFROG LTD.

Date: **August 3, 2023** **November 2, 2023**

/s/ Jacob Shulman

Jacob Shulman

Chief Financial Officer

(Principal Financial Officer)

DISCLAIMER

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