REFINITIV

DELTA REPORT

10-Q

JFROG LTD

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - SEPTEMBER 30, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	1328
CHANGES	196
DELETIONS	348
ADDITIONS	784

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 September 30, March 31, 2023 2024

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)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 company
☐	Emerging growth company		

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

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

As of October 27, 2023 May 3, 2024, the registrant had 104,887,026 108,420,032 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," "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 ou 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, onour 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 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 Unite 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)

	As of		As of	
	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
Assets				
Current assets:				
Cash and cash equivalents	$ 60,984	$ 45,595	$ 71,385	$ 84,765
Short-term investments	441,194	397,605	508,229	460,245
Accounts receivable, net	60,922	62,117	66,570	76,437
Deferred contract acquisition costs	10,211	8,102	11,869	11,378
Prepaid expenses and other current assets	13,924	18,603	17,569	12,976
Total current assets	587,235	532,022	675,622	645,801
Property and equipment, net	6,582	8,021	6,473	6,663
Deferred contract acquisition costs, noncurrent	16,161	13,501	17,727	18,032
Operating lease right-of-use assets	25,212	24,602	20,323	22,427
Intangible assets, net	28,657	37,544	22,879	25,768
Goodwill	247,955	247,955	247,955	247,955
Other assets, noncurrent	7,805	7,576	6,101	5,910
Total assets	$ 919,607	$ 871,221	$ 997,080	$ 972,556
Liabilities and Shareholders' Equity				
Current liabilities:				
Accounts payable	$ 14,712	$ 14,867	$ 14,247	$ 16,970

Accrued expenses and other current liabilities	32,083	28,848	39,597	35,815
Operating lease liabilities	8,163	7,132	8,135	8,272
Deferred revenue	179,446	158,725	198,240	201,118
Total current liabilities	234,404	209,572	260,219	262,175
Deferred revenue, noncurrent	12,489	16,990	12,972	12,987
Operating lease liabilities, noncurrent	15,903	16,829	11,705	13,954
Other liabilities, noncurrent	3,713	3,057	4,382	4,317
Total liabilities	266,509	246,448	289,278	293,433
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 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		
Preferred shares, NIS 0.01 par value per share; 50,000,000 shares authorized; 0 issued and outstanding as of March 31, 2024 and December 31, 2023			—	—
Ordinary shares, NIS 0.01 par value per share, 500,000,000 shares authorized; 108,338,295 and 106,114,892 shares issued and outstanding as of March 31, 2024 and December 31, 2023, respectively			303	297
Additional paid-in capital	935,445	856,438	1,006,865	968,245
Accumulated other comprehensive loss	(3,442)	(2,772)		
Accumulated other comprehensive income (loss)			(144)	1,013

Accumulated deficit	(279,199)	(229,176)	(299,222)	(290,432)
Total shareholders' equity	653,098	624,773	707,802	679,123
Total liabilities and shareholders' equity	$ 919,607	$ 871,221	$ 997,080	$ 972,556

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 September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue:						
Subscription—self-managed and SaaS	$ 84,131	$ 67,750	$ 238,141	$ 190,498	$ 95,406	$ 74,543
License—self-managed	4,505	4,241	14,485	12,996	4,905	5,277
Total subscription revenue	88,636	71,991	252,626	203,494	100,311	79,820
Cost of revenue:						
Subscription—self-managed and SaaS	19,532	15,678	55,966	44,345	20,459	18,203
License—self-managed	218	220	654	660	145	218

Total cost of revenue—subscription	19,750	15,898	56,620	45,005	20,604	18,421
Gross profit	68,886	56,093	196,006	158,489	79,707	61,399
Operating expenses:						
Research and development	33,358	31,698	101,788	87,744	35,832	34,886
Sales and marketing	37,915	33,152	109,753	94,323	43,571	35,486
General and administrative	15,663	14,682	44,635	41,410	16,940	14,240
Total operating expenses	86,936	79,532	256,176	223,477	96,343	84,612
Operating loss	(18,050)	(23,439)	(60,170)	(64,988)	(16,636)	(23,213)
Interest and other income, net	5,733	1,369	14,621	2,159	7,087	3,992
Loss before income taxes	(12,317)	(22,070)	(45,549)	(62,829)	(9,549)	(19,221)
Income tax expense	1,430	1,482	4,474	4,200		
Income tax expense (benefit)					(759)	1,588
Net loss	$ (13,747)	$ (23,552)	$ (50,023)	$ (67,029)	$ (8,790)	$ (20,809)
Net loss per share, basic and diluted	$ (0.13)	$ (0.24)	$ (0.49)	$ (0.68)	$ (0.08)	$ (0.21)
Weighted-average shares used in computing net loss per share, basic and diluted	104,134,649	99,617,687	102,646,453	98,825,422	107,025,351	101,260,549

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 September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	**2022**	**2023**	**2022**	**2024**	**2023**
Net loss	$ (13,747)	$ (23,552)	$ (50,023)	$ (67,029)	$ (8,790)	$ (20,809)
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)		
Net change in unrealized gains (losses) on available-for-sale marketable securities, net of tax					(431)	572
Net change in unrealized losses on derivative instruments, net of tax					(726)	(173)
Other comprehensive income (loss), net of tax					(1,157)	399
Comprehensive loss	$ (13,712)	$ (23,448)	$ (50,693)	$ (71,882)	$ (9,947)	$ (20,410)

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 September 30, 2023					
	Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balance as of June 30, 2023	103,620,107	$ 290	$ 904,531	$ (3,477)	$ (265,452)	$ 635,892
Issuance of ordinary shares upon exercise of share options	382,742	2	2,064	—	—	2,066
Issuance of ordinary shares upon release of restricted share units	644,820	2	(2)	—	—	—
Issuance of ordinary shares under the employee share purchase plan	161,730	—	3,166	—	—	3,166
Issuance of ordinary shares related to business combination	55,466	—	—	—	—	—
Share-based compensation expense	—	—	25,686	—	—	25,686
Other comprehensive income, net of tax	—	—	—	35	—	35
Net loss	—	—	—	—	(13,747)	(13,747)
Balance as of September 30, 2023	104,864,865	$ 294	$ 935,445	$ (3,442)	$ (279,199)	$ 653,098

	Three Months Ended September 30, 2022					
	Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'
	Shares	Amount	Capital	Loss	Deficit	Equity
Balance as of June 30, 2022	99,282,527	$ 278	$ 811,961	$ (4,346)	$ (182,469)	$ 625,424
Issuance of ordinary shares upon exercise of share options	308,492	1	1,801	—	—	1,802

Issuance of ordinary shares upon release of restricted share units	475,564	2	(2)	—	—	—
Issuance of ordinary shares under the employee share purchase plan	106,944	—	1,923	—	—	1,923
Issuance of ordinary shares related to business combination	10,951	—	—	—	—	—
Share-based compensation expense	—	—	19,217	—	—	19,217
Other comprehensive income, net of tax	—	—	—	104	—	104
Net loss	—	—	—	—	(23,552)	(23,552)
Balance as of September 30, 2022	100,184,478	$ 281	$ 834,900	$ (4,242)	$ (206,021)	$ 624,918

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)

Nine Months Ended September 30, 2023					
Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'
Shares	Amount	Capital	Loss	Deficit	Equity

Three Months Ended March 31, 2024					
Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'
Shares	Amount	Capital	Income (Loss)	Deficit	Equity

Balance as of December 31, 2022	100,907,857	$ 283	$ 856,438	$ (2,772)	$ (229,176)	$ 624,773						
Balance as of December 31, 2023							106,114,892	$ 297	$ 968,245	$ 1,013	$ (290,432)	$ 679,123
Issuance of ordinary shares upon exercise of share options	1,290,378	4	5,429	—	—	5,433	1,280,624	4	6,842	—	—	6,846
Issuance of ordinary shares upon release of restricted share units	2,242,046	6	(6)	—	—	—	764,873	2	(2)	—	—	—
Issuance of ordinary shares under the employee share purchase plan	369,118	1	6,664	—	—	6,665	177,906	—	4,494	—	—	4,494
Issuance of ordinary shares related to business combination	55,466	—	—	—	—	—						

Share-based compensation expense	—	—	66,920	—	—	66,920	—	—	27,286	—	—	27,286
Other comprehensive loss, net of tax	—	—	—	(670)	—	(670)	—	—	—	(1,157)	—	(1,157)
Net loss	—	—	—	—	(50,023)	(50,023)	—	—	—	—	(8,790)	(8,790)
Balance as of September 30, 2023	104,864,865	$ 294	$ 935,445	$ (3,442)	$ (279,199)	$ 653,098						
Balance as of March 31, 2024							108,338,295	$ 303	$ 1,006,865	$ (144)	$ (299,222)	$ 707,802

Nine Months Ended September 30, 2022					Three Months Ended March 31, 2023				
Ordinary Shares	Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'	Ordinary Shares	Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'

	Shares	Amount	Capital	Income (Loss)	Deficit	Equity	Shares	Amount	Capital	Loss	Deficit	Equity
Balance as of December 31, 2021	97,312,040	$ 272	$ 776,690	$ 611	$ (138,992)	$ 638,581						
Balance as of December 31, 2022							100,907,857	$ 283	$ 856,438	$ (2,772)	$ (229,176)	$ 624,773
Issuance of ordinary shares upon exercise of share options	1,764,738	5	4,670	—	—	4,675	351,794	1	1,155	—	—	1,156
Issuance of ordinary shares upon release of restricted share units	787,072	3	(3)	—	—	—	371,504	1	(1)	—	—	—
Issuance of ordinary shares under the employee share purchase plan	261,494	1	5,175	—	—	5,176	207,388	1	3,498	—	—	3,499

Issuance of ordinary shares related to business combination	59,134	—	—	—	—	—						
Share-based compensation expense	—	—	48,368	—	—	48,368	—	—	19,912	—	—	19,912
Other comprehensive loss, net of tax	—	—	—	(4,853)	—	(4,853)						
Other comprehensive income, net of tax							—	—	—	399	—	399
Net loss	—	—	—	—	(67,029)	(67,029)	—	—	—	—	(20,809)	(20,809)
Balance as of September 30, 2022	100,184,478	$ 281	$ 834,900	$ (4,242)	$ (206,021)	$ 624,918						
Balance as of March 31, 2023							101,838,543	$ 286	$ 881,002	$ (2,373)	$ (249,985)	$ 628,930

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)

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	**2022**	**2024**	**2023**
Cash flows from operating activities:				
Net loss	$ (50,023)	$ (67,029)	$ (8,790)	$ (20,809)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	11,512	10,789	3,799	3,847
Share-based compensation expense	66,920	48,368	27,286	19,912
Non-cash operating lease expense	6,294	5,449	2,104	2,022
Net amortization of premium or discount on investments	(4,588)	3,014	(2,008)	(1,288)
Losses (gains) on foreign exchange	(869)	1,937	253	(367)
Changes in operating assets and liabilities:				

Accounts receivable	1,337	1,215	9,781	(838)
Prepaid expenses and other assets	530	5,105	(4,032)	(3,114)
Deferred contract acquisition costs	(4,769)	(5,470)	(186)	(793)
Accounts payable	(119)	2,128	(2,516)	(1,086)
Accrued expenses and other liabilities	4,935	3,189	(3,213)	410
Operating lease liabilities	(5,818)	(7,212)	(2,116)	(1,737)
Deferred revenue	16,220	12,628	(2,893)	2,712
Net cash provided by operating activities	41,562	14,111		
Net cash provided by (used in) operating activities			17,469	(1,129)
Cash flows from investing activities:				
Purchases of short-term investments	(303,310)	(305,715)	(164,703)	(123,216)
Maturities and sales of short-term investments	266,847	273,775	118,623	114,326
Purchases of property and equipment	(1,364)	(3,437)	(841)	(266)
Payments related to business combination	—	(179)		
Purchase of intangible asset	—	(300)		
Net cash used in investing activities	(37,827)	(35,856)	(46,921)	(9,156)

Cash flows from financing activities:				
Proceeds from exercise of share options	5,433	4,675	6,846	1,156
Proceeds from employee share purchase plan	6,665	5,176	4,494	3,499
Payments to tax authorities from employee equity transactions, net	(332)	(160)		
Proceeds from employee equity transactions, net of payments to tax authorities			5,255	297
Net cash provided by financing activities	11,766	9,691	16,595	4,952
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(112)	(2,293)	(523)	84
Net increase (decrease) in cash, cash equivalents, and restricted cash	15,389	(14,347)		
Net decrease in cash, cash equivalents, and restricted cash			(13,380)	(5,249)
Cash, cash equivalents, and restricted cash—beginning of period	45,607	68,540	84,777	45,607
Cash, cash equivalents, and restricted cash—end of period	$ 60,996	$ 54,193	$ 71,397	$ 40,358
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	$ 60,984	$ 53,971	$ 71,385	$ 40,346
Restricted cash included in prepaid expenses and other current assets	12	12	12	12
Restricted cash included in other assets, noncurrent	—	210		
Total cash, cash equivalents, and restricted cash	$ 60,996	$ 54,193	$ 71,397	$ 40,358

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 Software Supply Chain Platform that powers and controls the software supply chain, enabling enables organizations to continuously and securely create and deliver software updates across any system. JFrog’s This platform is the critical bridge between software development and deployment of that software, paving the way for the modern DevOps paradigm. software supply chain management and software release processes. The Company enables organizations to build and release software faster and more securely while empowering developers, security teams and machine learning operations teams 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 December 31, 2023 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 December 31, 2023, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2022 December 31, 2023 filed with the SEC on February 9, 2023 February 15, 2024.

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 September 30, 2023 March 31, 2024 and the Company's consolidated results of operations, and shareholders' equity, for the three and nine months ended September 30, 2023 and 2022, and cash flows for the nine three months ended September 30, 2023 March 31, 2024 and 2022. 2023. The results for the three and nine months ended September 30, 2023 March 31, 2024 are not necessarily indicative of the results to be expected for the full year ending December 31, 2023 December 31, 2024 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 benefit period of 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.

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 December 31, 2023. There have been no significant changes to these policies during the nine three months ended September 30, 2023 March 31, 2024.

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 $6.1 7.1 million and $1.6 4.4 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively and $15.6 million and $2.8 million for the nine months ended September 30, 2023 and 2022, 2023, 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:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(in thousands)		(in thousands)	
United States	$ 9,103	$ 11,569	$ 7,856	$ 8,566
Israel	17,843	17,887	14,768	15,888
India	4,304	2,246	3,701	4,054
Rest of world	544	921	471	582
Total long-lived assets	$ 31,794	$ 32,623	$ 26,796	$ 29,090

Recently Issued Accounting Pronouncements

In November 2023, the Financial Accounting Standard Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280), Improvements to Reportable Segment Disclosures*, which expands annual and interim disclosure requirements for reportable segments, primarily through enhanced disclosures about significant segment expenses. In addition, it provides new segment disclosure requirements for entities with a single reportable segment. The guidance will be effective for the Company for annual periods beginning January 1, 2024 and for interim periods beginning January 1, 2025. Early adoption is permitted. The Company is currently evaluating the impact on its financial statement disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740), Improvements to Income Tax Disclosures*, which requires disaggregated information about the effective tax rate reconciliation as well as information on income taxes paid. The guidance will be effective for the Company for annual periods beginning January 1, 2025, with early adoption permitted. The Company is currently evaluating the impact on its financial statement disclosures.

3. Revenue Recognition

Disaggregation of Revenue

The following table presents revenue by category:

	Three Months Ended September 30,				Nine Months Ended September 30,				Three Months Ended March 31,			
	2023		2022		2023		2022		2024		2023	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
	(in thousands, except percentages)								(in thousands, except percentages)			
Self-managed subscription	$ 58,022	65 %	$ 50,966	71 %	$ 169,332	67 %	$ 146,457	72 %	$ 63,390	63 %	$ 54,780	69 %
Subscription	53,517	60	46,725	65	154,847	61	133,461	66	58,485	58	49,503	62
License	4,505	5	4,241	6	14,485	6	12,996	6	4,905	5	5,277	7

SaaS	30,614	35	21,025	29	83,294	33	57,037	28	36,921	37	25,040	31
Total subscription revenue	$ 88,636	100 %	$ 71,991	100 %	$ 252,626	100 %	$ 203,494	100 %	$ 100,311	100 %	$ 79,820	100 %

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

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2023		2022		2023		2022	
	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue	Amount	Percentage of Revenue
	(in thousands, except percentages)							
United States	$ 55,162	62 %	$ 45,446	63 %	$ 156,440	62 %	$ 128,185	63 %
Israel	2,216	3	1,713	2	6,490	3	5,048	2
Rest of world	31,258	35	24,832	35	89,696	35	70,261	35
Total subscription revenue	$ 88,636	100 %	$ 71,991	100 %	$ 252,626	100 %	$ 203,494	100 %

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	Three Months Ended March 31,							
	2024				2023			
	Amount		Percentage of Revenue		Amount		Percentage of Revenue	
	(in thousands, except percentages)							
United States	$	60,658	60	%	$	49,539	62	%
Israel		2,933	3			2,043	3	
Rest of world		36,720	37			28,238	35	
Total subscription revenue	$	100,311	100	%	$	79,820	100	%

Contract Balances

Of the $184.4 214.1 million and $157.1 175.7 million of deferred revenue recorded as of June 30, 2023 December 31, 2023 and 2022, respectively, the Company recognized $69.1 83.7 million and $55.1 63.5 million as revenue during the three months ended September 30, 2023 March 31, 2024 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 $146.4 million and $112.5 million as revenue during the nine months ended September 30, 2023 and 2022, 2023, respectively.

Remaining Performance Obligation

The Company's remaining performance obligations are comprised of product and service revenue not yet delivered. As of September 30, 2023 March 31, 2024, the aggregate amount of the transaction price allocated to remaining performance obligations was $235.1 261.7 million, which consists of billed considerations of $191.9 211.2 million and unbilled considerations of $43.2 50.5 million, that the Company expects to recognize as revenue. As of September 30, 2023 March 31, 2024, the Company expects to recognize 83 82% 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 $2.7 3.1 million and $1.9 2.2 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $7.3 million and $5.1 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

4. Short-Term Investments

Short-term investments consisted consist of bank deposits and marketable securities. As of March 31, 2024 and December 31, 2023, bank deposits were $106.7 million and $81.1 million, respectively.

Marketable securities consist of the following:

	September 30, 2023	March 31, 2024

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
		(in thousands)				(in thousands)		
Bank deposits	$ 106,117	$ —	$ —	$ 106,117				
Certificates of deposit	2,467	—	(42)	2,425	$ 2,467	$ —	$ (11)	$ 2,456
Commercial paper	20,697	—	(26)	20,671	4,147	—	(3)	4,144
Corporate debt securities	151,554	15	(810)	150,759	161,396	95	(261)	161,230
Municipal securities	27,774	—	(121)	27,653	17,722	1	(49)	17,674
Government and agency debt	134,219	4	(654)	133,569	216,403	57	(429)	216,031
Marketable securities	336,711	19	(1,653)	335,077				
Total short-term investments	$ 442,828	$ 19	$ (1,653)	$ 441,194				
Total marketable securities					402,135	153	(753)	401,535

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated 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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	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Certificates of deposit	$ 2,455	$ —	$ (21)	$ 2,434
Commercial paper	8,927	—	(6)	8,921
Corporate debt securities	162,515	234	(302)	162,447
Municipal securities	22,263	9	(36)	22,236
Government and agency debt	183,093	252	(250)	183,095
Total marketable securities	$ 379,253	$ 495	$ (615)	$ 379,133

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

	September 30, 2023	March 31, 2024
	(in thousands)	(in thousands)
Due in 1 year or less	$ 267,996	$ 254,895
Due in 1 year through 2 years	67,081	146,640
Total	$ 335,077	$ 401,535

The following table presents tables present 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:

September 30, 2023			March 31, 2024		
Less Than 12 Months	12 Months or Greater	Total	Less Than 12 Months	12 Months or Greater	Total

	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in thousands)						(in thousands)					
Certificates of deposit	$ 247	$ (3)	$ 2,157	$ (39)	$ 2,404	$ (42)	$ 250	$ (1)	$ 2,206	$ (10)	$ 2,456	$ (11)
Commercial paper	20,671	(26)	—	—	20,671	(26)	4,144	(3)	—	—	4,144	(3)
Corporate debt securities	108,649	(566)	26,762	(244)	135,411	(810)	102,475	(218)	14,347	(43)	116,822	(261)
Municipal securities	15,500	(45)	8,624	(76)	24,124	(121)	11,814	(30)	4,576	(19)	16,390	(49)
Government and agency debt	114,626	(519)	11,509	(135)	126,135	(654)	147,125	(366)	18,669	(63)	165,794	(429)

Total	$ 259,693	$ (1,159)	$ 49,052	$ (494)	$ 308,745	$ (1,653)	$ 265,808	$ (618)	$ 39,798	$ (135)	$ 305,606	$ (753)

	December 31, 2022						December 31, 2023					
	Less Than 12 Months		12 Months or Greater		Total		Less Than 12 Months		12 Months or Greater		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss
	(in thousands)						(in thousands)					
Certificates of deposit	$ 2,153	$ (51)	$ —	$ —	$ 2,153	$ (51)	$ 250	$ —	$ 2,175	$ (21)	$ 2,425	$ (21)
Commercial paper	31,838	(137)	—	—	31,838	(137)	8,921	(6)	—	—	8,921	(6)
Corporate debt securities	123,540	(859)	—	—	123,540	(859)	77,023	(177)	25,156	(125)	102,179	(302)

Municipal securities	25,336	(222)	—	—	25,336	(222)	7,071	(6)	4,215	(30)	11,286	(36)
Government and agency debt	71,781	(484)	—	—	71,781	(484)	99,236	(181)	8,972	(69)	108,208	(250)
Total	$ 254,648	$ (1,753)	$ —	$ —	$ 254,648	$ (1,753)	$ 192,501	$ (370)	$ 40,518	$ (245)	$ 233,019	$ (615)

As of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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) ("AOCI") during the periods presented.

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5. Fair Value Measurements

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

	September 30, 2023			March 31, 2024		
	Fair Value	Level 1	Level 2	Fair Value	Level 1	Level 2
	(in thousands)			(in thousands)		
Financial Assets:						
Money market funds	$ 27,834	$ 27,834	$ —	$ 32,037	$ 32,037	$ —
Cash equivalents	27,834	27,834	—	32,037	32,037	—
Bank deposits	106,117	—	106,117			
Certificates of deposit	2,425	—	2,425	2,456	—	2,456
Commercial paper	20,671	—	20,671	4,144	—	4,144
Corporate debt securities	150,759	—	150,759	161,230	—	161,230
Municipal securities	27,653	—	27,653	17,674	—	17,674
Government and agency debt	133,569	—	133,569	216,031	—	216,031
Short-term investments	441,194	—	441,194			
Marketable securities				401,535	—	401,535
Foreign currency contracts designated as hedging instruments included in prepaid expenses and other current assets	72	—	72	666	—	666
Foreign currency contracts not designated as hedging instruments included in prepaid expenses and other current assets	18	—	18	35	—	35

Restricted bank deposits included in prepaid expenses and other current assets	12	—	12	12	—	12
Total financial assets	46 9,1 $ 30	27 ,8 $ 34	44 1,2 $ 96	$ 434,285	$ 32,037	$ 402,248
Financial Liabilities:						
Foreign currency contracts designated as hedging instruments included in accrued expenses and other current liabilities	1,9 $ 76	$ —	1,9 $ 76	$ 255	$ —	$ 255
Foreign currency contracts not designated as hedging instruments included in accrued expenses and other current liabilities	14 2	—	14 2	447	—	447
Total financial liabilities	2,1 $ 18	$ —	2,1 $ 18	$ 702	$ —	$ 702

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	December 31, 2022		
	Fair Value	Level 1	Level 2
		(in thousands)	
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

	Fair Value	Level 1	Level 2
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

	December 31, 2023		
	Fair Value	**Level 1**	**Level 2**
		(in thousands)	
Financial Assets:			
Money market funds	$ 40,646	$ 40,646	$ —
Government and agency debt	5,498	—	5,498
Cash equivalents	46,144	40,646	5,498
Certificates of deposit	2,434	—	2,434
Commercial paper	8,921	—	8,921
Corporate debt securities	162,447	—	162,447
Municipal securities	22,236	—	22,236
Government and agency debt	183,095	—	183,095
Marketable securities	379,133	—	379,133
Foreign currency contracts designated as hedging instruments included in prepaid expenses and other current assets	1,189	—	1,189
Foreign currency contracts not designated as hedging instruments included in prepaid expenses and other current assets	235	—	235
Restricted bank deposits included in prepaid expenses and other current assets	12	—	12
Total financial assets	$ 426,713	$ 40,646	$ 386,067
Financial Liabilities:			
Foreign currency contracts designated as hedging instruments included in accrued expenses and other current liabilities	$ 52	$ —	$ 52

Foreign currency contracts not designated as hedging instruments included in accrued expenses and other current liabilities	5	—	5
Total financial liabilities	$ 57	$ —	$ 57

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, restricted cash, 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 September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023, 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:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(in thousands)		(in thousands)	
Derivatives Designated as Hedging Instruments:				
Foreign currency contracts	$ 54,653	$ 42,854	$ 57,022	$ 46,331
Derivatives Not Designated as Hedging Instruments:				
Foreign currency contracts	18,637	17,555	19,520	18,903
Total derivative instruments	$ 73,290	$ 60,409	$ 76,542	$ 65,234

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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 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	
	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,		Three Months Ended March 31,	
	2023	2022	2023	2022	2023	2022	2023	2022	2024	2023	2024	2023
Condensed Statement of Operations Location:	(in thousands)								(in thousands)			

Cost of revenue: subscription–self-managed and SaaS	$ (111)	$ (97)	$ (292)	$ (224)	$—	$—	$—	$—	$ 20	$ (87)	$ —	$ —
Research and development	(929)	(935)	(2,432)	(1,844)	—	—	—	—	187	(688)	—	—
Sales and marketing	(219)	(178)	(559)	(380)	—	—	—	—	46	(152)	—	—
General and administrative	(252)	(214)	(648)	(464)	—	—	—	—	51	(181)	—	—
Interest and other income, net	—	—	—	8	(506)	65	(1,325)	(335)	—	—	(223)	(405)
Total gains (losses) recognized in earnings	$ (1,511)	$ (1,424)	$ (3,921)	$ (2,904)	$ (506)	$ 65	$ (1,325)	$ (335)	$ 304	$ (1,108)	$ (223)	$ (405)

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 September 30, 2023 March 31, 2024 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:

	September 30, 2023	December 31, 2022
	(in thousands)	
Computer and software	$ 9,216	$ 8,330
Furniture and office equipment	3,042	2,802
Leasehold improvements	5,804	5,748
Property and equipment, gross	18,062	16,880
Less: accumulated depreciation and amortization	(11,480)	(8,859)
Property and equipment, net	$ 6,582	$ 8,021

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	March 31, 2024	December 31, 2023
	(in thousands)	
Computer and software	$ 9,655	$ 9,030
Furniture and office equipment	3,188	3,135
Leasehold improvements	6,112	6,069
Property and equipment, gross	18,955	18,234
Less: accumulated depreciation and amortization	(12,482)	(11,571)
Property and equipment, net	$ 6,473	$ 6,663

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	September 30, 2023	December 31, 2022	March 31, 2024	December 31, 2023
	(in thousands)		(in thousands)	
Accrued compensation and benefits	$ 22,097	$ 20,892	$ 22,724	$ 25,166
Accrued expenses	9,986	7,956	16,873	10,649
Accrued expenses and other current liabilities	$ 32,083	$ 28,848	$ 39,597	$ 35,815

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8. Intangible Assets, Net

Intangible assets consisted of the following as of September 30, 2023 March 31, 2024:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life
	(in thousands)			(in years)	(in thousands)			(in years)
Developed technology	$ 50,347	$ (25,248)	$ 25,099	2.6	$ 50,347	$ (30,310)	$ 20,037	2.1
Customer relationships	5,541	(2,549)	2,992	3.4	5,541	(3,023)	2,518	2.9
Other intangible assets	1,132	(566)	566	1.2	1,132	(808)	324	0.7
Total	$ 57,020	$ (28,363)	$ 28,657		$ 57,020	$ (34,141)	$ 22,879	

Intangible assets consisted of the following as of December 31, 2022 December 31, 2023:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted-Average Remaining Useful Life
	(in thousands)			(in years)	(in thousands)			(in years)
Developed technology	$ 50,347	$ (17,434)	$ 32,913	3.3	$ 50,347	$ (27,779)	$ 22,568	2.3

Customer relationships	5,541	(1,840)	3,701	4.1	5,541	(2,786)	2,755	3.1
Other intangible assets	1,132	(202)	930	1.9	1,132	(687)	445	0.9
Total	$ 57,020	$ (19,476)	$ 37,544		$ 57,020	$ (31,252)	$ 25,768	

Amortization expenses for intangible assets were $3.0 2.9 million and $2.9 3.0 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $8.9 million and $8.6 million for the nine months ended September 30, 2023 and 2022, 2023, respectively.

The expected future amortization expenses by year related to the intangible assets as of September 30, 2023 March 31, 2024 are as follows:

	September 30, 2023 (in thousands)	March 31, 2024 (in thousands)
Year Ending December 31,		
2023 (Remainder)	$ 2,889	
2024	11,034	
2024 (Remainder)		$ 8,145
2025	9,110	9,110
2026	5,241	5,241
2027	383	383
Total	$ 28,657	$ 22,879

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 September 30, 2023	Three Months Ended September 30, 2022	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
(in thousands)				(in thousands)	

Operating lease cost	$ 2,350	$ 1,918	$ 6,843	$ 5,669	$ 2,275	$ 2,181
Short-term lease cost	148	172	462	427	176	112
Variable lease cost	96	92	302	284	103	96
Total operating lease cost	$ 2,594	$ 2,182	$ 7,607	$ 6,380	$ 2,554	$ 2,389

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

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	(in thousands)		(in thousands)	
Cash paid for operating leases	$ 6,369	$ 5,628	$ 2,288	$ 1,896
ROU assets obtained in exchange for new operating lease liabilities	$ 2,867	$ 1,236	$ —	$ 2,867
Adjustment to ROU assets upon modification of existing lease	$ 4,037	$ 1,952		

As of September 30, 2023 March 31, 2024, the weighted-average discount rate is 3.3 2.7% and the weighted-average remaining term is 3.1 3.4 years. Maturities of the Company's operating lease liabilities as of September 30, 2023 March 31, 2024 were as follows:

	September 30, 2023	March 31, 2024
	(in thousands)	(in thousands)
Year Ending December 31,		
2023 (Remainder)	$ 2,223	

2024	8,746	
2024 (Remainder)		$ 6,518
2025	7,989	7,884
2026	4,748	4,649
2027	1,606	1,616
Thereafter	156	
2028		156
Total operating lease payments	25,468	20,823
Less: imputed interest	(1,402)	(983)
Total operating lease liabilities	$ 24,066	$ 19,840

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 September 30, 2023March 31, 2024, the Company had outstanding non-cancelable purchase obligations with a term of 12 months or longer as follows:

	September 30, 2023 (in thousands)	March 31, 2024 (in thousands)
Year Ending December 31,		
2023 (Remainder)	$ 1,357	
2024	21,242	
2024 (Remainder)		$ 4,996
2025	16,499	16,980
2026	107	2,600
2027		25
2028		25
Total	$ 39,205	$ 24,626

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.

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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 January 1, 2024, the number of ordinary shares authorized for issuance under the 2020 Equity Incentive Plan (the "2020 Plan") automatically increased by 5,819,265 6,070,667 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			
	Outstanding Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
	(in thousands, except share, life and per share data)			
Balance as of December 31, 2022	7,205,324	$ 7.88	5.4	$ 101,334
Exercised	(1,290,378)	$ 4.21		$ 26,135
Forfeited	(115,611)	$ 14.65		
Balance as of September 30, 2023	5,799,335	$ 8.56	4.7	$ 99,709
Exercisable as of September 30, 2023	4,795,660	$ 6.80	4.4	$ 90,423

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	Options Outstanding			
	Outstanding Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
	(in thousands, except share, life and per share data)			
Balance as of December 31, 2023	5,110,390	$ 8.49	4.1	$ 134,171
Exercised	(1,280,624)	$ 5.27		$ 46,905
Forfeited	(9,900)	$ 12.61		
Balance as of March 31, 2024	3,819,866	$ 9.57	4.5	$ 132,808
Exercisable as of March 31, 2024	3,294,042	$ 8.11	4.3	$ 119,216

Restricted Share Units

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

RSUs		RSUs	
Unvested RSUs	Weighted-Average Grant Date Fair Value Per Share	Unvested RSUs	Weighted-Average Grant Date Fair Value Per Share

Unvested as of December 31, 2022	7,981,147	$	26.90			
Unvested as of December 31, 2023				10,006,997	$	25.91
Granted	5,721,837	$	25.82	777,826	$	35.67
Vested	(2,242,046)	$	26.85	(764,873)	$	25.52
Forfeited	(1,013,170)	$	25.85	(239,450)	$	25.37
Unvested as of September 30, 2023	10,447,768	$	26.42			
Unvested as of March 31, 2024				9,780,500	$	26.75

The total release date fair value of RSUs was $57.1 34.1 million during the nine three months ended September 30, 2023 March 31, 2024.

Employee Share Purchase Plan

Effective January 1, 2023 January 1, 2024, the number of ordinary shares authorized for issuance under the 2020 Employee Share Purchase Plan ("ESPP") automatically increased by 1,009,633 1,061,148 shares pursuant to the terms of ESPP.

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Shares Reserved for Future Issuance

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

	September 30, 2023 March 31, 2024
Outstanding share options	5,799,335 3,819,866
Outstanding RSUs	10,447,768 9,780,500
Shares available for future issuance under the 2020 Plan	14,335,295 19,757,175
Shares available for future issuance under ESPP	4,281,665 5,164,907
Total ordinary shares reserved	34,864,063 38,522,448

Share-Based Compensation

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands)				(in thousands)	
Cost of revenue: subscription–self-managed and SaaS	$ 2,650	$ 1,903	$ 6,865	$ 4,822	$ 3,092	$ 2,196
Research and development	8,596	6,806	23,566	17,268	9,667	7,172
Sales and marketing	8,248	6,548	21,461	16,095	9,813	6,473
General and administrative	6,192	3,960	15,028	10,183	4,714	4,071
Total share-based compensation expense	$ 25,686	$ 19,217	$ 66,920	$ 48,368	$ 27,286	$ 19,912

As of September 30, 2023 March 31, 2024, unrecognized share-based compensation cost related to unvested share-based compensation awards was $268.8 237.5 million, which is expected to be recognized over a weighted-average period of 3.0 2.7 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 Unrealized Losses on Available-for-Sale Marketable Securities	Net Unrealized Losses on Derivatives Designated as Hedging Instruments	Total
		(in thousands)	
Balance as of December 31, 2022	$ (1,694)	$ (1,078)	$ (2,772)
Other comprehensive loss before reclassifications	(6)	(4,747)	(4,753)

Net realized losses reclassified from AOCI	162	3,921	4,083
Other comprehensive loss	156	(826)	(670)
Balance as of September 30, 2023	$ (1,538)	$ (1,904)	$ (3,442)

	Net Unrealized Losses on Available-for-Sale Marketable Securities	Net Unrealized Gains on Derivatives Designated as Hedging Instruments	Total
		(in thousands)	
Balance as of December 31, 2023	$ (124)	$ 1,137	$ 1,013
Other comprehensive loss before reclassifications	(428)	(422)	(850)
Net realized gains reclassified from AOCI	(3)	(304)	(307)
Other comprehensive loss	(431)	(726)	(1,157)
Balance as of March 31, 2024	$ (555)	$ 411	$ (144)

	Net Unrealized Losses on Available-for-Sale Marketable Securities	Net Unrealized Gains (Losses) on Derivatives Designated as Hedging Instruments	Total
		(in thousands)	
Balance as of December 31, 2021	$ (264)	$ 875	$ 611
Other comprehensive loss before reclassifications	(1,738)	(6,018)	(7,756)
Net realized losses (gains) reclassified from AOCI	(1)	2,904	2,903
Other comprehensive loss	(1,739)	(3,114)	(4,853)
Balance as of September 30, 2022	$ (2,003)	$ (2,239)	$ (4,242)

	Net Unrealized Losses on Available-for-Sale Marketable Securities	Net Unrealized Losses on Derivatives Designated as Hedging Instruments	Total

	(in thousands)		
Balance as of December 31, 2022	$ (1,694)	$ (1,078)	$ (2,772)
Other comprehensive income (loss) before reclassifications	411	(1,281)	(870)
Net realized losses reclassified from AOCI	161	1,108	1,269
Other comprehensive income (loss)	572	(173)	399
Balance as of March 31, 2023	$ (1,122)	$ (1,251)	$ (2,373)

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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 (benefit) was $ $(1.4 0.8) million and $1.5 1.6 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $4.5 million and $4.2 million for the nine months ended September 30, 2023 and 2022, 2023, respectively. The income tax expense (benefit) for the periods consisted primarily of income taxes related to the Company's U.S. operations. operations in the United States.

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 nine three months ended September 30, 2023 March 31, 2024, 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 5.4 million as of September 30, 2023 March 31, 2024 and December 31, 2022 December 31, 2023. As of September 30, 2023 March 31, 2024, 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 September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022

	(in thousands, except share and per share data)			
Numerator:				
Net loss	$ (13,747)	$ (23,552)	$ (50,023)	$ (67,029)
Denominator:				
Weighted-average shares used in computing net loss per share, basic and diluted	104,134,649	99,617,687	102,646,453	98,825,422
Net loss per share, basic and diluted	$ (0.13)	$ (0.24)	$ (0.49)	$ (0.68)

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	Three Months Ended March 31,	
	2024	2023
	(in thousands, except share and per share data)	
Numerator:		
Net loss	$ (8,790)	$ (20,809)
Denominator:		
Weighted-average shares used in computing net loss per share, basic and diluted	107,025,351	101,260,549
Net loss per share, basic and diluted	$ (0.08)	$ (0.21)

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 September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Outstanding share options	5,992,799	7,917,840	6,503,720	8,536,885	4,543,485	7,025,265
Unvested RSUs	10,027,845	7,994,184	8,856,319	5,592,902	10,073,530	8,052,284
Share purchase rights under the ESPP	59,044	147,704	146,583	136,089	160,553	197,335
Issuable ordinary shares related to business combination	—	102,124	36,774	118,377	—	55,466

Total	16,079,688	16,161,852	15,543,396	14,384,253	14,777,568	15,330,350

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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 December 31, 2023, filed with the SEC on February 9, 2023 February 15, 2024, 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 IA in our Annual Report.

Overview

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

We provide an end-to-end, hybrid, universal DevOps Software Supply Chain Platform that powers and controls the software supply chain, enabling enables organizations to continuously and securely create and 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. software supply chain management and software release processes. We enable organizations to build and release software faster and more securely while empowering developers, security teams and machine learning operation teams 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 35% and 33% 37% of our total revenue for the three and nine months ended September 30, 2023 March 31, 2024, respectively, compared to 29% and 28% 31% for the corresponding periods in 2022, respectively. three months ended March 31, 2023.

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 Enterprise Plus subscription represented approximately 95% 49% of our total revenue for the three and nine months ended September 30, 2023 March 31, 2024, 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 44% for the three and nine months ended September 30, 2023, respectively, compared to approximately 39% and 37%, respectively, for the corresponding periods in 2022. March 31, 2023. 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 team, 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 $88.6 million $100.3 million and $72.0 million $79.8 million for the three months ended September 30, 2023 March 31, 2024 and 2022, 2023, respectively, representing 23% growth, and $252.6 million and $203.5 million for the nine months ended September 30, 2023 and 2022, respectively, representing 24% 26% growth. We have continued to invest in our business and had a net loss of $13.7 million $8.8 million and $23.6 million $20.8 million for the three months ended September 30, 2023 March 31, 2024 and 2022, respectively, and $50.0 million and $67.0 million for the nine months ended September 30, 2023 and 2022, 2023, 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 declared war against Hamas and commenced a military campaign against these terrorist organizations. Since the commencement of these events, there have been additional active hostilities, including with Hezbollah in Lebanon, the Houthi movement which controls parts of Yemen, and most recently with Iran. It is possible that these hostilities will escalate in the future into a greater regional conflict, and that additional terrorist organizations and countries will actively join the hostilities.

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 have activated and maintained a comprehensive three-pillar 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. consistent. 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 While certain of the date of this Quarterly Report on Form 10-Q, our employees and consultants have been called into military service, there has been no major interruption or material adverse impact on our business activities. operating result as of the date of this Quarterly Report on Form 10-Q. 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 end-to-end, hybrid, universal Software Supply Chain 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 teams, 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 September 30, 2023 March 31, 2024 and 2022, 2023, our net dollar retention rate was 119% 118% and 130% 124%, 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 September 30, 2023 March 31, 2024, 848 911 of our customers had ARR of $100,000 or more, increasing from 736 886 customers as of December 31, 2022 December 31, 2023. We had 30 40 customers with ARR of at least $1.0 million as of September 30, 2023 March 31, 2024, increasing from 19 37 customers as of December 31, 2022 December 31, 2023.

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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 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:

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	(in thousands)		(in thousands)	
Net cash provided by operating activities	$ 41,562	$ 14,111		
Net cash provided by (used in) operating activities			$ 17,469	$ (1,129)
Less: purchases of property and equipment	(1,364)	(3,437)	(841)	(266)
Free cash flow	$ 40,198	$ 10,674	$ 16,628	$ (1,395)
Net cash used in investing activities	$ (37,827)	$ (35,856)	$ (46,921)	$ (9,156)
Net cash provided by financing activities	$ 11,766	$ 9,691	$ 16,595	$ 4,952

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.

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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 the sale of our SaaS subscriptions. For subscriptions to our self-managed software products, revenue is recognized ratably over the subscription term. For our SaaS subscriptions, revenue is recognized based on usage as the usage occurs over the contract period. period, including minimum usage commitments.

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 (Benefit)

Income tax expense (benefit) consists primarily of income taxes related to the U.S. United States 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 excess tax benefits from share-based compensation awards, 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 September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands)				(in thousands)	
Revenue:						
Subscription—self-managed and SaaS	$ 84,131	$ 67,750	$ 238,141	$ 190,498	$ 95,406	$ 74,543

License—self-managed	4,505	4,241	14,485	12,996	4,905	5,277
Total subscription revenue	88,636	71,991	252,626	203,494	100,311	79,820
Cost of revenue:						
Subscription—self-managed and SaaS(1)(2)(3)	19,532	15,678	55,966	44,345	20,459	18,203
License—self-managed(2)	218	220	654	660	145	218
Total cost of revenue—subscription	19,750	15,898	56,620	45,005	20,604	18,421
Gross profit	68,886	56,093	196,006	158,489	79,707	61,399
Operating expenses:						
Research and development(1)(3)	33,358	31,698	101,788	87,744	35,832	34,886
Sales and marketing(1)(2)(3)	37,915	33,152	109,753	94,323	43,571	35,486
General and administrative(1)(3)(4)	15,663	14,682	44,635	41,410		
General and administrative(1)(3)					16,940	14,240
Total operating expenses	86,936	79,532	256,176	223,477	96,343	84,612
Operating loss	(18,050)	(23,439)	(60,170)	(64,988)	(16,636)	(23,213)
Interest and other income, net	5,733	1,369	14,621	2,159	7,087	3,992
Loss before income taxes	(12,317)	(22,070)	(45,549)	(62,829)	(9,549)	(19,221)
Income tax expense	1,430	1,482	4,474	4,200		
Income tax expense (benefit)					(759)	1,588
Net loss	$ (13,747)	$ (23,552)	$ (50,023)	$ (67,029)	$ (8,790)	$ (20,809)

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands)				(in thousands)	
Cost of revenue: subscription–self-managed and SaaS	$ 2,650	$ 1,903	$ 6,865	$ 4,822	$ 3,092	$ 2,196
Research and development	8,596	6,806	23,566	17,268	9,667	7,172
Sales and marketing	8,248	6,548	21,461	16,095	9,813	6,473
General and administrative	6,192	3,960	15,028	10,183	4,714	4,071
Total share-based compensation expense	$ 25,686	$ 19,217	$ 66,920	$ 48,368	$ 27,286	$ 19,912

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

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
	(in thousands)				(in thousands)	
Cost of revenue: subscription–self-managed and SaaS	$ 2,386	$ 2,386	$ 7,160	$ 7,158	$ 2,386	$ 2,387
Cost of revenue: license—self-managed	218	220	654	660	145	218
Sales and marketing	357	298	1,073	770	358	358
Total amortization expense of acquired intangible assets	$ 2,961	$ 2,904	$ 8,887	$ 8,588	$ 2,889	$ 2,963

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(3) Includes acquisition-related costs as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
	(in thousands)			
Cost of revenue: subscription–self-managed and SaaS	$ 6	$ 6	$ 16	$ 19
Research and development	1,251	2,304	6,931	6,828
Sales and marketing	19	228	89	464
General and administrative	18	10	158	244
Total acquisition-related costs	$ 1,294	$ 2,548	$ 7,194	$ 7,555

(4) Includes legal settlement costs as follows:

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

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Cost of revenue: subscription–self-managed and SaaS	$ 4	$ 5
Research and development	488	2,935
Sales and marketing	32	70
General and administrative	2	76
Total acquisition-related costs	$ 526	$ 3,086

	Three Months Ended September 30,		Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2023	2022	2024	2023
Revenue:						
Subscription—self-managed and SaaS	95 %	94 %	94 %	94 %	95 %	93 %
License—self-managed	5	6	6	6	5	7
Total subscription revenue	100	100	100	100	100	100
Cost of revenue:						
Subscription—self-managed and SaaS	22	22	22	22	21	23
License—self-managed	—	—	—	—	—	—
Total cost of revenue—subscription	22	22	22	22	21	23
Gross profit	78	78	78	78	79	77
Operating expenses:						
Research and development	37	44	40	43	36	44
Sales and marketing	43	46	44	47	43	44
General and administrative	18	21	18	20	17	18
Total operating expenses	98	111	102	110	96	106
Operating loss	(20)	(33)	(24)	(32)	(17)	(29)
Interest and other income, net	6	2	6	1	7	5
Loss before income taxes	(14)	(31)	(18)	(31)	(10)	(24)
Income tax expense	2	2	2	2		
Income tax expense (benefit)					(1)	2
Net loss	(16)%	(33)%	(20)%	(33)%	(9)%	(26)%

Comparison of the Three Months Ended September 30, 2023 March 31, 2024 and 2022 2023

Revenue

	Three Months Ended September 30,				Three Months Ended March 31,			
	2023	2022	$ Change	% Change	2024	2023	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentage)			
Subscription—self-managed and SaaS	$ 84,131	$ 67,750	$ 16,381	24 %	$ 95,406	$ 74,543	$ 20,863	28 %
License—self-managed	4,505	4,241	264	6 %	4,905	5,277	(372)	-7 %
Total subscription revenue	$ 88,636	$ 71,991	$ 16,645	23 %	$ 100,311	$ 79,820	$ 20,491	26 %

The increase in total subscription revenue for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023 consisted of approximately a $13.8 million $16.9 million growth from existing customers and the remaining attributable to new customers.

28 Cost of Revenue and Gross Margin

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentage)			
Subscription—self-managed and SaaS	$ 20,459	$ 18,203	$ 2,256	12 %
License—self-managed	145	218	(73)	(33)%
Total cost of revenue—subscription	$ 20,604	$ 18,421	$ 2,183	12 %
Gross margin	79 %	77 %		

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Cost of Revenue and Gross Margin

Three Months Ended September

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Subscription—self-managed and SaaS	$ 19,532	$ 15,678	$ 3,854	25 %
License—self-managed	218	220	(2)	(1)%
Total cost of revenue—subscription	$ 19,750	$ 15,898	$ 3,852	24 %
Gross margin	78 %	78 %		

Total cost of revenue increased for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. The increase was primarily attributable to an increase of $2.7 million $1.8 million in third-party hosting costs mainly driven by increased revenue from SaaS subscriptions and an increase of $0.7 million $0.9 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below.

Gross The increase in gross margin remained consistent for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022. March 31, 2023 was primarily due to higher revenue and lower third-party software costs.

Operating Expenses

Research and Development

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

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentage)			
Research and development	$ 35,832	$ 34,886	$ 946	3 %

Research and development expense increased for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023. The increase was primarily attributable to an increase of $1.8 million $2.5 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, partially offset by a decrease of $2.4 million in compensation expense associated with holdback arrangements from our acquisitions in 2021.

Sales and Marketing

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentage)			
Sales and marketing	$ 43,571	$ 35,486	$ 8,085	23 %

Sales and marketing expense increased for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase was primarily attributable to an increase of $3.3 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, an increase of $3.3 million in personnel-related expenses mainly as a result of increased headcount, and an increase of $1.0 million in commissions.

General and Administrative

	Three Months Ended March 31,			
	2024	2023	$ Change	% Change
	(in thousands, except percentage)			
General and administrative	$ 16,940	$ 14,240	$ 2,700	19 %

General and administrative expense increased for the three months ended March 31, 2024 compared to the three months ended March 31, 2023. The increase was primarily attributable to an increase of $1.1 million in personnel-related expenses mainly as a result of increased headcount, an increase of $0.6 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, and an increase of $0.5 million $0.6 million in personnel-related expenses 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 September 30,			
	2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	$ 37,915	$ 33,152	$ 4,763	14 %

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

General and Administrative

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
	(in thousands, except percentages)			
General and administrative	$ 15,663	$ 14,682	$ 981	7 %

General and administrative expense increased for the three months ended September 30, 2023 compared to the three months ended September 30, 2022. The increase was primarily attributable to an increase of $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 $0.5 million in professional fees for legal recruiting, and other consulting services. professional service costs.

Share-based Compensation Expense

	Three Months Ended September 30,				Three Months Ended March 31,			
	2023	2022	$ Change	% Change	2024	2023	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentage)			
Cost of revenue: subscription–self-managed and SaaS	$ 2,650	$ 1,903	$ 747	39 %	$ 3,092	$ 2,196	$ 896	41 %
Research and development	8,596	6,806	1,790	26 %	9,667	7,172	2,495	35 %
Sales and marketing	8,248	6,548	1,700	26 %	9,813	6,473	3,340	52 %
General and administrative	6,192	3,960	2,232	56 %	4,714	4,071	643	16 %
Total share-based compensation expense	$ 25,686	$ 19,217	$ 6,469	34 %	$ 27,286	$ 19,912	$ 7,374	37 %

Share-based compensation expenses increased for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023, primarily attributable to grants to new and existing employees.

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Interest and Other Income, Net

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ Change	% Change
	(in thousands, except percentages)			
Interest and other income, net	$ 5,733	$ 1,369	$ 4,364	319 %

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	$ Change	% Change
	(in thousands, except percentage)			
Interest and other income, net	$ 7,087	$ 3,992	$ 3,095	78 %

Interest and other income, net increased for the three months ended September 30, 2023 March 31, 2024 compared to the three months ended September 30, 2022 March 31, 2023, primarily due to higher interest income on deposits and marketable securities investments as a result of higher investment balances and higher interest rates.

Income Tax Expense (Benefit)

	Three Months Ended September 30, 2023	Three Months Ended September 30, 2022	$ Change	% Change	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023	$ Change	% Change
	(in thousands, except percentages)				(in thousands, except percentage)			
Income tax expense	$ 1,430	$ 1,482	$ (52)	(4)%				
Income tax expense (benefit)					$ (759)	$ 1,588	$ (2,347)	(148)%
Effective income tax rate	(12)%	(7)%			8 %	(8)%		

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, excess tax benefits arising from deductions for share-based compensation and changes in our valuation allowance.

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

Revenue

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Subscription—self-managed and SaaS	$ 238,141	$ 190,498	$ 47,643	25 %
License—self-managed	14,485	12,996	1,489	11 %
Total subscription revenue	$ 252,626	$ 203,494	$ 49,132	24 %

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

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Cost of Revenue and Gross Margin

	Nine Months Ended September 30,			
	2023	2022	$ Change	% 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	$ 56,620	$ 45,005	$ 11,615	26 %
Gross margin	78 %	78 %		

Total cost of revenue 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 $7.0 million in third-party hosting costs mainly driven by increased revenue from SaaS subscriptions, an increase of $2.0 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 September 30, 2023	2022	$ Change	% Change
	(in thousands, except percentages)			
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 September 30, 2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Sales and marketing	$ 109,753	$ 94,323	$ 15,430	16 %

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, 2023	2022	$ Change	% Change
	(in thousands, except percentages)			
General and administrative	$ 44,635	$ 41,410	$ 3,225	8 %

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 $2.0 million in professional fees for legal, recruiting, and other consulting services.

Share-based Compensation Expense

	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 nine months ended September 30, 2023 compared to the nine months ended September 30, 2022, primarily attributable to grants to new and existing employees.

Interest and Other Income, Net

	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 nine months ended September 30, 2023 compared to the nine months ended September 30, 2022 primarily due to higher interest income on deposits and marketable securities as a result of higher interest rates.

Income Tax Expense

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
	(in thousands, except percentages)			
Income tax expense	$ 4,474	$ 4,200	$ 274	7 %
Effective income tax rate	(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, awards, 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 September 30, 2023 March 31, 2024, our principal sources of liquidity were cash, cash equivalents, and short-term investments of $502.2 million $579.6 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:

	Nine Months Ended September 30,		Three Months Ended March 31,	
	2023	2022	2024	2023
	(in thousands)		(in thousands)	
Net cash provided by operating activities	$ 41,562	$ 14,111		
Net cash provided by (used in) operating activities			$ 17,469	$ (1,129)
Net cash used in investing activities	$ (37,827)	$ (35,856)	$ (46,921)	$ (9,156)
Net cash provided by financing activities	$ 11,766	$ 9,691	$ 16,595	$ 4,952

Operating Activities

Net cash provided by operating activities of $41.6 million $17.5 million for nine three months ended September 30, 2023 March 31, 2024 was related to our net loss of $50.0 million $8.8 million adjusted for non-cash charges of $79.3 million $31.4 million, including share-based compensation expense of $66.9 million $27.3 million, and depreciation and amortization expense net cash outflows of $11.5 million, and $5.2 million from changes in our operating assets and liabilities of $12.3 million. The changes liabilities. Changes in our operating assets and

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liabilities were consisted primarily related to of an increase of $16.2 million $4.0 million in prepaid expenses and other assets due to timing of payments, a decrease of $3.2 million in accrued expense and other liabilities mainly due to reduction of ESPP withholdings as a result of purchases of shares, a decrease of $2.9 million in deferred revenue driven by higher sales and an increase of $4.9 million in accrued expenses and other liabilities primarily due to higher income tax obligations, partially offset by recognition of revenue relative to billings, a decrease of $5.8 million $2.5 million in accounts payable due to timing of payments, and a decrease of $2.1 million in operating lease liabilities as a result of payments lease payments. The outflows were partially offset by a decrease of $9.8 million in accounts receivable due to timing of billing and an increase of $4.8 million in deferred contract acquisition costs related to capitalized commissions. collections.

Net cash provided by used in operating activities of $14.1 million $1.1 million for the nine three months ended September 30, 2022 March 31, 2023 was related to our net loss of $67.0 million $20.8 million adjusted for non-cash charges of $69.6 million $24.1 million, including share-based compensation expense of $48.4 million $19.9 million, and depreciation and amortization expense net cash outflows of $10.8 million, and $4.4 million from changes in our operating assets and liabilities of $11.6 million. The changes liabilities. Changes in our operating assets and liabilities were consisted primarily related to of an increase of $12.6 million $3.1 million in prepaid expenses and other assets due to timing of payments and a decrease of $1.7 million in operating lease liabilities as a result of lease payments, partially offset by an increase of $2.7 million in deferred revenue driven by higher sales and a decrease of $5.1 million in prepaid expense and other assets primarily due to amortization of our acquisition holdbacks, partially offset by a decrease of $7.2 million in operating lease liabilities primarily as a result of payments and an increase of $5.5 million in net deferred contract acquisition costs related to capitalized commissions. sales.

Investing Activities

Net cash used in investing activities of $37.8 million $46.9 million for the nine three months ended September 30, 2023 March 31, 2024 consisted primarily of the net purchase purchases of short-term investments of $36.5 million $46.1 million.

Net cash used in investing activities of $35.9 million $9.2 million for the nine three months ended September 30, 2022 March 31, 2023 consisted primarily of net purchase purchases of short-term investments of $31.9 million and capital expenditure of $3.7 million $8.9 million.

Financing Activities

Net cash provided by financing activities of $11.8 million $16.6 million for the nine three months ended September 30, 2023 March 31, 2024 consisted of proceeds from exercise of share options of $6.8 million, net proceeds of $5.3 million from our employee equity transactions to be remitted to tax authorities, and proceeds from employee share purchases under our ESPP of $4.5 million.

Net cash provided by financing activities of $5.0 million for the three months ended March 31, 2023 consisted primarily of proceeds from employee share purchases under our ESPP of $6.7 million $3.5 million and proceeds from exercise of share options of $5.4 million $1.2 million.

Net cash provided by financing activities of $9.7 million for the nine months ended September 30, 2022 consisted primarily of proceeds from employee share purchases under our ESPP of $5.2 million and proceeds from exercise of share options of $4.7 million.

Contractual Obligations

The following table summarizes our non-cancelable non-cancellable contractual obligations as of September 30, 2023 March 31, 2024:

	Payments Due by Period			Payments Due by Period		
	Total	2023 (Remainder)	2024 and Thereafter	Total	2024 (Remainder)	2025 and Thereafter
	(in thousands)			(in thousands)		
Operating lease obligations	$ 25,468	$ 2,223	$ 23,245	$ 20,823	$ 6,518	$ 14,305
Purchase obligations	39,205	1,357	37,848	24,626	4,996	19,630
Total	$ 64,673	$ 3,580	$ 61,093	$ 45,449	$ 11,514	$ 33,935

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 with remaining terms of 12 months or longer. Obligations under contracts that we can cancel without a significant penalty are not included in the table above. We believe we will have sufficient liquidity from our operations to fulfill the commitments.

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, 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

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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 nine three months ended September 30, 2023 March 31, 2024.

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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. 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 nine months ended September 30, 2023 March 31, 2024.

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 September 30, 2023 March 31, 2024, 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 September 30, 2023 March 31, 2024.

Interest Rate Risk

As of September 30, 2023 March 31, 2024, we had cash and cash equivalents of $61.0 million $71.4 million, and short-term investments of $441.2 million $508.2 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 September 30, 2023 March 31, 2024.

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

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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 its 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

Investing in our ordinary shares involves a high degree of risk. A description of the risks and uncertainties associated with our business and ownership of our ordinary shares is set forth below. You should carefully consider the risks and uncertainties described below, together with all of the other information contained in this Quarterly Report on Form 10-Q, including the section titled "Management's Discussion and Analysis of Financial Condition and Result of Operations" and our condensed consolidated financial statements and the related notes thereto, before making a decision to invest in our ordinary shares. The risks and uncertainties described below are not the only ones we face. Our business, results of operations, financial condition, or prospects could also be harmed by risks and uncertainties that are not presently known to us or that we currently believe are not material. If any of the risks actually occur, our business, results of operations, financial condition, and prospects could be materially and adversely affected. In that event, the market price of our ordinary shares could decline and you could lose all or part of your investment.

Summary of Risk Factors

Investing in our ordinary shares involves a high degree of risk because our business is subject to numerous risks and uncertainties, including those outside of our control that could cause our actual results to be harmed, including, but not limited to, risks regarding the following:

- Our business and operations have experienced rapid growth, and if we do not appropriately manage future growth, if any, c are unable to improve our systems, processes, and controls, our business, financial condition, results of operations, an prospects will be adversely affected.

- Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate i the future. Our growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not b successful.

- We have a history of losses and may not be able to achieve profitability on a consistent basis. If we cannot achiev profitability, our business, financial condition, and results of operations is set forth in Part I, Item 1A, may suffer.

- The markets for our products are new, unproven, and evolving and may develop more slowly or differently than we expec Our future success depends on the growth and expansion of these markets and our ability to adapt and respond effectivel to evolving markets.

- Our results of operations are likely to fluctuate from quarter to quarter, which could adversely affect the trading price of ou Annual Report. There ordinary shares.

- If we are not able to keep pace with technological and competitive developments or fail to integrate our products with variety of technologies that are developed by others, our products may become less marketable, less competitive, o obsolete, and our results of operations may be adversely affected.

- The market for our products is nascent and highly fragmented, and we may not be able to compete successfully agains current and future competitors, some of whom have been no material changes greater financial, technical, and othe resources than we do. If we do not compete successfully our business, financial condition, and results of operations could b harmed.

- JFrog Artifactory is at the center of our platform and any decline in demand for JFrog Artifactory occasioned by malfunctior inferior performance, increased competition, or otherwise, will impact our business, results of operations, and financia condition.

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- We recognize a significant portion of revenue from subscriptions over the risk factors previously disclosed term of th relevant subscription period, and as a result, downturns or upturns in sales are not immediately reflected in full in our Annua Report, except for the following risk factors. The risk factors below should be read in conjunction with the risk factors an other information disclosed results of operations.

- A real or perceived defect, security vulnerability, error, or performance failure in our Annual Report.

Risks Related software could cause us to Our Business lose revenue, damage our reputation, and Industry expose us to liability.

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

- We have acquired, and may in the future acquire, complementary businesses which could require significant managemer attention, disrupt our business, dilute shareholder value, and adversely affect our results of operations.

- We are subject to stringent and changing laws, regulations, standards, and contractual obligations related to privacy, dat protection, and data security. Our actual or perceived failure to comply with such obligations could harm our business.

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

- Our international operations and expansion expose us to risks.

- Your rights and responsibilities as our shareholder are governed by Israeli law, which may differ in some respects from th rights and responsibilities of shareholders of United States ("U.S.") corporations.

- If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability t produce timely and accurate financial statements or comply with applicable regulations could be impaired.

- The impact of the war between Israel and Hamas, the regional conflict in the Middle East, the war between Russia an Ukraine, and other areas of geopolitical tension around the world, including the related global economic disruptions, remain uncertain at this time, and could harm or continue to harm our business and results of operations.

Risks Related to Our Business and Industry

Our business and operations have experienced rapid growth, and if we do not appropriately manage future growth, if any, or are unable to improve our systems, processes, and controls, our business, financial condition, results of operations, and prospects will be adversely affected.

We have experienced rapid growth and increased demand for our products. Our total number of customers has grown to approximately 7,400 organizations as of December 31, 2023 from approximately 7,200 organizations as of December 31, 2022. Our employee headcount has also increased from approximately 1,300 as of December 31, 2022 to approximately 1,400 as of December 31, 2023. We expect to continue to grow our headcount over the next year. The growth and expansion of our business places a continuous significant strain on our management, operational, and financial resources. In addition, as customers adopt our products for an increasing number of use cases, we have had to support more complex commercial relationships. We must continue to improve and expand our information technology and financial infrastructure, our security and compliance requirements, our operating and administrative systems, our relationships with various partners and other third parties, and our ability to manage headcount and processes in an efficient manner to manage our growth effectively.

In 2023, we released Artifactory and Platform features to become a system of record for machine learning models that fuel artificial intelligence ("AI") innovations in the software supply chain, enhancements to JFrog Advanced Security including SAST, and a new security product, JFrog Curation. These enhancements and releases represent an expansion beyond our core developer/operations (DevOps) business, delving more deeply into software security (DevSecOps) and MLOps. We may not be able to sustain the pace of improvements to our products successfully or implement systems, processes, and controls in an efficient or timely manner or in a manner that does not negatively affect our results of operations. Our failure to improve our systems, processes, and controls, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to forecast our revenue, expenses, and earnings accurately, or to prevent losses.

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As we expand our business and continue operating as a public company, we may find it difficult to maintain our corporate culture while managing our employee growth. Any failure to manage our anticipated growth and related organizational changes in a manner that preserves our culture could negatively impact future growth and achievement of our business objectives. Additionally, our productivity and the quality of our products may be adversely affected if we do not integrate and train our new employees quickly and effectively. Failure to manage any future growth effectively could result in increased costs, negatively affect our customers' satisfaction with our products, and harm our results of operations.

Our recent growth may not be indicative of our future growth, and we may not be able to sustain our revenue growth rate in the future. Our growth also makes it difficult to evaluate our future prospects and may increase the risk that we will not be successful.

Our total revenues for the three months ended March 31, 2024 and 2023 were $100.3 million and $79.2 million, respectively, representing 26% growth. You should not rely on the revenue growth of any prior quarterly or annual period as an indication of our future performance. Even if our revenue continues to increase, we expect our revenue growth rate to decline in future periods. For example, we experienced slowed growth during the COVID-19 pandemic. Many factors may contribute to declines in our growth rate, including greater market penetration, increased competition, slowing demand for our platform, a failure by us to continue capitalizing on growth opportunities, the maturation of our business, and global economic downturn, among others. If our growth rate declines, investors' perceptions of our business and the market price of our ordinary shares could be adversely affected.

In addition, our rapid growth may make it difficult to evaluate our future prospects. Our ability to forecast our future results of operations is subject to a number of uncertainties, including our ability to effectively plan for and model future growth. We have encountered in the past, and may encounter in the future, risks and uncertainties frequently experienced by growing companies in rapidly changing industries. If we fail to achieve the necessary level of efficiency in our organization as it grows, or if we are not able to accurately forecast future growth, our business would be harmed. Moreover, if the assumptions that we use to plan our business are incorrect or change in reaction to changes in our market, or we are unable to maintain consistent revenue or revenue growth, our share price could be volatile, and it may be difficult to achieve and maintain profitability.

We have a history of losses and may not be able to achieve profitability on a consistent basis. If we cannot achieve profitability, our business, financial condition, and results of operations may suffer.

Although we have achieved positive operating cash flow and free cash flow, we have incurred losses in all years since our incorporation. We incurred a net loss of $61.3 million, $90.2 million and $64.2 million in the years ended December 31, 2023, 2022 and 2021, respectively. We had an accumulated deficit of $290.4 million as of December 31, 2023. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our products, broaden our customer base, expand our sales and marketing activities, including building a customer success team and continuing to invest in our strategic sales team, expanding our operations, hiring additional employees, and continuing to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our products or increasing competition. Any failure to increase our revenue as we grow our business could prevent us from achieving profitability or maintaining positive operating cash flow and free cash flow at all or on a consistent basis, which would cause our business, financial condition, and results of operations to suffer.

The markets for our products are new, unproven, and evolving and may develop more slowly or differently than we expect. Our future success depends on the growth and expansion of these markets and our ability to adapt and respond effectively to evolving markets.

The markets for our products are relatively new, rapidly evolving, and unproven. Accordingly, it is difficult to predict customer adoption and renewals and demand for our platform and our products, the entry of competitive products, the success of existing competitive products, or the future growth rate, expansion, longevity, and the size of the DevOps, DevSecOps, MLOps, and software release management software markets. The expansion of and our ability to penetrate these new and evolving markets depends on a number of factors, including the cost, performance, and perceived value associated with DevOps, DevSecOps, and MLOps technologies, as well as the ability of DevOps workflows to improve critical steps in the lifecycle of software, including managing software security. If we or other software and SaaS providers experience security incidents, loss of customer data, or disruptions in delivery or service, the market for these applications as a whole, including our platform and products, may be negatively affected. If DevOps, DevSecOps, and software release management software do not continue to achieve market acceptance, or there is a reduction in demand caused by decreased customer acceptance, technological challenges, weakening

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economic conditions, privacy, data protection and data security concerns, governmental regulation, competing technologies and products, or decreases in information technology spending or otherwise, the market for our platform and products might not continue to develop or might develop more slowly than we expect, which could adversely affect our business, financial condition, and results of operations.

Our results of operations are likely to fluctuate from quarter to quarter, which could adversely affect the trading price of our ordinary shares.

Our results of operations, including our revenue, cost of revenue, gross margin, operating expenses, cash flow, and deferred revenue, have fluctuated from quarter to quarter in the past and may continue to vary significantly in the future so that period-to-period comparisons of our results of operations may not be meaningful. Accordingly, our financial results in any one quarter should not be relied upon as indicative of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, may be difficult to predict, and may or may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include:

- general economic, industry, and market conditions, including adverse macroeconomic conditions such as inflation;
- our ability to attract and retain new customers;
- the loss of existing customers;
- renewals and timing of renewals;
- customer usage of our products;
- customer satisfaction with our products and platform capabilities and customer support;
- our ability to expand sales within our existing customers;
- mergers and acquisitions that might affect our customer base, including the consolidation of affiliates' multiple paid busines accounts into a single paid business account;
- our ability to gain new partners and retain existing partners;
- our ability to convert users of free trials and open source version of JFrog Artifactory into subscribing customers;
- increases or decreases in the number of elements of our subscriptions or pricing changes upon any renewals of custome agreements;
- fluctuations in share-based compensation expense;
- decisions by potential customers to purchase alternative solutions;
- decisions by potential customers to develop in-house DevOps and DevSecOps technologies as alternatives to our products;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations including investments in research and development, sales and marketing, and general and administrative resources;
- network outages;
- actual or perceived breaches of, or failures relating to, privacy, data protection, or data security;

- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charge for impairment of goodwill from acquired companies;

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- the impact of political uncertainty or unrest, including the Russia-Ukraine war, and the Israel-Hamas war, other areas c geopolitical tension around the world, or the worsening of such conflicts or tensions and any related global economi disruptions;
- changes in our pricing policies or those of our competitors;
- fluctuations in the growth rate of the overall market that our products address;
- the budgeting cycles and purchasing practices of customers;
- the business strengths or weakness of our customers;
- our ability to collect timely on invoices or receivables;
- the cost and potential outcomes of future litigation or other disputes;
- future accounting pronouncements or changes in our accounting policies;
- our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any nev legislation or regulatory developments;
- our ability to successfully expand our business in the U.S. and internationally;
- fluctuations in the mix of our revenue between self-managed subscriptions and SaaS subscriptions;
- fluctuations in foreign currency exchange rates; and
- the timing and success of new products introduced by us or our competitors or any other change in the competitive dynamic of our industry, including consolidation among competitors, customers or partners.

The impact of one or more of the foregoing or other factors may cause our results of operations to vary significantly. Such fluctuations could cause us to fail to meet the expectations of investors or securities analysts, which could cause the trading price of our ordinary shares to fall substantially, and we could face costly lawsuits, including securities class action suits.

If we are not able to keep pace with technological and competitive developments or fail to integrate our products with a variety of technologies that are developed by others, our products may become less marketable, less competitive, or obsolete, and our results of operations may be adversely affected.

In order to provide value for our customers, we must offer products that allow our customers to compile software from source code repositories, manage the dependencies among components within software packages, move packages and ML models to a universal repository, ingest packages from third parties, including open source libraries, scan for vulnerabilities through various stages, distribute to endpoints, and deploy in production, all through a single user access point. The success of any new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, the quality of our product and the user experience, our ability to manage the risks associated with new product releases, the effective management of development and other spending in connection with anticipated demand for new products, and the availability of newly developed products. We have in the past experienced bugs, errors, or other defects or deficiencies in new products and product updates and delays in releasing new products, deployment options, and product enhancements and may have similar experiences in the future. As a result, some of our customers may either defer purchasing our products until the next upgrade is released or switch to a competitor if we are not able to keep up with technological developments. For example, AI and machine learning may change the way our industry operates, and businesses that are slow to adopt or fail to adopt these new technologies may face a competitive disadvantage. In addition, if defects are not discovered until after customers purchase our products, our customers could lose confidence in the quality of our products and our reputation and brand may be harmed. If significant bugs, errors, or other defects or deficiencies are not discovered and patched in a timely manner, unauthorized parties could gain access to such products. Any negative publicity related to the perceived quality of our products could harm our business, results of operations, and financial performance condition.

To keep pace with technological and competitive developments we have in the past invested, and may continue to invest, in the acquisition of complementary businesses, technologies, services, products, and other assets that expand the products that we can offer our customers. For example, in 2021, we acquired Vdoo Connected Trust Ltd. (“Vdoo”), a privately-held security company, and Upswift Ltd. (“Upswift”), a cloud-based platform company and creator of connected device management software for developers. We may make these investments without being certain that they will result in products or enhancements that will be accepted by existing or prospective customers or that will achieve market acceptance. If we are unable to successfully enhance our existing products to meet evolving customer requirements, increase adoption and use cases of our products, develop new products, quickly resolve security vulnerabilities, or if our efforts to increase the use cases of our products are more expensive than we expect, then our business, results of operations and financial condition would be adversely affected.

Our business and success depend in part on global economic conditions our strategic relationships with third parties, including our third-party hosting providers and the impact our partner ecosystem, and if we fail to maintain or expand these relationships, our results of these conditions on levels of information technology spending operations and the

willingness of our current and prospective customers to purchase our products. Adverse macroeconomic conditions, including inflation, slower growth or recession, bank failures or instability in the financial services sector, tighter credit, higher interest rates, and currency fluctuations, reputation could adversely impact consumer and businesses confidence and spending and negatively affect demand for our products. be harmed.

We currently depend on, and anticipate we will continue to depend on, various third-party relationships to sustain and grow our business. For example, we are currently operating in a period partner with third-party public cloud partners, such as Amazon Web Services (AWS), Microsoft Azure (including Azure DevOps), and Alphabet Inc.'s Google Cloud, who provide our services through their marketplaces. Our technology partnership ecosystem powers significant extensibility of economic uncertainty and the United States has experienced 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 offers our customers including additional levels the ability to use external tools of approvals, cloud optimization efforts and additional time to evaluate and test their choice with our products, which can lead provides the ability to long deploy our products in their preferred environments, and unpredictable sales cycles. We have recently experienced longer sales cycles for certain allows them to support new package technologies as they are released. Accordingly, our SaaS products and enhanced budget scrutiny must be compatible with major cloud service providers in order to support local hosting of our JFrog-managed products in geographies chosen by our customers and expect third parties with whom we may partner.

We have also established relationships with certain channel partners to continue distribute our products. We believe that continued growth in our business is dependent upon identifying, developing, and maintaining strategic relationships with our existing and potential channel partners that can drive substantial revenue and provide additional value added services to experience these challenges given the current macroeconomic environment. Also, customers may choose our customers. If we are unable to develop in-house software as an alternative to using and maintain successful relationships with 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 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, channel partners, our business, results of operations, and financial condition could be harmed. In addition, our agreements with our channel partners are non-exclusive, so they may offer customers the products of several different companies, including products that compete with ours.

It is uncertain whether these third parties will be successful in co-marketing our solutions to provide a significant volume and quality of lead referrals and orders, or whether they will continue to work with us long-term. Changes in our relationship with any third-party partner or third-party provider, the instability or vulnerability of any third-party technology, or the inability of our products to successfully integrate with third-party technology may adversely affect our business and results of operations.

While also partners, public cloud providers may compete with a subset of JFrog functionality and we may also face competition from them. For example, third-party hosting providers currently selling our products and services could build and market their own competing products and services or market competing products and services of other vendors.

Further, identifying and negotiating new and expanded partner relationships requires significant resources and we cannot guarantee that the parties with which we currently have relationships can or will continue to devote the resources necessary to operate and expand their use of our platform. If we are unsuccessful in establishing or maintaining our partner relationships or any other strategic relationships with third parties, our ability to compete, our revenue, results of operations, and future prospects could be harmed.

Even if we are successful in establishing and maintaining our relationships with third-parties, we cannot ensure that our relationships will result in sustained or increased usage of our platform. In addition, any failure of our solutions to operate effectively with the business applications of any third-party partners could reduce the demand for our solutions and cause harm to our business and reputation. We may also be held responsible for obligations that arise from the actions or omissions of third parties with which we do business. Further, any expansion into new geographies may require us to integrate our products with new third-party technology and invest in developing new relationships with providers. If we are unable to respond to changes in a cost-effective manner, our products may become less marketable, less competitive, or obsolete, and our results of operations may be negatively impacted.

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A limited-functionality version of JFrog Artifactory is licensed under an open source license, which could negatively affect our ability to monetize our products and protect our intellectual property rights.

We make a limited-functionality version of JFrog Artifactory that only supports Java-based packages, and also lacks other features required for organization-wide adoption by DevOps teams, available under an open source license, the Affero General Public License version 3.0 (“AGPL”). The AGPL grants licensees broad freedom to view, use, copy, modify, and redistribute the source code of this limited version of JFrog Artifactory. Anyone can download a free copy of this limited version of JFrog Artifactory from the Internet, and we neither know who all of our AGPL licensees are, nor have visibility into how JFrog Artifactory is being used by licensees, so our ability to detect violations of the open source license is extremely limited.

The AGPL has a “copyleft” requirement that further distribution of AGPL-licensed software and modifications or adaptations to that software be made available pursuant to the AGPL as well. This leads some commercial enterprises to consider AGPL-licensed software to be unsuitable for commercial use. However, the AGPL would not prevent a commercial licensee from taking this open source version of JFrog Artifactory under AGPL and using it for internal purposes for free. AGPL also would not prevent a commercial licensee from taking this open source version of JFrog Artifactory under AGPL and using it to compete in our markets by providing it for free.

This competition can develop without the degree of overhead and lead time required by traditional proprietary software companies, due to the permissions allowed under AGPL. It is also possible for competitors to develop their own software based on our open source version of JFrog Artifactory. Although this software would also need to be made available for free under the AGPL, it could reduce the demand for our products and put pricing pressure on our subscriptions. We cannot guarantee that we will be able to compete successfully against current and future competitors, some of which may have greater resources than we have, or that competitive pressure or the availability of new open source software will not result in price reductions, reduced operating margins, and loss of market share, any one of which could harm our business, financial condition, results of operations, and cash flows.

The market for our products is nascent and highly fragmented, and we may not be able to compete successfully against current and future competitors, some of whom have greater financial, technical, and other resources than we do. If we do not compete successfully, our business, financial condition, and results of operations could be harmed.

Our platform consists of multiple products in DevOps and DevSecOps, and we compete in each product category as well as the entire platform level. The market for our products is highly fragmented, quickly evolving, and subject to rapid changes in technology. We believe that our ability to compete successfully depends upon many factors both within and beyond our control, including, but not limited to, the following:

- ability to provide an end-to-end, unified platform solution for the DevOps and DevSecOps workflows;
- ability to provide updated security products to create and maintain trusted software releases;
- breadth of technologies we support;
- breadth of technology integrations;
- total cost of ownership;
- extensibility across organizations, including software developers, security teams, AI/ML engineers, data scientists, and IT operators;
- ability to enable collaboration between software developers, security teams, and IT operators;
- ability to deploy our products in any combination of cloud, multi-cloud, on-premise, or hybrid environments;
- performance, security, scalability, and reliability;
- quality of customer experience and satisfaction;

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- quality of customer support;
- ease of implementation and use; and
- brand recognition and reputation.

Our products are available for self-managed, SaaS, and hybrid deployments. While we believe we compete successfully on the above factors, particularly with regards to the comprehensive nature of our solutions, we do experience competition in each of these categories with different vendors:

- *Home grown solutions*. Over time, many companies built solutions in-house for specific use cases they uniquely required. Often, these solutions do not scale or were not designed to meet the needs of modern software delivery methodologies or technologies.
- *DevOps and developer-focused vendors.* Many companies address only certain parts of the DevOps cycle and may compete with a limited set of JFrog offerings, including Microsoft's GitHub, GitLab, Inc., Cloudsmith, and Sonatype.
- *Cloud providers.* While also partners, cloud providers, such as Amazon Web Services (AWS), Microsoft Azure (including Azure DevOps), and Alphabet Inc.'s Google Cloud, may compete with a subset of JFrog functionality.
- *Security point solutions.* Some security-focused companies may compete with a subset of JFrog's holistic security offerings or address only developer-level security, such as Aqua Security, Snyk, Sonatype, and Synopsys.
- *Diversified vendors.* Some diversified technology companies, such as IBM, Inc. (including Red Hat), Pivotal Software, and VMware, Inc. (now Broadcom Inc.) may have offerings that compete with certain JFrog products.

Additionally, we compete with home-grown, start-up, and open source technologies across the categories described above. Many of our competitors have greater financial, technical, and other resources, greater brand recognition, larger sales forces and marketing budgets, broader distribution networks, more diverse product and services offerings, and larger and more mature intellectual property portfolios. They may be able to leverage these resources to gain business in a manner that discourages customers from purchasing our offerings. Furthermore, we expect that our industry will continue to attract new companies, including smaller emerging companies, which could introduce new offerings. We may also expand into new markets and encounter additional competitors in such markets.

JFrog Artifactory is at the center of our platform and any decline in demand for JFrog Artifactory occasioned by malfunction, inferior performance, increased competition, or otherwise, will impact our business, results of operations and financial condition.

Our subscription structure is aligned with the way we have built our platform, and JFrog Artifactory is at the center of our platform and all subscriptions. Accordingly, market acceptance of JFrog Artifactory is critical to our success. If demand for JFrog Artifactory declines, the demand for our other products will also decline. Demand for JFrog Artifactory is affected by a number of factors, many of which are beyond our control, such as continued market acceptance of JFrog Artifactory and products by customers for existing and new use cases, the timing of development and release of new features, functionality, and lower cost alternatives introduced by our competitors, technological changes and developments within the markets we serve, and growth or contraction in our addressable markets. If we are unable to continue to meet customer demand, if our products fail to compete with the products of our competitors, if we fail to achieve more widespread market acceptance of JFrog Artifactory, or if our products fail to meet statutory, regulatory, contractual, or other applicable requirements, then our business, results of operations, and financial condition would be harmed.

If we are unable to increase sales of our subscriptions to new customers, sell additional subscriptions to our existing customers, or expand the value of our existing customers' subscriptions, our future revenue and results of operations will be harmed.

Our future success depends on our ability to sell our subscriptions to new customers and to expand within our existing customers by selling paid subscriptions to our existing users and expanding the value and number of existing customers' subscriptions within the organization. Our ability to sell new subscriptions depends on a number of factors, including the prices of our products, the functionality of our products, the prices of products offered by our competitors, and the budgets of our

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customers. We serve customer needs with multiple tiers of subscriptions that differ based on product depth and functionality. We also offer a limited free trial of our platform. To the extent that users of our free trial do not become, or lead others not to become, paying customers, we will not realize the intended benefits of these strategies, our expenses may increase as a result of associated hosting costs, and our ability to grow our business may be harmed.

We also offer an open source version of JFrog Artifactory. Our open source version is intended to increase visibility and familiarity of our platform among the developer communities. We invest in developers and developer communities through multiple channels, including the introduction of new open source projects, as well as through our annual developer conference, swampUP, and other community-centered events. There is no guarantee that such events will translate into new customers, or that open source users will convert to paying subscribers.

In addition, a significant aspect of our sales and marketing focus is to expand deployments within existing customers. The rate at which our customers purchase additional subscriptions and expand the value of existing subscriptions depends on a number of factors, including customers' level of satisfaction with our products, the nature and size of the deployments, the desire to address additional use cases, and the perceived need for additional features, as well as general economic conditions. We have experienced in the past and expect in the future that recessionary concerns and other unfavorable economic conditions will negatively impact our ability to expand deployments within existing customers. If our customers do not recognize the potential of our products, our business would be materially and adversely affected.

Seasonality may cause fluctuations in our sales and results of operations.

Historically, we have experienced seasonality in customer bookings, as we typically enter into a higher percentage of subscription agreements with new customers and renewals with existing customers in the fourth quarter of the year. We believe that this results from the procurement, budgeting, and deployment cycles of many of our customers, particularly our enterprise customers. We expect that this seasonality will continue to affect our bookings, deferred revenue, and our results of operations in the future and might become more pronounced as we continue to target larger enterprise customers.

In addition, we have historically experienced seasonality in usage patterns by users of our SaaS subscriptions. We typically experience reduced usage by our customers during holiday periods, particularly at the end of the fourth quarter. As revenue from our SaaS subscriptions is recognized based upon usage, the changes in usage patterns may negatively affect revenues from our SaaS subscriptions and our results of operations.

If our existing customers do not renew their subscriptions, our business and results of operations could be adversely affected.

We expect to derive a significant portion of our revenue from renewals of existing subscriptions. Our customers have no contractual obligation to renew their subscriptions after the completion of their subscription term. Our self-managed subscriptions are offered on an annual and multi-year basis, and SaaS subscriptions are offered on a monthly, annual, and multi-year basis. For our JFrog-managed products, we also offer subscriptions for committed usage amounts. Our customers' renewals may decline or fluctuate as a result of a number of factors, including their satisfaction with our products and our customer support, the frequency and severity of product outages, our product uptime or latency, the pricing of our, or competing, products, additional new features and capabilities that we offer, new integrations, and updates to our products as a result of updates by technology partners. If our customers renew their subscriptions, they may renew for shorter subscription terms or on other terms that are less economically beneficial to us. Furthermore, our self-managed products are sold with perpetual or subscription licenses and we depend on the deployment of material updates to such products to drive renewals. If we do not provide material updates to these products, customers may not renew their existing subscriptions and may continue to use our products under the original license instead. We may not accurately predict future renewal trends. If our customers do not renew their subscriptions, or renew on less favorable terms, our revenue may grow more slowly than expected or decline.

We recognize a significant portion of revenue from subscriptions over the term of the relevant subscription period, and as a result, downturns or upturns in sales are not immediately reflected in full in our results of operations.

We recognize a significant portion of our subscription revenue over the term of the relevant subscription period. As a result, much of the subscription revenue we report each fiscal quarter is the recognition of deferred revenue from subscription contracts entered into during previous fiscal quarters. Consequently, a decline in new or renewed subscriptions in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter and will negatively affect our revenue in future fiscal quarters. Accordingly, the effect of significant downturns in new or renewed sales of our subscriptions is not reflected in full in our results of operations until future periods.

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A real or perceived defect, security vulnerability, error, or performance failure in our software could cause us to lose revenue, damage our reputation, and expose us to liability.

Our products are inherently complex and, despite extensive testing and quality control, have in the past and may in the future contain defects or errors, especially when first introduced, or not perform as contemplated. These defects, security vulnerabilities, errors, or performance failures could cause damage to our reputation, loss of customers or revenue, order cancellations, service terminations, or lack of market acceptance of our software. As the use of our products, including products that were recently acquired or developed, expands to more sensitive, secure, or mission critical uses by our customers, we may be subject to increased scrutiny, potential reputational risk, or potential liability should our software fail to perform as contemplated in such deployments. We have in the past and may in the future need to issue corrective releases of our software to fix these defects, errors, or performance failures, which could require us to allocate significant research and development and customer support resources to address these problems.

Any limitation of liability provisions that may be contained in our customer, user, third-party vendor, service provider, and partner agreements may not be enforceable or adequate or effective as a result of existing or future applicable law or unfavorable judicial decisions, and they may not function to limit our liability arising from regulatory enforcement. The sale and support of our products entail the risk of liability claims, which could be substantial in light of the use of our products in enterprise-wide environments. In addition, our insurance against this liability may not be adequate to cover a potential claim and potentially may be subject to exclusions, or that the insurer will deny coverage as to any future claim or exclude from our coverage such claims in policy renewals. The denial of our claims by our insurer or the successful assertion of claims by others against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, results of operations, and reputation.

Incorrect implementation or use of, or our customers' failure to update, our software could result in customer dissatisfaction and negatively affect our business, operations, financial results, and growth prospects.

Our products are often operated in large scale, complex IT environments. Our customers and some partners require training and experience in the proper use of and the benefits that can be derived from our products to maximize their potential. If users of our products do not implement, use, or update our products correctly or as intended, then inadequate performance and/or security vulnerabilities may result. Because our customers rely on our software to manage a wide range of operations, the incorrect implementation, use of, or our customers' failure to update, our software or our failure to train customers on how to use our software productively has in the past and may in the future result in customer dissatisfaction and negative publicity and may adversely affect our reputation and brand. Our failure to effectively provide training and implementation services to our customers could result in lost opportunities for follow-on sales to these customers and decrease subscriptions by new customers, which would adversely affect our business and growth prospects.

Interruptions or performance problems associated with our technology and infrastructure, and our reliance on technologies from third parties, may adversely affect our business operations and financial results.

We outsource substantially all of the infrastructure relating to our cloud products to third-party cloud providers chosen by our customers. Customers of our SaaS offerings need to be able to access our 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, therefore, vulnerable to their service interruptions and any changes in their product offerings. Any limitation on the capacity of our third-party hosting services could impede our ability to onboard new customers or expand the usage of our existing customers, which could adversely affect our business, financial condition, and results of operations. In addition, any incident affecting our third-party hosting services' infrastructure that may be caused by 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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These risks 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. 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

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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 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.

We typically provide service-level commitments under our subscription agreements. If we fail to meet these contractual commitments, we could be obligated to provide credits for future service or face subscription termination with refunds of prepaid amounts, which would decrease our revenue and harm our business, financial condition, and results of operations.

Our subscription agreements typically contain service-level commitments. If we are unable to meet the stated service-level commitments, including failure to meet the uptime and response time requirements under our customer subscription agreements, we may be contractually obligated to provide these customers with service credits which would significantly affect our revenue in the periods in which the failure occurs and the credits are applied. We could also face subscription terminations and a reduction in renewals, which would significantly affect both our current and future revenue. We offer multiple tiers of subscriptions to our products and as such our service-level commitments will increase if more customers choose subscriptions of JFrog Pro X, JFrog Enterprise X, and JFrog Enterprise Plus. Any service-level failures could also damage our reputation, which could also adversely affect our business, financial condition, and results of operations.

We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could harm our business.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously harm our business, financial condition, and results of operations. Although we have entered into employment agreements with our key personnel, employment in the U.S. is for no specific duration and constitutes at-will employment. We are also substantially dependent on the continued service of our existing engineering personnel because of the complexity of our products.

Our future performance also depends on the continued services and continuing contributions of our senior management to execute on our business plan and to identify and pursue new opportunities and product innovations. The loss of services of senior management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and results of operations.

Additionally, the industry in which we operate is generally characterized by significant competition for skilled personnel as well as high rates of employee attrition. There is currently a high demand for experienced DevSecOps professionals and we may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. Also, to the extent

we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

To execute our growth plan, we must attract and retain highly qualified personnel. Competition for these employees is intense, specifically for engineers for research and development, security experts, and support positions who are experienced in DevSecOps, and such competition often results in increasing wages, especially in Israel, where most of our research and development positions are located, and in the San Francisco Bay Area, where we have a significant presence. Therefore, we may not be successful in attracting and retaining qualified personnel. We have from time to time in the past experienced, and we expect to continue to experience, difficulty in hiring and retaining highly skilled employees with appropriate qualifications. Our recent hires and planned hires may not become as productive as we expect, and we may be unable to hire, integrate, or retain sufficient numbers of qualified individuals. Many of the companies with which we compete for experienced personnel have greater resources than we have, and due to our profile and market position, such competitors actively seek to hire skilled personnel away from us, even if such employee has entered into a non-compete agreement. Israeli labor courts have required employers seeking to enforce non-compete undertakings of a former employee to demonstrate that the competitive activities of the former employee will harm one of a limited number of material interests of the employer that have been recognized by the courts, such as the protection of a company's trade secrets or other intellectual property. We may not be able to make such a demonstration.

In addition, in making employment decisions, particularly in the internet and high-technology industries, job candidates often consider the value of the equity they are to receive in connection with their employment. Employees may be more likely to leave us if the shares they own or the shares underlying their equity incentive awards have significantly appreciated or significantly reduced in value. Many of our employees may receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us and could lead to employee attrition. If we fail to attract new personnel, or fail to retain and motivate our current personnel, our business and growth prospects could be harmed.

If we are not able to maintain and enhance our brand, especially among developers, security teams, and IT operators, our business and results of operations may be adversely affected.

We believe that developing and maintaining widespread awareness of our brand, especially with developers, security teams, and IT operators, is critical to achieving widespread acceptance of our software and attracting new users and customers. Brand promotion activities may not generate user or customer awareness or increase revenue, and even if they do, any increase in revenue may not offset the expenses we incur in building our brand. If we fail to successfully promote and maintain our brand, we may fail to attract or retain users and customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our products.

Our corporate culture has contributed to our success, and if we cannot maintain this culture as we grow, we could lose the innovation, creativity, and entrepreneurial spirit we have worked to foster, which could harm our business.

We believe that our culture has been and will continue to be a key contributor to our success. We expect to continue to hire as we expand. If we do not continue to maintain our corporate culture as we grow, we may be unable to foster the innovation, creativity, and entrepreneurial spirit we believe we need to support our growth. Our anticipated headcount growth and our continued operation as a public company may result in a change to our corporate culture, which could harm our business.

Our ability to achieve customer renewals and increase sales of our products is highly dependent on the quality of our customer support, and our failure to offer high quality support would have an adverse effect on our business, reputation, and results of operations.

Our customers depend on our customer support services to resolve issues and realize the full benefits relating to our products. If we do not succeed in helping our customers quickly resolve post-deployment issues or provide effective ongoing support and education on our products, our ability to sell additional subscriptions to, or renew subscriptions with, existing customers or expand the value of existing customers' subscriptions would be adversely affected and our reputation with potential customers could be damaged. Many larger enterprise customers have more complex IT environments and require higher levels of support than smaller customers. If we fail to meet the requirements of these enterprise customers, it may be more difficult to grow sales with them.

Additionally, it can take several months to recruit, hire, and train qualified engineering-level customer support employees. We may not be able to hire such resources fast enough to keep up with demand, particularly if the sales of our products exceed our internal forecasts. To the extent that we are unsuccessful in hiring, training, and retaining adequate support resources, our ability to provide adequate and timely support to our customers, and our customers' satisfaction with our products, will be adversely

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affected. Our failure to provide and maintain high-quality support services would have an adverse effect on our business, reputation, and results of operations.

We currently primarily rely on an inbound sales model that may not continue to be as successful as we anticipate, and the absence of a large, direct, traditional sales function may impede the growth of our business.

We currently primarily rely on an inbound sales model that may not continue to be as successful as we anticipate, and the absence of a large, direct, traditional sales function may impede our future growth. We intend to continue to expand our strategic sales team to identify new use cases and drive expansion and standardization on JFrog within our largest customers. There is no guarantee, however, that this strategic sales team will be successful. Moreover, we are not able to predict whether the deployment of our strategic sales team may adversely affect our inbound sales model. If our efforts to sell subscriptions to new customers and to expand deployments with existing customers are not successful, our total revenue and revenue growth rate may decline and our business will suffer.

Further, as we continue to scale our business, a more traditional sales infrastructure could assist in reaching larger enterprise customers and growing our revenue. Identifying, recruiting, and training such a qualified sales force would require significant time, expense, and attention and would significantly impact our business model. We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the skills and technical knowledge that we require. Our ability to achieve revenue growth will depend, in large part, on our success in recruiting, training, and retaining sufficient numbers of sales personnel to support our growth. New hires require significant training and it may take significant time before they achieve full productivity.

In addition, expanding our sales infrastructure would considerably change our cost structure and results of operations, and we may have to reduce other expenses, such as our research and development expenses, in order to accommodate a corresponding increase in marketing and sales expenses, and maintain positive operating cash flow and free cash flow. Moreover, recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, particularly if we continue to grow rapidly, a large percentage of our sales force will have relatively little experience working with us, our subscriptions, and our business model. If our lack of a large, direct enterprise sales force limits us from reaching larger enterprise customers and growing our revenue and we are unable to hire, develop, and retain talented sales personnel in the future, our revenue growth and results of operations may be harmed.

The sales prices of our products may fluctuate or decline, which may reduce our revenue and gross profit and adversely affect our financial results.

The sales prices for our products may fluctuate or decline for a variety of reasons, including competitive pricing pressures, discounts, anticipation of the introduction of new products, or promotional programs. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse offerings may reduce the price of offerings that compete with ours or may bundle them with other offerings and provide for free. Additionally, currency fluctuations in certain countries and regions may negatively impact actual prices that customers and partners are willing to pay in those countries and regions. Any decrease in the sales prices for our products, without a corresponding decrease in costs or increase in volume, would adversely affect our revenue and gross profit. Revenue and gross profit would also be adversely affected by a shift in mix of our subscriptions from self-managed to our SaaS offerings, which have a lower gross margin. We cannot assure you that we will be able to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability.

Further, we have in the past, and expect in the future, to need to change our pricing model from time to time. While we do and will attempt to set prices based on our prior experiences and customer feedback, our assessments may not be accurate, and we could be underpricing or overpricing our products. In addition, if our subscriptions change, then we may need to revise our pricing strategies. Any such changes to our pricing strategies or our ability to efficiently price our offerings could adversely affect our business, results of operations, and financial condition. Pricing pressures and decisions could result in reduced sales, reduced margins, losses, or the failure of our products to achieve or maintain more widespread market acceptance, any of which could negatively impact our overall business, results of operations, and financial condition.

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We expect our revenue mix to vary over time, which could harm our gross margin and results of operations.

We expect our revenue mix to vary over time due to a number of factors, including the mix of our subscriptions for self-managed and SaaS offerings, which may affect the timing and amount of revenue recognized and the associated costs. Further, our gross margins and results of operations could be harmed by numerous other factors, including entry into new markets or growth in lower margin markets; entry into markets with different pricing and cost structures; pricing discounts; and increased price competition. Any one of these factors or the cumulative effects of certain of these factors may result in significant fluctuations in our gross margin and results of operations. This variability and unpredictability could result in our failure to meet internal expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our ordinary shares could decline.

The length of our sales cycle can be unpredictable, particularly with respect to sales to large customers, and our sales efforts may require considerable time and expense.

Our results of operations may fluctuate, in part, because of the length and variability of the sales cycle of our subscriptions and the difficulty in making short-term adjustments to our operating expenses. Our results of operations depend in part on sales to new large customers and increasing sales to existing customers. The length of our sales cycle, from initial contact from a prospective customer to contractually committing to our paid subscriptions, can vary substantially from customer to customer based on deal complexity as well as whether a sale is made directly by us. It is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. Because a substantial proportion of our expenses are relatively fixed in the short term, our results of operations will suffer if revenue falls below our expectations in a particular quarter, which could cause the price of our ordinary shares to decline.

Our relatively limited operating history makes it difficult to evaluate our current business and prospects and may increase the risks associated with your investment.

We were founded in 2008. Our relatively limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries. If we do not address these risks successfully, our business and results of operations will be adversely affected, and the market price of our ordinary shares could decline.

Further, we have limited historical financial data and we operate in a rapidly evolving market. As such, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market.

We rely on traditional web search engines to direct traffic to our website. If our website fails to rank prominently in unpaid search results, traffic to our website could decline and our business would be adversely affected.

Our success depends in part on our ability to attract users through unpaid Internet search results on traditional web search engines such as Google. The number of users we attract to our website from search engines is due in large part to how and where our website ranks in unpaid search results. These rankings can be affected by a number of factors, many of which are not in our direct control, and they may change frequently. For example, a search engine may change its ranking algorithms, methodologies, or design layouts. As a result, links to our website may not be sufficiently prominent to drive traffic to our website, and we may not know how or otherwise be in a position to influence the results. Any reduction in the number of users directed to our website could reduce our revenue or require us to increase our customer acquisition expenditures.

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 inflation, slower growth or recession, bank failures or instability in the financial services sector, changes to fiscal and monetary policies, tighter credit, higher interest rates, and currency fluctuations, could adversely impact consumer and businesses confidence and spending and negatively affect demand for our products.

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For example, we are currently operating in a period of economic uncertainty and the U.S. has experienced 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 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.

We have acquired, and may in the future acquire, complementary businesses which could require significant management attention, disrupt our business, dilute shareholder value, and adversely affect our results of operations.

As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies. We have in the past acquired, and expect in the future to acquire, businesses that we believe will complement or augment our existing business, such as our Vdoo and Upswift acquisitions in 2021. The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete future acquisitions, we may not ultimately strengthen our competitive position or achieve our goals and business strategy, we may be subject to claims or liabilities assumed from an acquired company, product, or technology, and any acquisitions we complete could be viewed negatively by our customers, investors, and securities analysts. In addition, if we are unsuccessful at integrating future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and results of operations of the combined company could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management's attention, and we may not be able to manage the integration process successfully.

We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, any of which could adversely affect our financial condition or the market price of our ordinary shares. The sale of equity or issuance of equity-linked debt to finance any future acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to raise additional capital and to manage our operations. The occurrence of any of these risks could harm our business, results of operations, and financial condition.

Our failure to raise additional capital or generate the significant capital necessary to expand our operations and invest in new products could reduce our ability to compete and could harm our business.

Historically, we have funded our operations and capital expenditures primarily through equity issuances and cash generated from our operations. Although we currently anticipate that our existing cash and cash equivalents and operating cash flow will be sufficient to meet our cash needs for the next twelve months, we may require additional financing. We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans, operating performance, and condition of the capital markets at the time we seek financing. We cannot assure you that additional financing will be available to us on favorable terms when required, or at all. If we raise additional funds through the issuance of equity or equity-linked or debt securities, those securities may have rights, preferences, or privileges senior to the rights of our ordinary shares, and our shareholders may experience dilution.

If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our products;

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- continue to expand our research and development and sales and marketing organizations;

- acquire complementary technologies, products, or businesses;
- expand operations in the U.S. or internationally;
- hire, train, and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

Our failure to have sufficient capital to do any of these things could harm our business, financial condition, and results of operations.

A minor portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks.

Sales to government entities are subject to a number of risks that are specific to public sector customers. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements for products like ours may change, thereby restricting our ability to sell into the U.S. federal government, U.S. state governments, or non-U.S. government sectors until we have attained such revised certification or certifications. Government demand and payment for our products may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products. Additionally, any actual or perceived privacy, data protection, or data security incident, or even any perceived defect with regard to our practices or measures in these areas, may negatively impact public sector demand for our products.

Additionally, we rely on certain partners to provide technical support services to certain of our government entity customers to resolve any issues relating to our products. If our partners do not effectively assist our government entity customers in deploying our products, succeed in helping our government entity customers quickly resolve post-deployment issues, or provide effective ongoing support, our ability to sell additional products to new and existing government entity customers would be adversely affected and our reputation could be damaged.

Government entities may have statutory, contractual, or other legal rights to terminate contracts with us for convenience or due to a default, and any such termination may adversely affect our future results of operations. Governments routinely investigate and audit government contractors' administrative processes, and any unfavorable audit could result in the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability if the audit uncovers improper or illegal activities, which could materially and adversely affect our results of operations.

Issues in the development and use of AI, combined with an uncertain regulatory environment, may result in reputational harm, liability, or other adverse consequences to our business operations.

We have incorporated machine learning and AI technologies in our offerings and business, and AI technology may become more important to our operations or to our future growth over time. We may fail to properly implement or market our use of AI technology. Our products and systems may become targets for abuse powered by AI, and our support for MLOps may fall behind existing standards which are changing rapidly. Our competitors or other third parties may incorporate AI technology into their products, offerings, and solutions more quickly or more successfully than us, which could impair our ability to compete effectively and adversely affect our results of operations.

AI technology also may be the subject of new or modified legal and regulatory obligations. For example, the EU AI Act (the “AI Act”), which achieved approval by the European Council on February 2, 2024, and the European Parliament on March 13, 2024, will impose obligations on providers and users of artificial intelligence. Under the AI Act, fines can reach up to €30 million or 6% of global income. The AI Act may impact the incorporation of AI technologies into our offerings and business in Europe. Other countries, including the U.S., are increasingly looking to regulate AI. For example, on October 30, 2023, the Biden Administration issued an Executive Order on the Safe, Secure, and Trustworthy Development and Use of Artificial Intelligence, and several AI bills have been introduced in Congress. Other countries, including Brazil, China, and Israel, are contemplating laws regulating AI.

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Uncertainty regarding new and emerging AI technologies, such as generative AI, may require us to incur additional expenses to research and integrate generative AI, or other emerging AI technologies, into our product offerings and our internal systems. Any such research, implementation, and integration may be costly and could impact our results of operations. Additionally, our use of AI technology may expose us to additional claims, demands, and proceedings by private parties and regulatory authorities and subject us to legal liability as well as brand and reputational harm, confidentiality or security risks, competitive harm, ethical and social concerns, or other complications that could adversely affect our business, reputation, or financial results.

Expectations of our performance relating to environmental, social, and governance factors may impose additional costs and expose us to new risks.

There is an increasing focus from regulators, certain investors, and other stakeholders concerning environmental, social and governance (“ESG”) matters, both in the U.S. and internationally. We have undertaken and expect to continue to undertake certain ESG-related initiatives, goals, and commitments, which we have communicated on our website, in our SEC filings, and elsewhere. These initiatives, goals, or commitments could be difficult to achieve and costly to implement. We could fail to achieve, or be perceived to fail to achieve, our ESG-related initiatives, goals, or commitments. In addition, we could be criticized for the timing, scope, or nature of these initiatives, goals, or commitments, or for any revisions to them. Stakeholders could also challenge the accuracy, adequacy, or completeness of our ESG-related disclosures. Our actual or perceived failure to achieve some or all of our ESG-related initiatives, goals, or commitments or maintain ESG practices that meet evolving stakeholder expectations or regulatory requirements could harm our reputation, adversely impact our ability to attract and retain employees or customers, and expose us to increased scrutiny from ESG-focused investors, regulatory authorities, and others, or subject us to liability. Damage to our reputation or reduced demand for our products may adversely impact our business, financial condition, or results of operations

Risks Related to our Intellectual Property

Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.

Our success depends to a significant degree on our ability to protect our proprietary technology, methodologies, know-how, and brand. We rely on a combination of trademarks, copyrights, patents, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, we make certain products, including a limited-functionality version of JFrog Artifactory, available under open source licenses, contribute other source code to open source projects under open source licenses, and release internal software projects under open source licenses, and anticipate doing so in the future. Because the source code for the open source version of JFrog Artifactory and any other software we contribute to open source projects or distribute under open source licenses is publicly available, our ability to monetize and protect our intellectual property rights with respect to such source code may be limited or, in some cases, lost entirely. Our competitors could access such source code and use it to create software and service offerings that compete with ours.

Further, the steps we take to protect our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks, or other intellectual property rights that we have or may obtain may be challenged by others or invalidated through administrative process or litigation. We hold a number of active patents and have filed patent applications both in the U.S. and in other countries. There can be no assurance that our patent applications will result in issued patents. Even if we continue to seek patent protection in the future, we may be unable to obtain further patent protection for our technology. In addition, any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain.

Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create offerings that compete with ours. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our products are available. We may be unable to prevent third parties from acquiring domain names or trademarks that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. The laws of some countries may not be as protective of intellectual property rights as those in the U.S., and mechanisms for enforcement of intellectual property rights may be inadequate. As we continue to expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information will likely increase.

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Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We enter into confidential, non-compete, proprietary, and inventions assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. No assurance can be given that these agreements will be effective in controlling access to and distribution of our proprietary information, especially in certain states and countries, including Israel, that are less willing to enforce such agreements. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation.

We could incur substantial costs as a result of any claim of infringement, misappropriation, or violation of another party's intellectual property rights.

In recent years, there has been significant litigation involving patents and other intellectual property rights in the software industry. We do not currently have a large patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. We could incur substantial costs in prosecuting or defending any intellectual property litigation. If we sue to enforce our rights or are sued by a third party that claims that our products infringe, misappropriate, or violate their rights, the litigation could be expensive and could divert our management resources.

Any intellectual property litigation to which we might become a party, or for which we are required to provide indemnification, may require us to do one or more of the following:

- cease selling or using products that incorporate or cover the intellectual property rights that we allegedly infringe misappropriate, or violate;

- make substantial payments for legal fees, settlement payments, or other costs or damages;

- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing products to avoid infringement, misappropriation, or violation, which could be costly, time consuming, or impossible.

If we are required to make substantial payments or undertake any of the other actions noted above as a result of any intellectual property infringement, misappropriation, or violation claims against us or any obligation to indemnify our customers for such claims, such payments or actions could harm our business.

We may become subject to claims for remuneration or royalties for assigned service invention rights by our employees, which could result in litigation and would adversely affect our business.

A significant portion of our intellectual property has been developed by our employees in the course of their employment for us. Under the Israeli Patents Law, 5727-1967 (the "Patents Law"), inventions conceived by an employee in the course and as a result of or arising from his or her employment with a company are regarded as "service inventions," which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patents Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee (the "Committee"), a body constituted under the Patents Law, shall determine whether the employee is entitled to remuneration for his or her inventions. Case law clarifies that the right to receive consideration for "service inventions" can be waived by the employee and that, in certain circumstances, such waiver does not necessarily have to be explicit. The

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Committee will examine, on a case-by-case basis, the general contractual framework between the parties, applying interpretation rules of the general Israeli contract laws. Further, the Committee has not yet determined one specific formula for calculating this remuneration, but rather uses the criteria specified in the Patents Law. Although we generally enter into assignment-of-invention agreements with our employees pursuant to which such individuals assign to us all rights to any inventions created in the scope of their employment or engagement with us, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and former employees, or be forced to litigate such claims, which could negatively affect our business.

Indemnity provisions in various agreements potentially expose us to substantial liability for intellectual property infringement, misappropriation, violation, and other losses.

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, misappropriation or violation, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations, and financial condition. Pursuant to certain agreements, we do not have a cap on our liability and any payments under such agreements would harm our business, results of operations, and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

Our use of open source software could negatively affect our ability to sell our products and subject us to possible litigation.

Our paid products incorporate open source software, and we expect to continue to incorporate open source software in our paid products in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our paid products. Moreover, we cannot assure you that we have not used additional open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies and procedures. If we fail to comply with these licenses, we may be subject to certain requirements, including requirements that we offer additional portions of our solutions for no cost, that we make available additional source code for modifications or derivative works we create based upon, incorporating or using the open source software, and that we license such modifications or derivative works under the terms of applicable open source licenses. If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open source software, and required to comply with onerous conditions or restrictions on these products, which could disrupt the distribution and sale of these products. In addition, there have been claims challenging the ownership rights in open source software against companies that incorporate open source software into their products, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our products, and to re-engineer our products or discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis. We and our customers may also be subject to suits by parties claiming infringement, misappropriation, or violation due to the reliance by our solutions on certain open source software, and such litigation could be costly for us to defend or subject us to an injunction. Some open source projects provided on an “as-is” basis have known vulnerabilities and architectural instabilities which, if not properly addressed, could negatively affect the performance of our product. Any of the foregoing could require us to devote additional research and development resources to re-engineer our solutions, could result in customer dissatisfaction, and may adversely affect our business, results of operations, and financial condition.

Risks Related to Privacy, Data Protection, and Cybersecurity

We are subject to stringent and changing laws, regulations, standards, and contractual obligations related to privacy, data protection, and data security. Our actual or perceived failure to comply with such obligations could harm our business.

We receive, collect, store, process, transfer, retain, use, and otherwise process personal information and other data relating to users of our products, our employees and contractors, and other persons. We have legal and contractual obligations regarding the protection of confidentiality and appropriate use of certain data, including personal information. We are subject to numerous federal, state, local, and international laws, directives, and regulations regarding privacy, data protection, and data security and the collection, storing, sharing, use, processing, transfer, retention, security, disclosure, and protection of personal information

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and other data, the scope of which are changing, subject to differing interpretations, and may be inconsistent among jurisdictions or conflict with other legal and regulatory requirements. We are also subject to certain contractual obligations to third parties related to privacy, data protection, and data security. We strive to comply with our applicable policies and applicable laws, regulations, contractual obligations, and other legal obligations relating to privacy, data protection, and data security to the extent possible. However, the regulatory framework for privacy, data protection, and data security worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other legal obligations or our practices. Any perception of privacy, data security, or data protection concerns or an inability to comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations, even if unfounded, may result in additional cost and liability to us, harm our reputation and inhibit adoption of our products by current and future customers, and adversely affect our business, financial condition, and results of operations. Further, any significant change to applicable laws, regulations, or industry practices regarding the collection, storing, sharing, use, retention, security, protection, disclosure, other processing of data, or their interpretation, or any changes regarding the manner in which the consent of users or other data subjects for the collection, use, retention, disclosure, or other processing of such data must be obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process user data or develop new services and features.

If we were found in violation of any applicable laws or regulations relating to privacy, data protection, or data security, in addition to any regulatory fines, penalties, or litigation costs, our business may be materially and adversely affected and we would likely have to change our business practices and potentially the services and features available through our platform. In addition, these laws and regulations could constrain our ability to use and process data in manners that may be commercially desirable. In addition, if a breach of data security were to occur or to be alleged to have occurred, if any violation of laws and regulations relating to privacy, data protection, or data security were to be alleged, or if we had any actual or alleged defect in our safeguards or practices relating to privacy, data protection, or data security, our solutions may be perceived as less desirable and our business, prospects, financial condition, and results of operations could be materially and adversely affected.

Various U.S. privacy laws are potentially relevant to our business, including the Federal Trade Commission Act, Controlling the Assault of Non-Solicited Pornography and Marketing Act, and the Telephone Consumer Protection Act. Any actual or perceived failure to comply with these laws could result in a costly investigation or litigation resulting in potentially significant liability, loss of trust by our users, and a material and adverse impact on our reputation and business.

Within the U.S., we anticipate increasing regulation of privacy, data protection, and data security, including the adoption of more stringent laws. For example, in June 2018, California passed the California Consumer Privacy Act ("CCPA"), which provides new data privacy rights for California consumers and new operational requirements for covered companies. The CCPA, among other things, provides that covered companies must provide new disclosures to California consumers and afford such consumers new data privacy rights that include the right to request a copy from a covered company of the personal information collected about them, the right to request deletion of such personal information, and the right to request to opt-out of certain sales of such personal information. The CCPA became operative on January 1, 2020. The California Attorney General can enforce the CCPA, including seeking an injunction and civil penalties for violations. The CCPA provides a private right of action for certain data breaches that is expected to increase data breach litigation. The CCPA has required us to modify our data practices and policies and to incur certain costs and expenses in an effort to comply. Additionally, a new privacy law, the California Privacy Rights Act ("CPRA"), was approved by California voters in November 2020. The CPRA modifies the CCPA significantly, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. Additionally, other states have proposed or enacted privacy, data protection, and data security laws, including, for example, Washington's My Health, My Data Act, and other laws similar to the CCPA such as in Virginia, Colorado, Utah, Connecticut, Iowa, Indiana, Montana, Tennessee, Oregon, Florida, Delaware, New Jersey, and Texas. These newly proposed or enacted laws could increase our potential liability and adversely affect our business.

With respect to cybersecurity in the U.S., we are closely monitoring the development of rules and guidance pursuant to various executive orders that may apply to us, including pursuant to Executive Order 14028 for "EO-critical software," for example. These developing rules and guidance may increase our compliance costs and delay customer contract execution.

Internationally, we also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, information security, and AI proposed and enacted in various jurisdictions. For example, the data protection landscape in the European Union ("EU") continues to evolve, resulting in possible significant operational costs for internal compliance and risks to our business. The EU adopted the General Data Protection Regulation ("GDPR"), which became effective in May 2018, and contains numerous requirements and changes from previously existing EU laws, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. Among other requirements, the GDPR regulates the transfer of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the U.S. Failure to comply with the GDPR could result in penalties for noncompliance (including possible fines of up to the greater of €20 million and 4% of our global annual turnover for the preceding financial year for the most serious violations, as well as the right to compensation for financial or non-financial damages claimed by individuals under Article 82 of the GDPR). Despite our efforts to attempt to comply with the GDPR, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our company.

Among other requirements, the GDPR regulates transfers of personal data outside of the European Economic Area (“EEA”) to third countries that have not been found to provide adequate protection to such personal data, including the U.S. With regard to transfers to the U.S. of personal data from our employees and European customers and users, we rely upon the Standard Contractual Clauses (“SCCs”). The “Schrems II” decision issued by the Court of Justice of the European Union (“CJEU”) on July 16, 2020, invalidated the EU-U.S. Privacy Shield Framework as a mechanism to transfer personal data from the EEA to the U.S. In the same decision, the CJEU confirmed the validity of the SCCs, but advised that the SCCs must be considered on a case-by-case basis, in conjunction with an assessment as to whether national security laws conflict with the guarantees provided by the data importer under the SCCs. The European Commission has issued new SCCs that account for the CJEU’s “Schrems II” decision and that are required to be implemented. These developments represent a milestone in the regulation of cross-border data transfers, and have required major changes to our data transfer policy, including the need to conduct legal, technical, and security assessments for each data transfer from the EEA to a country outside of the EEA. This means that we may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the EEA. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens, and we and our customers face the potential for regulators in the EEA to apply different standards to the transfer of personal data from the EEA to the U.S., and to block, or require ad hoc verification of measures taken with respect to, certain data flows from the EEA to the U.S. We also anticipate being required to engage in new contract negotiations with third parties that aid in processing data on our behalf, and entering into the new SCCs. We may experience reluctance or refusal by current or prospective European customers to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA residents.

The regulatory environment applicable to the handling of EEA residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs and could result in our business, operating results, and financial condition being harmed. We and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel, and negatively affect our business, operating results and financial condition.

In addition to the GDPR, the European Commission has another draft regulation in the approval process that focuses on a person's right to conduct a private life. The proposed legislation, known as the Regulation of Privacy and Electronic Communications ("ePrivacy Regulation"), would replace the current ePrivacy Directive. Originally planned to be adopted and implemented at the same time as the GDPR, the ePrivacy Regulation is still being negotiated. Most recently, on February 10, 2021, the Council of the EU agreed on its version of the draft ePrivacy Regulation. If adopted, ePrivacy Regulation is anticipated to have broad potential impacts on the use of internet-based services and tracking technologies, such as cookies. Aspects of the ePrivacy Regulation remain for negotiation between the European Commission and the Council. We expect to incur additional costs to comply with the requirements of the ePrivacy Regulation as it is finalized for implementation. Additionally, on January 13, 2022, the Austrian data protection authority published a decision ruling that the collection of personal data and transfer to the U.S. through Google Analytics and other analytics and tracking tools used by website operators violates the GDPR. On February 10, 2022, the French data protection authority issued a press release stating that the French data protection authority had issued a similar decision. On June 23, 2022, the Italian data protection authority adopted a similar decision, and on September 21, 2022, the Danish data protection authority adopted a similar decision. Other data protection authorities in the EU are increasingly focused on the use of online tracking tools and have indicated that they plan to issue similar rulings.

Further, on January 31, 2020, the United Kingdom ("U.K.") left the EU (commonly referred to as "Brexit"). The U.K. enacted legislation substantially implementing the GDPR, with penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues. The U.K. has issued its own SCCs to support the transfer of personal data outside of the U.K. However, aspects of U.K. data protection regulation remain unclear in the medium to longer term. The European Commission and the U.K. government announced an EU-U.K. Trade Cooperation Agreement on December 24, 2020, and on June 28, 2021, the European Commission issued an adequacy decision under the GDPR and the Law Enforcement Directive, pursuant to which personal data generally may be transferred from the EU to the U.K. without restriction, subject to a four-year "sunset" period,

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after which the European Commission's adequacy decision may be renewed. During that period, the European Commission will continue to monitor the legal situation in the U.K. and may intervene at any time with respect to its adequacy decision. The UK's adequacy determination, therefore, is subject to future uncertainty, and may be subject to modification or revocation in the future, with the U.K. potentially being considered a "third country" under the GDPR, with personal data transfers needing to be made subject to GDPR-compliant safeguards (for example, the SCCs). With uncertainty remaining over the interpretation and application of data protection law in the U.K., we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so.

Other countries are considering or have enacted legislation that could impact our compliance obligations, expose us to liability, and increase the cost and complexity of delivering our services. For example, failure to comply with the Israeli Privacy Protection Law 5741-1981, and its regulations as well as the guidelines of the Israeli Privacy Protection Authority, may expose us to administrative fines, civil claims (including class actions), and, in certain cases, criminal liability. Further, the Data Security Law of China ("DSL"), which took effect on September 1, 2021, and the Personal Information Protection Law of China ("PIPL"), which took effect on November 1, 2021, implement comprehensive regulation of data and personal data processing activities across all industries and operations such as collecting, utilizing, processing, sharing, and transferring data and personal information. The DSL and PIPL apply not only to the processing of data within China, but also seeks to regulate cross-border data transfers as well as certain activities outside of China. Limitations imposed by the DSL and PIPL and uncertainty regarding their application may impact us and may require us to make changes to our policies and practices in an effort to comply. We are also monitoring recent or pending legislation in India and Japan, among others, for further impacts on our compliance obligations, including requirements for local storage and processing of data that could increase the cost and complexity of delivering our services. Such current or pending legislation may also result in changes to current enforcement measures and sanctions.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may legally or contractually apply to us. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard ("PCI DSS"), which relates to the processing of payment card information. In the event we fail to comply with the PCI DSS, fines and other penalties could result, and we may suffer reputational harm and damage to our business. We may also be bound by and agree to contractual obligations to comply with other obligations relating to privacy, data security, or data protection, such as particular standards for information security measures.

We also expect that there will continue to be changes in interpretations of existing laws and regulations, or new proposed laws and regulations concerning privacy, data security, and data protection. We cannot yet determine the impact these laws and regulations or changed interpretations may have on our business, but we anticipate that they could impair our or our customers' ability to collect, use, or disclose information relating to consumers, which could decrease demand for our platform, increase our costs, and impair our ability to maintain and grow our customer base and increase our revenue. Moreover, because the interpretation and application of many laws and regulations relating to privacy, security, and data protection, along with mandatory industry standards, are uncertain, it is possible that these laws, regulations and standards, or contractual obligations to which we are or may become subject, may be interpreted and applied in a manner that is inconsistent with our existing or future data management practices or features of our platform and products. Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to users or other third parties, or any other actual or asserted legal obligations or regulatory requirements relating to privacy, data protection, or data security, may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, other obligations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform. Additionally, if third parties we work with violate applicable laws, regulations, or contractual obligations, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others, and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our business, industry, or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

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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 vendors and service providers have been and, in the future may be, the targets of cyberattacks, malicious software, supply chain attacks, 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 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 malwares, 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

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service providers' systems or data processing tools or processes, or of our platform and product offerings, as a result of 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. In the past, we have experienced vulnerabilities, none of which led to account takeover and all such known vulnerabilities have been remedied.

A security breach or other incident 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 forensic examinations and 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 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. For example, AI technologies may be used in connection with certain cybersecurity attacks, resulting in heightened risks of security breaches and incidents. 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 guidance, and industry standards and practices in the 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 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 exceed our insurance coverage. If such a breach or 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 one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Risks Related to Foreign Operations

Our international operations and expansion expose us to risk. risks.

Our primary research and development operations are located in Israel, which is currently at war against Hamas. Israel. As of September 30, 2023 March 31, 2024, we had customers located in over 90 countries, and our strategy is to continue to expand internationally. In addition, as a result of our strategy of leveraging a distributed workforce. As of September 30, 2023 March 31, 2024, we had employees located primarily in nine countries. Our current international operations involve, and future initiatives will involve, a variety of risks, including:

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- unexpected changes in practices, tariffs, export quotas, custom duties, trade disputes, tax laws and treaties, particularly du to economic tensions and trade negotiations or other trade restrictions;

- different labor regulations, especially in the European Union, where labor laws are generally more advantageous t employees as compared to the United States, U.S., including differing hourly wages and overtime regulations in thes locations;

- exposure to many stringent and potentially inconsistent laws and regulations relating to privacy, data protection, AI, an information data security, particularly in the European Union;

- changes in a specific country's or region's political or economic conditions, such as the war between Israel and Hamas an the war between Russia and Ukraine and the associated geopolitical tensions and regional instability, as well as economi sanctions the U.S. and other countries have imposed on Russia and certain of its allies and the impact of the foregoing o the global economy;

- risks resulting from changes in currency exchange rates, in particular, fluctuations in the value of the NIS compared to th U.S. dollar as a result of the war between Israel and Hamas;

  dollar;

- challenges inherent to efficiently managing an increased number of employees over large geographic distances, includin 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 simila trade protection regulations and measures in the United States U.S. 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 ou 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 Ac 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.

As we conduct operations in China, risks associated with economic, political, and social events in China could negatively affect our business and results of operations.

We are currently expanding operations in China and may continue to increase our presence in China. Our operations in China are subject to a number of risks relating to China's economic and political systems, including but not limited to:

- A government-controlled foreign exchange rate and limitations on the convertibility of the Chinese Renminbi;
- Uncertainty regarding the validity, enforceability, and scope of protection for intellectual property rights and the practical difficulties of enforcing such rights;
- Ability to secure our business proprietary information located in China from unauthorized acquisition;
- Extensive government regulation;

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- Changing governmental policies relating to tax benefits available to foreign-owned businesses;
- A relatively uncertain legal system;
- Application of and limitations related to the DSL and PIPL regulations over processing of data and personal data within China as well as cross-border data transfers and other activities outside of China; and
- Instability related to continued economic, political, and social reform.

Any actions and policies adopted by the government of the People's Republic of China, particularly with regard to intellectual property rights, any slowdown in China's economy, or increased restrictions related to the transfer of data pursuant to the Chinese Cyber Security Law, could have an adverse effect on our business, results of operations, and financial condition.

Further, at various times during recent years, the U.S. and China have had disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade controversy between the U.S. and China could adversely affect the U.S. and European economies and materially and adversely affect the market price of our ordinary shares, our business, financial position, and financial performance.

If we are not successful in sustaining and expanding our international business, we may incur additional losses and our revenue growth could be harmed.

Our future results depend, in part, on our ability to sustain and expand our penetration of the international markets in which we currently operate and to expand into additional international markets. Our ability to expand internationally will depend upon our ability to deliver functionality and foreign language translations that reflect the needs of the international clients that we target. Our ability to expand internationally involves various risks, including the need to invest significant resources in such expansion, and the possibility that returns on such investments will not be achieved in the near future or at all in these less familiar competitive environments. We may also choose to conduct our international business through strategic partnerships or other collaboration arrangements. If we are unable to identify partners or negotiate favorable terms, our international growth may be limited. In addition, we have incurred and may continue to incur significant expenses in advance of generating material revenue as we attempt to establish our presence in certain international markets.

We are subject to various governmental export controls, trade sanctions, and import laws and regulations that could impair our ability to compete in international markets or subject us to liability if we violate these controls.

In some cases, our software is subject to export control laws and regulations, including the Export Administration Regulations administered by the U.S. Department of Commerce, and our activities may be subject to trade and economic sanctions, including those administered by the United States Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) (collectively, “Trade Controls”). As such, a license may be required to export or re-export our products, or provide related services, to certain countries and end-users, and for certain end-uses. Further, our products incorporating encryption functionality may be subject to special controls applying to encryption items and/or certain reporting requirements.

While we take precautions and maintain procedures to prevent our products and solutions from being exported in violation of these laws, we cannot guarantee that the precautions we take will prevent violations of export control and sanctions laws. We are currently working to enhance these procedures, with which failure to comply could subject us to both civil and criminal penalties, including substantial fines, possible incarceration of responsible individuals for willful violations, possible loss of our export or import privileges, and reputational harm. Further, the process for obtaining necessary licenses may be time-consuming or unsuccessful, potentially causing delays in sales or losses of sales opportunities. Trade Controls are complex and dynamic regimes, and monitoring and ensuring compliance can be challenging, particularly given that our products are widely distributed throughout the world and are available for download without registration. Although we have no knowledge that our activities have resulted in violations of Trade Controls, any failure by us or our partners to comply with applicable laws and regulations would have negative consequences for us, including reputational harm, government investigations, and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers’ ability to implement our products in those countries. Changes in our products or changes in export and import regulations in such countries may create delays in the introduction of our products into international markets, prevent our end-customers with

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international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments, or persons altogether. Any change in export or import laws or regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing export, import or sanctions laws or regulations, or change in the countries, governments, persons, or technologies targeted by such export, import, or sanctions laws or regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export to or sell our products in international markets could adversely affect our business, financial condition, and results of operations.

Failure to comply with anti-bribery, anti-corruption, anti-money laundering laws, and similar laws, could subject us to penalties and other adverse consequences.

We are subject to the U.S. Foreign Corrupt Practices Act of 1977, as amended (the “FCPA”), the U.S. domestic bribery statute contained in 18 U.S.C. § 201, the U.S. Travel Act, the USA PATRIOT Act, the United Kingdom Bribery Act 2010, the Proceeds of Crime Act 2002, Chapter 9 (sub-chapter 5) of the Israeli Penal Law, 1977, the Israeli Prohibition on Money Laundering Law–2000 and possibly other anti-bribery and anti-money laundering laws in countries outside of the U.S. in which we conduct our activities. Anti-corruption and anti-bribery laws have been enforced aggressively in recent years and are interpreted broadly to generally prohibit companies, their employees, agents, representatives, business partners, and third-party intermediaries from authorizing, offering, or providing, directly or indirectly, improper payments or benefits to recipients in the public or private sector.

We sometimes leverage third parties to sell our products and conduct our business abroad. We, our employees, agents, representatives, business partners, and third-party intermediaries may have direct or indirect interactions with officials and employees of government agencies or state-owned or affiliated entities and may be held liable for the corrupt or other illegal activities of these employees, agents, representatives, business partners, or third-party intermediaries, even if we do not explicitly authorize such activities. We cannot assure you that all of our employees and agents will not take actions in violation of applicable law, for which we may be ultimately held responsible. As we increase our international sales and business, our risks under these laws may increase.

These laws also require that we keep accurate books and records and maintain internal controls and compliance procedures designed to prevent any such actions. While we have policies and procedures to address compliance with such laws, we cannot assure you that none of our employees, agents, representatives, business partners, or third-party intermediaries will take actions in violation of our policies and applicable law, for which we may be ultimately held responsible.

Any allegations or violation of the FCPA or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, sanctions, settlements, prosecution, enforcement actions, fines, damages, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, results of operations, and prospects. Responding to any investigation or action will likely result in a materially significant diversion of management's attention and resources and significant defense costs and other professional fees. In addition, the U.S. government may seek to hold us liable for successor liability for FCPA violations committed by companies in which we invest or that we acquire. As a general matter, investigations, enforcement actions, and sanctions could harm our reputation, business, results of operations, and financial condition.

We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations.

Our functional currency is the U.S. dollar and our revenue and expenses are primarily denominated in U.S. dollars. However, a significant portion of our headcount related expenses, consisting principally of salaries and related personnel expenses as well as leases and certain other operating 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 anticipate that a material portion of our expenses will continue to be denominated in NIS. We currently utilize foreign currency contracts with financial institutions to protect against foreign exchange risks, mainly the exposure to changes in the exchange rate of the NIS against the U.S. dollar that are associated with future cash flows denominated in NIS.

In addition, increased international sales in the future may result in greater foreign currency denominated sales, increasing our foreign currency risk. A material portion of our leases are denominated in currencies other than the U.S. Dollar, mainly in NIS. The associated lease liabilities are remeasured using the current exchange rate, which may result in material foreign exchange

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gains or losses. Moreover, operating expenses incurred outside the U.S. and denominated in foreign currencies are increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and results of operations could be adversely affected. To date, we have entered into hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to continue to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations.

Risks Related to Taxation

Unanticipated changes in effective tax rates or adverse outcomes resulting from examination of our income or other tax returns could expose us to greater than anticipated tax liabilities.

The tax laws applicable to our business, including the laws of Israel, the U.S., and other jurisdictions, are subject to interpretation and certain jurisdictions may aggressively interpret their laws in an effort to raise additional tax revenue. The tax authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements or our revenue recognition policies, which could increase our worldwide effective tax rate and harm our financial position and results of operations. It is possible that tax authorities may disagree with certain positions we have taken and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. Further, the determination of our worldwide provision for income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

In addition, we typically invoice customers for the full contract amount at the time of entering into a contract, but recognize revenue over the term of the subscription period. Applicable tax authorities may challenge our tax reporting position and may accelerate our tax obligation based on cash received, which may materially affect our financial results.

Our corporate structure and intercompany arrangements are subject to the tax laws of various jurisdictions, and we could be obligated to pay additional taxes, which would harm our results of operations.

Based on our current corporate structure, we are subject to taxation in several jurisdictions around the world with increasingly complex tax laws, the application of which can be uncertain. The amount of taxes we pay in these jurisdictions could increase substantially as a result of changes in the applicable tax principles, including increased tax rates, new tax laws, or revised interpretations of existing tax laws and precedents. The authorities in these jurisdictions could review our tax returns or require us to file tax returns in jurisdictions in which we are not currently filing, and could impose additional tax, interest, and penalties. These authorities could also claim that various withholding requirements apply to us or our subsidiaries, assert that benefits of tax treaties are not available to us or our subsidiaries, or challenge our methodologies for valuing developed technology or intercompany arrangements, including our transfer pricing. The relevant tax authorities may determine that the manner in which we operate our business does not achieve the intended tax consequences. If such a disagreement were to occur, and our position was not sustained, we could be required to pay additional taxes, interest, and penalties. Any increase in the amount of taxes we pay or that are imposed on us could increase our worldwide effective tax rate and harm our business and results of operations.

The tax benefits that are available to us require us to continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

We are eligible for certain tax benefits provided to a “Preferred Technology Enterprise” under the Israeli Law for the Encouragement of Capital Investments, 1959, referred to as the Investment Law. In order to remain eligible for the tax benefits for a Preferred Technology Enterprise, we must continue to meet certain conditions stipulated in the Investment Law and its regulations, as amended. If these tax benefits are reduced, canceled, or discontinued, our Israeli taxable income from the Preferred Technology Enterprise would be subject to regular Israeli corporate tax rates. Additionally, if we increase our activities outside of Israel through acquisitions, for example, our expanded activities might not be eligible for inclusion in future Israeli tax benefit programs.

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We could be required to collect additional sales, use, value added, digital services, or other similar taxes or be subject to other liabilities that may increase the costs our clients would have to pay for our products which would adversely affect our results of operations.

We collect sales, value added, and other similar taxes in a number of jurisdictions. One or more U.S. states or countries may seek to impose incremental or new sales, use, value added, digital services, or other tax collection obligations on us. Further, an increasing number of U.S. states have considered or adopted laws that attempt to impose tax collection obligations on out-of-state companies. Additionally, the Supreme Court of the U.S. ruled in *South Dakota v. Wayfair, Inc. et al*, or Wayfair, that online sellers can be required to collect sales and use tax despite not having a physical presence in the state of the customer. In response to Wayfair, or otherwise, U.S. states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. A successful assertion by one or more U.S. states requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial liabilities, including taxes on past sales, as well as interest and penalties. Furthermore, certain jurisdictions, such as the United Kingdom and France, introduced a digital services tax, which is generally a tax on gross revenue generated from users or customers located in those jurisdictions, and other jurisdictions have enacted or are considering enacting similar laws. A successful assertion by a U.S. state or local government, or other country or jurisdiction that we should have been or should be collecting additional sales, use, value added, digital services, or other similar taxes could, among other things, result in substantial tax payments, create significant administrative burdens for us, discourage potential customers from subscribing to our platform due to the incremental cost of any such sales or other related taxes, or otherwise harm our business.

Our ability to use our net operating loss carryforwards to offset future taxable income may be subject to certain limitations.

As of December 31, 2023, we had net operating loss carryforwards of $138.8 million in Israel and U.S. state net operating loss carryforwards of $51.5 million, which may be utilized against future income taxes. Limitations imposed by the applicable jurisdictions on our ability to utilize net operating loss carryforwards, including with respect to the net operating loss carryforwards of companies that we have acquired or may acquire in the future, could cause income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such net operating loss carryforwards to expire unused, in each case reducing or eliminating the benefit of such net operating loss carryforwards. Furthermore, we may not be able to generate sufficient taxable income to utilize our net operating loss carryforwards before they expire. If any of these events occur, we may not derive some or all of the expected benefits from our net operating loss carryforwards.

Risks Related to Our Ordinary Shares

The market price for our ordinary shares may be volatile or may decline regardless of our operating performance.

The market price of our ordinary shares may be highly volatile and may fluctuate or decline substantially as a result of a variety of factors, many of which are beyond our control, including but not limited to:

- actual or anticipated changes or fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in these projections, or our failure to meet these projections;
- announcements by us or our competitors of new offerings or new or terminated significant contracts, commercial relationships, or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements, and filings with the SEC
- rumors and market speculation involving us or other companies in our industry;
- sales or expected future sales of our ordinary shares;
- investor perceptions of us and the industries in which we operate;
- price and volume fluctuations in the overall stock market from time to time;

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- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of industry or financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;

- litigation involving us, our industry, or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property rights or our solutions, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- actual or perceived breaches of, or failures relating to, privacy, data protection, or data security;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- any major changes in our management or our board of directors;
- general economic conditions, the recent global economic downturn and slow or negative growth of our markets; and
- other events or factors, including those resulting from war, including the war between Israel and Hamas, incidents o terrorism or responses to these events.

The concentration of our share ownership with insiders will likely limit your ability to influence corporate matters, including the ability to influence the outcome of director elections and other matters requiring shareholder approval.

Our executive officers, directors, current 5% or greater shareholders and affiliated entities together beneficially owned approximately 22% of our ordinary shares outstanding as of March 31, 2024. As a result, these shareholders, acting together, will have control over certain matters that require approval by our shareholders, including matters such as the appointment and dismissal of directors, capital increases, amendment to our articles of associations, and approval of certain corporate transactions. Corporate action might be taken even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of us that other shareholders may view as beneficial. It should be noted that we are not aware of any voting agreement or arrangement between our shareholders.

If industry or financial analysts do not publish research or reports about our business, or if they issue inaccurate or unfavorable research regarding our ordinary shares, our share price and trading volume could decline.

The trading market for our ordinary shares is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts, or the content and opinions included in their reports. As a new public company, we may be slow to attract research coverage and the analysts who publish information about our ordinary shares will have had relatively little experience with our company, which could affect their ability to accurately forecast our results and make it more likely that we fail to meet their estimates. In the event we obtain industry or financial analyst coverage, if any of the analysts who cover us issues an inaccurate or unfavorable opinion regarding our company, our share price would likely decline. In addition, the share prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts. If our financial results fail to meet, or significantly exceed, our announced guidance or the expectations of analysts or public investors, analysts could downgrade our ordinary shares or publish unfavorable research about us. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, our visibility in the financial markets could decrease, which in turn could cause our share price or trading volume to decline.

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Sales of substantial amounts of our ordinary shares in the public markets, or the perception that they might occur, could reduce the price that our ordinary shares might otherwise attain.

Sales of a substantial number of ordinary shares in the public market, particularly sales by our directors, executive officers, and significant shareholders, or the perception that these sales could occur, could adversely affect the market price of our ordinary shares and may make it more difficult for you to sell your ordinary shares at a time and price that you deem appropriate.

In addition, certain of our shareholders prior to the completion of our initial public offering in September 2020 ("IPO") and our founders are entitled to rights with respect to registration of certain of their shares under the Securities Act pursuant to our amended and restated investors' rights agreement. If these holders of our ordinary shares, by exercising their registration rights, sell a large number of shares, they could adversely affect the market price for our ordinary shares. We have also registered the offer and sale of all ordinary shares that we may issue under our equity compensation plan.

The issuance of additional shares in connection with financings, acquisitions, investments, our share incentive plans, or otherwise will dilute all other shareholders.

Our amended and restated articles of association authorize us to issue up to 500 million ordinary shares and up to 50 million preference shares with such rights and preferences as included in our articles of association. Subject to compliance with applicable rules and regulations, we may issue ordinary shares or securities convertible into ordinary shares from time to time in connection with a financing, acquisition, investment, our share incentive plans, or otherwise. Any such issuance could result in substantial dilution to our existing shareholders unless pre-emptive rights exist and cause the market price of our ordinary shares to decline.

Provisions of Israeli law and our amended and restated articles of association may delay, prevent, or make undesirable an acquisition of all or a significant portion of our shares or assets.

Certain provisions of Israeli law and our articles of association could have the effect of delaying or preventing a change in control and may make it more difficult for a third party to acquire us or for our shareholders to elect different individuals to our board of directors, even if doing so would be beneficial to our shareholders, and may limit the price that investors may be willing to pay in the future for our ordinary shares. For example, Israeli corporate law regulates mergers and requires that a tender offer be effected when certain thresholds of percentage ownership of voting power in a company are exceeded (subject to certain conditions). Further, Israeli tax considerations may make potential transactions undesirable to us or to some of our shareholders whose country of residence does not have a tax treaty with Israel granting tax relief to such shareholders from Israeli tax.

Furthermore, under the Encouragement of Research, Development and Technological Innovation in the Industry Law, 5744-1984, and the regulations, guidelines, rules, procedures, and benefit tracks thereunder, collectively, the Innovation Law, to which we are subject due to our receipt of grants from the Israeli National Authority for Technological Innovation, or the Israeli Innovation Authority (the "IIA"), a recipient of IIA grants such as our company must report to the IIA regarding any change in the holding of means of control of our company which transforms any non-Israeli citizen or resident into an "interested party," as defined in the Israeli Securities Law, and such non-Israeli citizen or resident shall execute an undertaking in favor of IIA, in a form prescribed by IIA.

Our amended and restated Articles of Association provide that the federal district courts of the United States of America will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, which could limit our shareholders' ability to choose the judicial forum for disputes with us or our directors, shareholders, officers, or other employees.

Section 22 of the Securities Act creates concurrent jurisdiction for U.S. federal and state courts over all such Securities Act actions. Accordingly, both U.S. state and federal courts have jurisdiction to entertain such claims. To prevent having to litigate claims in multiple jurisdictions and the threat of inconsistent or contrary rulings by different courts, among other considerations, our amended and restated Articles of Association provide that, unless we consent in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act. This exclusive forum provision will not apply to suits brought to enforce any liability or duty created by the Exchange Act. Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to the foregoing provision of our amended and restated Articles of Association.

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Although we believe this exclusive forum provision benefits us by providing increased consistency in the application of U.S. federal securities laws in the types of lawsuits to which they apply, the exclusive forum provision may limit a shareholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or any of our directors, shareholders, officers, or other employees, which may discourage lawsuits with respect to such claims against us and our current and former directors, shareholders, officers, or other employees. Our shareholders will not be deemed to have waived our compliance with the U.S. federal securities laws and the rules and regulations thereunder as a result of our exclusive forum provision. Further, in the event a court finds the exclusive forum provision contained in our amended and restated Articles of Association to be unenforceable or inapplicable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could harm our results of operations.

We have not in the past and do not intend to pay dividends in the foreseeable future. As a result, your ability to achieve a return on your investment will depend on appreciation in the price of our ordinary shares.

We have never declared or paid any cash dividends on our shares. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our ordinary shares in the foreseeable future. Consequently, investors who purchase our ordinary shares may be unable to realize a gain on their investment except by selling such shares after price appreciation, which may never occur.

Our board of directors has sole discretion whether to pay dividends. If our board of directors decides to pay dividends, the form, frequency, and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions, and other factors that our directors may deem relevant. The Israeli Companies Law, 5759-1999 (the “Companies Law”) imposes restrictions on our ability to declare and pay dividends. Payment of dividends may also be subject to Israeli withholding taxes.

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 Iran 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 (as well as approximately half of our employees and consultants 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 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. Since the commencement of these events, there have been additional active hostilities, including with Hezbollah in Lebanon, the Houthi movement which controls parts of Yemen, and most recently with Iran. It is possible that these hostilities will escalate in the future into a greater regional conflict, and that additional terrorist organizations and countries will actively join the hostilities. The intensity and duration of Israel’s current war against Hamas and other terror organizations 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 called, and additional employees may be called, for service in the current or future wars or other armed conflicts with Hamas. conflicts. Such persons employees 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 adversely affect our business and results of operations.

Certain countries, companies and organizations participate in a boycott of Israeli companies. In addition, there have been increased efforts recently to cause companies and consumers to boycott Israeli goods and services. Any boycott, restrictive laws, policies, or practices directed towards Israel, Israeli businesses, or Israeli citizens could, individually or in the aggregate, have a material adverse effect on our business.

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It may be difficult to enforce a U.S. judgment against us, our officers and directors in Israel or the U.S., or to assert U.S. securities laws claims in Israel or serve process on our officers and directors.

Not all of our directors or officers are residents of the U.S. Most of our assets and those of our non-U.S. directors and officers are located outside the U.S. Service of process upon us or our non-U.S. resident directors and officers may be difficult to obtain within the U.S. We have been informed by our legal counsel in Israel that it may be difficult to assert claims under U.S. securities laws in original actions instituted in Israel or obtain a judgment based on the civil liability provisions of U.S. federal securities laws. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws against us or our non-U.S. officers or directors, reasoning that Israel is not the most appropriate forum to hear such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proved as a fact by expert witnesses, which can be a time-consuming and costly process. Certain matters of procedure may also be governed by Israeli law. There is little binding case law in Israel addressing the matters described above. Israeli courts might not enforce judgments rendered outside Israel, which may make it difficult to collect on judgments rendered against us or our non-U.S. officers and directors.

Moreover, among other reasons, including but not limited to, fraud or absence of due process, or the existence of a judgment which is at variance with another judgment that was given in the same matter if a suit in the same matter between the same parties was pending before a court or tribunal in Israel, an Israeli court will not enforce a foreign judgment if it was given in a state whose laws do not provide for the enforcement of judgments of Israeli courts (subject to exceptional cases), or if its enforcement is likely to prejudice the sovereignty or security of the State of Israel.

Your rights and responsibilities as our shareholder are governed by Israeli law, which may differ in some respects from the rights and responsibilities of shareholders of U.S. corporations.

We are incorporated under Israeli law. The rights and responsibilities of holders of our ordinary shares are governed by our amended and restated articles of association and the Companies Law. These rights and responsibilities differ in some respects from the rights and responsibilities of shareholders in typical U.S. corporations. In particular, pursuant to the Companies Law, each shareholder of an Israeli company has to act in good faith and in a customary manner in exercising his or her rights and fulfilling his or her obligations toward the company and other shareholders and to refrain from abusing his or her power in the company, including, among other things, in voting at the general meeting of shareholders, on amendments to a company's articles of association, increases in a company's authorized share capital, mergers, and certain transactions requiring shareholders' approval under the Companies Law. In addition, a controlling shareholder of an Israeli company or a shareholder who knows that it possesses the power to determine the outcome of a shareholder vote or who has the power to appoint or prevent the appointment of a director or officer in the company, or has other powers toward the company, has a duty of fairness toward the company. However, Israeli law does not define the substance of this duty of fairness. There is little case law available to assist in understanding the implications of these provisions that govern shareholder behavior.

We have received Israeli government grants for certain of our research and development activities. The terms of these grants may require us to satisfy specified conditions in order to develop and transfer technologies supported by such grants outside of Israel. In addition, in some circumstances, we may be required to pay penalties in addition to repaying the grants.

Our research and development efforts were financed, in part, through grants from the IIA. From our inception through 2015, we conducted projects with the IIA's support and received grants totaling $1.2 million from the IIA and repaid to the IIA $1.3 million (the entire amount of the grants and accrued interest).

The Innovation Law requires, inter alia, that the products developed as part of the programs under which the grants were given be manufactured in Israel and restricts the ability to transfer know-how funded by IIA outside of Israel. Transfer of IIA-funded know-how outside of Israel requires prior approval and is subject to payment of a redemption fee to the IIA calculated according to a formula provided under the Innovation Law. A transfer for the purpose of the Innovation Law is generally interpreted very broadly and includes, inter alia, any actual sale of the IIA-funded know-how, any license to develop the IIA-funded know-how or the products resulting from such IIA-funded know-how, or any other transaction, which, in essence, constitutes a transfer of IIA-funded know-how. We cannot be certain that any approval of the IIA will be obtained on terms that are acceptable to us, or at all. We may not receive the required approvals should we wish to transfer IIA-funded know-how and/or development outside of Israel in the future.

Transfer of IIA know-how created, in whole or in part, in connection with an IIA-funded project, to a third party outside Israel requires prior approval and is subject to payment to the IIA of a redemption fee calculated according to a formula provided under the Innovation Law. Subject to prior approval of the IIA, we may transfer the IIA-funded know-how to another Israeli company. If the IIA-funded know-how is transferred to another Israeli entity, the transfer would still require IIA approval but will not be subject to the payment of the redemption fee. In such case, the acquiring company would have to assume all of the applicable restrictions and obligations towards the IIA (including the restrictions on the transfer of know-how and manufacturing capacity, to the extent applicable, outside of Israel) as a condition to IIA approval.

General Risk Factors

The requirements of being a public company may strain our resources and divert management's attention.

As a public company listed in the U.S., we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, Nasdaq listing requirements, and other applicable securities rules and regulations. Compliance with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming, or costly, and increases demand on our systems and resources. The Exchange Act requires, among other things, that we file annual, quarterly, and current reports with respect to our business and results of operations.

In addition, changing laws, regulations, and standards relating to corporate governance and public disclosure, including regulations implemented by the SEC and Nasdaq, may increase legal and financial compliance costs, and make some activities more time consuming. These laws, regulations, and standards are subject to varying interpretations, and as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies.

As a result of disclosure of information in our filings with the SEC, our business and financial condition are visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business and results of operations could be adversely affected, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and adversely affect our business and results of operations.

If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act, and the rules and regulations of the applicable Nasdaq listing standards. We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment will need to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. In addition, our independent registered public accounting firm is required to attest to the effectiveness of our internal control over financial reporting.

In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend significant resources, including accounting-related costs and significant management oversight. For example, since our IPO, we have implemented additional policies and procedures associated with the financial statement close process and implemented a system to supplement our core accounting system as part of our control environment. We expect that the requirements of these rules and regulations will continue to increase our legal, accounting, financial compliance and audit costs, make some activities more difficult, time-consuming, and costly, and increase demand on our personnel, systems, and resources.

In addition, our current controls and any new controls that we develop may become inadequate because of changes in the conditions in our business, including increased complexity resulting from our international expansion. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to maintain internal control over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm determines we have a material weakness in our internal control over financial reporting, we could lose investor confidence in the accuracy and completeness of our financial reports, the market price of our ordinary share could decline, and we could be subject to sanctions or investigations by the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

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The impact of the war between Israel and Hamas, and regional conflict in the Middle East, 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 continue to harm our business and results of operations.

The war between Israel and Hamas, and regional conflict in the Middle East, 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 regional conflict in the Middle East, the war between Russia and Ukraine, and related global economic disruptions, we have experienced and expect to continue to could experience slowed growth for new disruptions in our business or the business of our partners, customers, fewer orders from our existing customers for upgrades within our platform, an increase in or the average length economy as a whole, any of sales cycles to onboard new customers, delays in new projects, and requests by some customers for extension of payment obligations, all of which could adversely affect and could materially adversely impact our business, results of operations, and overall financial condition in future periods.

The extent and continued impact of the Israel-Hamas war, the regional conflict in the Middle East, 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 uncertain, difficult to predict, and not within our control. General

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economic conditions and disruptions in global markets due to the Israel-Hamas war, the regional conflict in the Middle East, the Russia-Ukraine war, and other areas of geopolitical tension around the world, and any actions taken by governmental authorities and other third parties in response may also affect our 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 regional conflict in the Middle East, the war between Russia and Ukraine, and related global economic disruptions on our financial condition and results of operations remains uncertain. Furthermore, because of our subscription-based business model, the impact of these factors may not be fully reflected in our results of operations and overall financial condition until future periods, if at all.

If our estimates or judgments relating to our critical accounting policies are based on assumptions that change or prove to be incorrect, our results of operations could fall below expectations of securities analysts and investors, resulting in a decline in the trading price of our ordinary shares.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our ordinary shares. 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 benefit period of deferred contract acquisition costs, the allowance for credit losses, 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, and the valuation of deferred tax assets and uncertain tax positions.

We are exposed to credit risk and fluctuations in the market values of our investment portfolio.

Given the global nature of our business, we have diversified U.S. and non-U.S. investments. Credit ratings and pricing of our investments can be negatively affected by liquidity, credit deterioration, financial results, economic risk, political risk, sovereign risk, or other factors. As a result, the value and liquidity of our investments may fluctuate substantially. Therefore, although we have not realized any significant losses on our investments, future fluctuations in their value could result in a significant realized loss.

Catastrophic events, or man-made problems such as terrorism, may disrupt our business.

A significant natural disaster, such as an earthquake, fire, flood, or significant power outage could have an adverse impact on our business, results of operations, and financial condition. We have a number of our employees and executive officers located in the San Francisco Bay Area, a region known for seismic activity and increasingly, wildfires. In the event our or our partners' abilities are hindered by any of the events discussed above, sales could be delayed, resulting in missed financial targets for a particular quarter. In addition, acts of terrorism, pandemics, such as the outbreak of the novel coronavirus or another public health crisis, protests, riots and other geo-political unrest could cause disruptions in our business or the business of our partners,

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customers, or the economy as a whole. Any disruption in the business of our partners or customers that affects sales in a given fiscal quarter could have a significant adverse impact on our quarterly results for that and future quarters. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

Our business could be negatively impacted by changes in the U.S. political environment.

Policy changes implemented by the Biden administration could significantly impact our business as well as the markets in which we compete. Specific legislative and regulatory proposals discussed during election campaigns and more recently that might materially impact us include, but are not limited to, changes to trade agreements, immigration policy, import and export regulations, tariffs and customs duties, federal and state tax laws and regulations, public company reporting requirements, and antitrust enforcement. Further, an extended federal government shutdown resulting from failing to pass budget appropriations, adopt continuing funding resolutions, or raise the debt ceiling, and other budgetary decisions limiting or delaying deferral government spending, may negatively impact U.S. or global economic conditions, including corporate and consumer spending, and liquidity of capital markets. To the extent changes in the political environment have a negative impact on us or on our markets, our business, results of operations, and financial condition could be materially and adversely affected in the future.

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 September 30, 2023 March 31, 2024, the following director and officer, officers, 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 August 11, 2023 February 28, 2024, Mr. Yoav Landman Shlomi Ben Haim, ourChief Technology Executive 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 1,500,000 707,155 ordinary shares. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c). The duration of the Exchange Act. The trading arrangement is until October 11, 2024, or terminates on the earlier if of the date all transactions are completed under the trading arrangement are completed. or May 29, 2025.

On NoMarch 7, 2024, Ms. Tali Notman, our Chief Revenue Officer, adopted a Rule 10b5-1 trading arrangement providing for the sale from time to time of an aggregate of up to 293,532 ordinary shares. The trading arrangement is intended to satisfy the affirmative defense in Rule 10b5-1(c) of the Exchange Act. The trading arrangement terminates on the earlier of the date all transactions are completed under the trading arrangement or March 11, 2025.

No other officers or directors, as defined in Rule 16a-1(f), adopted or terminated a "Rule "Rule 10b5-1 trading arrangement" arrangement" or a "non-Rule "non-Rule 10b5-1 trading arrangement,," as defined in Item 408 of Regulation S-K, during the three months ended September 30, 2023 March 31, 2024.

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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

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.				
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.				
101 INS	Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101 SCH	Inline XBRL Taxonomy Extension Schema Document.				
101 CAL	Inline XBRL Taxonomy Extension Calculation Document with Embedded 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. Documents.				
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:	November 2, 2023 May 10, 2024	By:		/s/ Shlomi Ben Haim
			Name:	Shlomi Ben Haim
			Title:	Chief Executive Officer
				(*Principal Executive Officer*)
Date:	November 2, 2023 May 10, 2024	By:		/s/ Jacob Shulman Eduard Grabscheid
			Name:	Jacob Shulman Eduard Grabscheid
			Title:	Chief Financial Officer
				(*Principal Financial Officer & Principal Accounting Officer*)

Exhibit 31.1

**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 materia fact necessary to make the statements made, in light of the circumstances under which such statements were made, 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 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 an procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (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 tc designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting a 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 o conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period cover 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 durin the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) th 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 an report financial information; and
   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in registrant's internal control over financial reporting.

JFROG LTD.

Date: November 2, 2023 May 10, 2024

/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, Eduard Grabscheid, 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 materia fact necessary to make the statements made, in light of the circumstances under which such statements were made, 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 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 an procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (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 designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting a 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 o conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period cover 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 durin the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) th 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 an report financial information; and

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

JFROG LTD.

Date: November 2, 2023 May 10, 2024

/s/ Jacob Shulman Eduard Grabscheid

Jacob Shulman Eduard Grabscheid

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 September 30, 2023 March 31, 2024 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: November 2, 2023 May 10, 2024

/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, Eduard Grabscheid, 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 September 30, 2023 March 31, 2024 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: November 2, 2023 May 10, 2024

/s/ Jacob Shulman Eduard Grabscheid

Jacob Shulman Eduard Grabscheid

Chief Financial Officer

(Principal Financial Officer)

DISCLAIMER