UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from __________ to __________

Commission File Number: 001-37496

RAPID7, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**35-2423994**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
120 Causeway Street Boston, MA	**02114**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (617) 247-1717

Securities registered pursuant to Section 12(b) of the Securities Exchange Act of 1934:

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	RPD	The Nasdaq Global 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 and post such files). Yes ☒ No ☐

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

Large Accelerated Filer	☒	Accelerated Filer	☐
Non-accelerated Filer	☐	Small 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 April 30, 2024, there were 62,324,547 shares of the registrant's common stock, $0.01 par value per share, outstanding.

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

RAPID7, INC.
Condensed Consolidated Balance Sheets (Unaudited)
(in thousands, except share and per share data)

	March 31, 2024	December 31, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 198,716	$ 213,629
Short-term investments	213,001	169,544
Accounts receivable, net of allowance for credit losses of $ 970 and $951 at March 31, 2024 and December 31, 2023, respectively	124,595	164,862
Deferred contract acquisition and fulfillment costs, current portion	47,003	45,008
Prepaid expenses and other current assets	42,552	41,407
Total current assets	625,867	634,450
Long-term investments	52,454	56,171
Property and equipment, net	37,266	39,642
Operating lease right-of-use assets	53,036	54,693
Deferred contract acquisition and fulfillment costs, non-current portion	75,287	76,601
Goodwill	536,351	536,351
Intangible assets, net	88,844	94,546
Other assets	19,368	12,894
Total assets	$ 1,488,473	$ 1,505,348
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable	$ 11,516	$ 15,812
Accrued expenses and other current liabilities	60,605	85,025
Operating lease liabilities, current portion	14,257	13,452
Deferred revenue, current portion	437,687	455,503
Total current liabilities	524,065	569,792
Convertible senior notes, net	931,001	929,996
Operating lease liabilities, non-current portion	77,069	81,130
Deferred revenue, non-current portion	29,207	32,577
Other long-term liabilities	13,580	10,032
Total liabilities	$ 1,574,922	$ 1,623,527
Stockholders' deficit:		
Preferred stock, $0.01 par value per share; 100,000,000 shares authorized at March 31, 2024 and December 31, 2023; 0 shares issued and outstanding at March 31, 2024 and December 31, 2023	$ —	$ —
Common stock, $0.01 par value per share; 100,000,000 shares authorized at March 31, 2024 and December 31, 2023; 62,838,127 and 62,283,630 shares issued at March 31, 2024 and December 31, 2023, respectively; 62,268,548 and 61,714,051 shares outstanding at March 31, 2024 and December 31, 2023, respectively	623	617
Treasury stock, at cost, 569,579 shares at March 31, 2024 and December 31, 2023	(4,765)	(4,765)
Additional paid-in-capital	925,661	894,630
Accumulated other comprehensive (loss) income	(221)	1,344
Accumulated deficit	(1,007,747)	(1,010,005)
Total stockholders' deficit	(86,449)	(118,179)
Total liabilities and stockholders' deficit	$ 1,488,473	$ 1,505,348

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

RAPID7, INC.
Condensed Consolidated Statements of Operations (Unaudited)
(in thousands, except share and per share data)

	Three Months Ended March 31,	
	2024	2023
Revenue:		
Product subscriptions	$ 196,918	$ 173,772
Professional services	8,183	9,402
Total revenue	205,101	183,174
Cost of revenue:		
Product subscriptions	54,655	48,188
Professional services	6,248	7,811
Total cost of revenue	60,903	55,999
Total gross profit	144,198	127,175
Operating expenses:		
Research and development	40,990	46,346
Sales and marketing	72,805	80,587
General and administrative	19,835	24,207
Total operating expenses	133,630	151,140
Income (loss) from operations	10,568	(23,965)
Other income (expense), net:		
Interest income	4,720	1,668
Interest expense	(2,670)	(2,717)
Other income (expense), net	(1,435)	(307)
Income (loss) before income taxes	11,183	(25,321)
Provision for income taxes	8,925	594
Net income (loss)	$ 2,258	$ (25,915)
Net income (loss) per share, basic	$ 0.04	$ (0.43)
Net income (loss) per share, diluted	$ 0.03	$ (0.43)
Weighted-average common shares outstanding, basic	61,907,808	59,888,119
Weighted-average common shares outstanding, diluted	74,021,704	59,888,119

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

RAPID7, INC.
Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)
(in thousands)

	Three Months Ended March 31,	
	2024	2023
Net income (loss)	$ 2,258	$ (25,915)
Other comprehensive income (loss):		
Change in fair value of cash flow hedges	(629)	192
Adjustment for net losses realized on cash flow hedges and included in net income (loss), net of taxes	(381)	641
Total change in unrealized (losses) gains on cash flow hedges	(1,010)	833
Change unrealized (losses) gains on investments	(555)	378
Total other comprehensive (loss) income	(1,565)	1,211
Comprehensive income (loss)	$ 693	$ (24,704)

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

RAPID7, INC.
Condensed Consolidated Statements of Changes in Stockholders' Deficit (Unaudited)
Three Months Ended March 31, 2024 and 2023
(in thousands)

	Common stock		Treasury stock					
	Shares	Amount	Shares	Amount	Additional paid-in-capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' deficit
Balance, December 31, 2023	61,714	$ 617	570	$ (4,765)	$ 894,630	$ 1,344	$ (1,010,005)	$ (118,179)
Stock-based compensation expense	—	—	—	—	26,487	—	—	26,487
Issuance of common stock under employee stock purchase plan	148	2	—	—	5,044	—	—	5,046
Vesting of restricted stock units	325	3	—	—	(3)	—	—	—
Shares withheld for employee taxes	(29)	—	—	—	(1,764)	—	—	(1,764)
Issuance of common stock upon exercise of stock options	111	1	—	—	1,267	—	—	1,268
Other comprehensive loss	—	—	—	—	—	(1,565)	—	(1,565)
Net income	—	—	—	—	—	—	2,258	2,258
Balance, March 31, 2024	62,269	$ 623	570	$ (4,765)	$ 925,661	$ (221)	$ (1,007,747)	$ (86,449)

	Common stock		Treasury stock					
	Shares	Amount	Shares	Amount	Additional paid-in-capital	Accumulated other comprehensive loss	Accumulated deficit	Total stockholders' deficit
Balance, December 31, 2022	59,720	$ 597	487	$ (4,764)	$ 746,249	$ (1,411)	$ (860,745)	$ (120,074)
Stock-based compensation expense	—	—	—	—	29,518	—	—	29,518
Issuance of common stock under employee stock purchase plan	178	2	—	—	6,172	—	—	6,174
Vesting of restricted stock units	359	3	—	—	(3)	—	—	—
Shares withheld for employee taxes	(25)	—	—	—	(1,267)	—	—	(1,267)
Issuance of common stock upon exercise of stock options	16	—	—	—	181	—	—	181
Issuance of common stock in relation to an acquisition	74	1	—	—	(1)	—	—	—
Repurchase of common stock issued in relation to acquisition	—	—	83	(1)	1	—	—	—
Other comprehensive gain	—	—	—	—	—	1,211	—	1,211
Net loss	—	—	—	—	—	—	(25,915)	(25,915)
Balance, March 31, 2023	60,322	$ 603	570	$ (4,765)	$ 780,850	$ (200)	$ (886,660)	$ (110,172)

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

RAPID7, INC.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in thousands)

	Three Months Ended March 31,	
	2024	**2023**
Cash flows from operating activities:		
Net income (loss)	$ 2,258	$ (25,915)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	11,348	11,050
Amortization of debt issuance costs	1,053	994
Stock-based compensation expense	24,893	29,373
Deferred income taxes	1,840	—
Other	(203)	995
Changes in assets and liabilities:		
Accounts receivable	39,529	35,805
Deferred contract acquisition and fulfillment costs	(679)	(2,240)
Prepaid expenses and other assets	(1,223)	(5,567)
Accounts payable	(4,190)	(2,744)
Accrued expenses	(24,890)	(23,951)
Deferred revenue	(21,186)	(12,062)
Other liabilities	2,520	104
Net cash provided by operating activities	31,070	5,842
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	—	(34,033)
Purchases of property and equipment	(620)	(2,285)
Capitalization of internal-use software	(2,916)	(4,776)
Purchases of investments	(93,158)	(4,883)
Sales and maturities of investments	55,000	35,800
Net cash used in investing activities	(41,694)	(10,177)
Cash flows from financing activities:		
Payments related to business acquisitions	—	(2,250)
Taxes paid related to net share settlement of equity awards	(1,764)	(1,267)
Proceeds from employee stock purchase plan	5,046	6,174
Proceeds from stock option exercises	1,080	181
Net cash provided by financing activities	4,362	2,838
Effect of exchange rate changes on cash ,cash equivalents and restricted cash	(1,493)	(33)
Net decrease in cash, cash equivalents and restricted cash	(7,755)	(1,530)
Cash, cash equivalents and restricted cash, beginning of period	214,130	207,804
Cash, cash equivalents and restricted cash, end of period	$ 206,375	$ 206,274
Supplemental cash flow information:		
Cash paid for interest on convertible senior notes	$ 2,698	$ 750
Cash paid for income taxes, net of refunds	$ 2,352	$ 166
Reconciliation of cash, cash equivalents and restricted cash:		
Cash and cash equivalents	$ 198,716	$ 205,757
Restricted cash included in other assets and prepaid expenses and other current assets	7,659	517
Total cash, cash equivalents and restricted cash	$ 206,375	$ 206,274

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

RAPID7, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited)

Note 1. Description of Business, Basis of Presentation and Consolidation and Significant Accounting Policies

Description of Business

Rapid7, Inc. and subsidiaries ("we," "us" or "our") are advancing security with visibility, analytics, and automation delivered through our platform solutions. Our solutions simplify the complex, allowing security teams to work more effectively with IT and development to reduce vulnerabilities, monitor for malicious behavior, investigate and shut down attacks, and automate routine tasks.

Basis of Presentation and Consolidation

The accompanying unaudited condensed consolidated financial statements have been prepared by us in accordance with accounting principles generally accepted in the United States of America ("GAAP"), as well as pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"), regarding interim financial reporting. Accordingly, 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. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2023 filed with the SEC on February 26, 2024.

The consolidated financial statements include our results of operations and those of our wholly-owned subsidiaries and reflect all adjustments (consisting solely of normal, recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim periods presented. All intercompany transactions and balances have been eliminated in consolidation. The results of operations for the three months ended March 31, 2024 are not necessarily indicative of the results to be expected for any future period or the entire fiscal year.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates, judgments and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The management estimates include, but are not limited to the determination of standalone selling prices in revenue transactions with multiple performance obligations, the estimated period of benefit for deferred contract acquisition costs, the useful lives and recoverability of long-lived assets, the valuation for credit losses, the valuation of stock-based compensation, the fair value of assets acquired and liabilities assumed in business combinations, the incremental borrowing rate for operating leases and the valuation for deferred tax assets. We base our estimates on historical experience and on various other assumptions that we believe are reasonable. Actual results could differ from those estimates.

Significant Accounting Policies

Our significant accounting policies are described in Note 2, *Summary of Significant Accounting Policies* , to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

Restricted Cash

As of March 31, 2024, we had $ 7.7 million of restricted cash recorded on our condensed consolidated balance sheet in prepaid expenses and other current assets and other assets in letters of credit outstanding as collateral for certain office space leases.

Recent Accounting Pronouncements

We have not identified any recently issued accounting pronouncements that would have a material impact to our consolidated financial statements.

Note 2. Revenue from Contracts with Customers

We generate revenue primarily from: (1) product subscriptions from the sale of cloud-based subscriptions, managed services, term software licenses, content subscriptions and maintenance and support associated with our software licenses and (2) professional services from the sale of our deployment and training services related to our solutions, incident response services, penetration testing and security advisory services.

Product Subscriptions

Product subscriptions consists primarily of revenue from our cloud-based subscription, managed services offerings, term software licenses, content subscriptions and maintenance and support associated with our software licenses.

- We generate cloud-based subscription revenue primarily from sales of subscriptions to access our cloud platform, together with related support services to our customers. These arrangements do not provide the customer with the right to take possession of our software operating on our cloud platform at any time. Instead, customers are granted continuous access to our cloud platform over the contractual period. Revenue is recognized over time on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our cloud-based subscription contracts generally have annual or multi-year contractual terms which are billed in advance of the annual subscription period and are non-cancellable.

- Managed services offerings consist of fees generated when we operate our software and provide our capabilities on behalf of our customers. Revenue is recognized on a ratable basis over the contract term beginning on the date that our service is made available to the customer. Our managed services offerings generally have annual or multi-year contractual terms which are billed in advance of the annual subscription period and are non-cancellable.

- For our term software licenses where the utility to the customer is dependent on the continued delivery of content subscriptions, we recognize the license revenue over the contractual term of the content subscription.

- Content subscriptions and our maintenance and support services are sold with our term software licenses. Revenue related to our content subscriptions associated with our software licenses is recognized ratably over the contractual period.

Professional Services

All of our professional services are considered distinct performance obligations when sold stand alone or with other products. The majority of our professional services contracts have terms of one year or less. For the majority of these contracts, revenue is recognized over time based upon the proportion of work performed to date.

Contract Balances

Contract liabilities consist of deferred revenue and include payments received in advance of performance under the contract. Such amounts are recognized as revenue over the contractual period consistent with the above methodology. For the three months ended March 31, 2024 and 2023, we recognized revenue of $179.3 million and $163.4 million, respectively, that was included in the corresponding contract liability balance at the beginning of the periods presented. Deferred revenue that will be realized during the succeeding 12-month period is recorded as current, and the remaining deferred revenue is recorded as non-current.

We receive payments from customers based upon contractual billing schedules. Accounts receivable are recorded when the right to consideration becomes unconditional. Unbilled receivables include amounts related to our contractual right to consideration for both completed and partially completed performance obligations that have not been invoiced. If the right to consideration is based on satisfaction of another performance obligation in the contract other than the passage of time, we record a contract asset. As of March 31, 2024 and December 31, 2023, unbilled receivables of $2.5 million and $1.1 million, respectively, are included in prepaid expenses and other current assets in our consolidated balance sheet. As of March 31, 2024 and December 31, 2023, we had no contract assets recorded on our condensed consolidated balance sheet.

Transaction Price Allocated to the Remaining Performance Obligations

The following table includes estimated revenue expected to be recognized in the future related to performance obligations that are unsatisfied or partially unsatisfied as of March 31, 2024. The estimated revenues do not include unexercised contract renewals.

	Next Twelve Months	Thereafter
	(in thousands)	
Product subscriptions	$ 554,573	$ 271,822
Professional services	16,414	8,302
Total	$ 570,987	$ 280,124

Note 3. Business Combinations

Minerva Labs Ltd.

On March 14, 2023, we acquired Minerva Labs Ltd. ("Minerva"), a leading provider of anti-evasion and ransomware prevention technology, for a purchase price with an aggregate fair value of $34.6 million. The purchase consideration consisted of $35.0 million paid in cash at closing and a $0.4 million receivable for purchase price adjustments.

The assets acquired and liabilities assumed were recorded at their estimated fair values as of the acquisition date. The excess of the purchase price over the assets acquired and liabilities assumed was recorded as goodwill. The fair value of net assets acquired, goodwill and intangible assets were $13.9 million, $20.7 million and $12.8 million, respectively. The goodwill was allocated to our one reporting unit. The acquired goodwill and intangible assets were not deductible for tax purposes.

In the first quarter of 2024, we sold acquired intellectual property through a non-cash intercompany transaction, which resulted in $ 4.6 million of current tax expense and $1.8 million of deferred tax expense in Israel.

Note 4. Investments

Our investments, which are all classified as available-for-sale, consisted of the following:

	As of March 31, 2024			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Description:				
U.S government agencies	$ 265,617	$ 60	$ (222)	$ 265,455
Total	$ 265,617	$ 60	$ (222)	$ 265,455

	As of December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(in thousands)			
Description:				
U.S government agencies	$ 222,820	$ 467	$ (65)	$ 223,222
Agency bonds	2,500	—	(7)	2,493
Total	$ 225,320	$ 467	$ (72)	$ 225,715

As of March 31, 2024, our available-for-sale investments had maturities ranging from 1 to 16 months. As of December 31, 2023, our available-for-sale investments had maturities ranging from 1 to 18 months.

For all of our investments for which the amortized cost basis was greater than the fair value at March 31, 2024 and December 31, 2023, we have concluded that there is no plan to sell the security nor is it more likely than not that we would be required to sell the security before its anticipated maturity. In making the determination as to whether the unrealized loss is other-than-temporary, we considered the length of time and extent the investment has been in an unrealized loss position, the financial condition and near-term prospects of the issuers, the issuers' credit rating and the time to maturity.

Note 5. Fair Value Measurements

We measure certain financial assets and liabilities at fair value. Fair value is determined based upon the exit price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants, as determined by either the principal market or the most advantageous market. Inputs used in the valuation techniques to derive fair values are classified based on a three-level hierarchy, as follows:

- Level 1: Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.
- Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets with insufficient volume or infrequent transactions (less active markets); or model-derived valuations in which all significant inputs are observable or can be derived principally from or corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liability.

We consider an active market to be one in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis, and consider an inactive market to be one in which there are infrequent or few transactions for the asset or liability, the prices are not current, or price quotations vary substantially either over time or among market makers.

The following table presents our financial assets and liabilities measured and recorded at fair value on a recurring basis using the above input categories:

	As of March 31, 2024			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Description:				
Assets:				
Money market funds	$ 116,710	$ —	$ —	$ 116,710
U.S. government agencies	265,455	—	—	265,455
Foreign currency forward contracts designated as cash flow hedges (prepaid expenses and other current assets and other assets)	—	499	—	499
Total assets	$ 382,165	$ 499	$ —	$ 382,664
Liabilities:				
Foreign currency forward contracts designated as cash flow hedges (other current liabilities)	—	242	—	242
Total liabilities	$ —	$ 242	$ —	$ 242

	As of December 31, 2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Description:				
Assets:				
Money market funds	$ 124,506	$ —	$ —	$ 124,506
U.S. government agencies	223,222	—	—	223,222
Agency bonds	—	2,493	—	2,493
Foreign currency forward contracts designated as cash flow hedges (prepaid expenses and other current assets and other assets)	—	1,322	—	1,322
Total assets	$ 347,728	$ 3,815	$ —	$ 351,543
Liabilities:				
Foreign currency forward contracts designated as cash flow hedges (other current liabilities)	—	55	—	55
Total liabilities	$ —	$ 55	$ —	$ 55

As of March 31, 2024, the fair value of our 2.25%, 0.25% and 1.25% convertible senior notes due 2025, 2027 and 2029, as further described in Note 10, *Debt*, was $47.1 million, $525.3 million and $304.2 million, respectively, based upon quoted market prices. We consider the fair value of the Notes (as defined in Note 10, *Debt)* to be a Level 2 measurement due to limited trading activity of the Notes.

Note 6. Property and Equipment

Property and equipment are recorded at cost and consist of the following:

	March 31, 2024	December 31, 2023
	(in thousands)	
uter equipment and software	$ 26,955	$ 26,442
ire and fixtures	10,852	10,850
hold improvements	56,158	56,151
tal	93,965	93,443
ccumulated depreciation	(56,699)	(53,801)
operty and equipment, net	$ 37,266	$ 39,642

We recorded depreciation expense of $2.9 million and $3.8 million for the three months ended March 31, 2024 and 2023, respectively.

Note 7. Goodwill and Intangibles

Goodwill was $536.4 million as of March 31, 2024 and December 31, 2023.

The following table presents details of our intangible assets which include acquired identifiable intangible assets and capitalized internal-use software costs:

	Weighted-Average Estimated Useful Life (years)	As of March 31, 2024			As of December 31, 2023		
		Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
		(in thousands)					
e assets subject to amortization:							
ped technology	5.4	$ 135,355	$ (81,347)	$ 54,008	$ 135,355	$ (77,031)	$ 58,324
ner relationships	4.5	12,000	(8,407)	3,593	12,000	(7,755)	4,245
names	3.1	2,619	(2,424)	195	2,619	(2,379)	240
quired intangible assets		149,974	(92,178)	57,796	149,974	(87,164)	62,810
l-use software	3.0	58,109	(27,061)	31,048	55,371	(23,635)	31,736
ngible assets		$ 208,083	$ (119,239)	$ 88,844	$ 205,345	$ (110,799)	$ 94,546

Amortization expense was $8.4 million and $7.2 million and for the three months ended March 31, 2024 and 2023, respectively.

Estimated future amortization expense of the acquired identifiable intangible assets and completed capitalized internal-use software costs as of March 31, 2024 was as follows (in thousands):

or the remaining nine months)	$ 23,643
	27,957
	18,077
	6,836
	1,600
nd thereafter	3,531
tal	$ 81,644

The table above excludes the impact of $7.0 million of capitalized internal-use software costs for projects that have not been completed as of March 31, 2024, and therefore, all the costs associated with these projects have not been incurred.

Note 8. Deferred Contract Acquisitions and Fulfillment Costs

The following table summarizes the activity of the deferred contract acquisition and fulfillment costs for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
ing balance	$ 121,609	$ 103,075
lization of contract acquisition and fulfillment costs	12,967	11,666
zation of deferred contract acquisition and fulfillment costs	(12,287)	(9,426)
balance	$ 122,289	$ 105,315

Note 9. Derivative and Hedging Activities

To mitigate our exposure to foreign currency fluctuations resulting from certain expenses denominated in certain foreign currencies, we enter into forward contracts that are designated as cash flow hedging instruments. These forward contracts have contractual maturities of seventeen months or less, and as of March 31, 2024 and December 31, 2023, outstanding forward contracts had a total notional value of $46.8 million and $44.9 million, respectively. The notional value represents the gross amount of foreign currency that will be bought or sold upon maturity of the forward contract. During the three months ended March 31, 2024, all cash flow hedges were considered effective. Refer to Note 5, *Fair Value Measurements*, for the fair values of our outstanding derivative instruments.

Note 10. Debt

Convertible Senior Notes

In May 2020, we issued $ 230.0 million aggregate principal amount of convertible senior notes due May 1, 2025 (the “2025 Notes”) in March 2021, we issued $600.0 million aggregate principal amount of convertible senior notes due March 15, 2027 (the “2027 Notes”) and in September 2023, we issued $300.0 million aggregate principal amount of convertible senior notes due March 15, 2029 (the “2029 Notes”) (collectively, the “Notes”). In September 2023, we used $201.0 million of the proceeds from the issuance of the 2029 Notes to repurchase and retire $ 184.0 million aggregate principal amount of the 2025 Notes and paid accrued and unpaid interest thereon. Further details of the Notes are as follows:

Issuance	Maturity Date	Interest Rate	First Interest Payment Date	Effective Interest Rate	Semi-Annual Interest Payment Dates	Initial Conversion Rate per $1,000 Principal	Initial Conversion Price	Number of Shares (in millions)
2025 Notes	May 1, 2025	2.25%	November 1, 2020	2.88%	May 1 and November 1	16.3875	$ 61.02	0.8
2027 Notes	March 15, 2027	0.25%	September 15, 2021	0.67%	March 15 and September 15	9.6734	$ 103.38	5.8
2029 Notes	March 15, 2029	1.25%	March 15, 2024	1.69%	March 15 and September 15	15.4213	$ 64.85	4.6

The 2025 Notes, the 2027 Notes and the 2029 Notes are senior unsecured obligations, do not contain any financial covenants and are governed by indentures between the Company, as issuer, and U.S. Trust Company, Bank National Association, as trustee (the “Indentures”). The total net proceeds from the 2025 Notes, the 2027 Notes and the 2029 Notes offerings, after deducting initial purchase discounts and debt issuance costs, were $222.8 million, $585.0 million and $292.0 million, respectively.

For additional details on the terms of our Notes, see Note 11, *Debt*, to the consolidated financial statements included in our Annual Report on Form 10-K for the year ended December 31, 2023.

As of March 31, 2024, the 2025 Notes, the 2027 Notes and the 2029 Notes were not convertible at the option of the holders.

The holders may convert the 2025 Notes, the 2027 Notes and the 2029 Notes at any time on or after November 1, 2024, December 15, 2026 and December 15, 2028, respectively, until the close of business on the second scheduled trading day immediately preceding the maturity date, regardless of the circumstances set forth above. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election, in the manner and subject to the terms and conditions provided in the Indentures.

If we undergo a fundamental change (as set forth in the Indentures) at any time prior to the maturity date, holders of the Notes will have the right, at their option, to require us to repurchase for cash all or any portion of their Notes at a repurchase price equal to 100% of the principal amount of the Notes to be repurchased, plus accrued and unpaid interest to, but excluding, the fundamental change repurchase date. In addition, following certain corporate events that occur prior to the maturity date or following our issuance of a notice of redemption, in each case as described in the Indentures, we will increase the conversion rate for a holder of the Notes who elects to convert its Notes in connection with such a corporate event or during the related redemption period in certain circumstances.

Accounting for the Notes

In accounting for the issuance of the Notes, the principal less debt issuance costs are recorded as debt on our condensed consolidated balance sheet. The debt issuance costs are amortized to interest expense using the effective interest method over the contractual term of the Notes.

The net carrying amount of the Notes as of March 31, 2024 and December 31, 2023 was as follows (in thousands):

	2025 Notes			2027 Notes			2029 Notes		
	Principal	Unamortized debt issuance costs	Total	Principal	Unamortized debt issuance costs	Total	Principal	Unamortized debt issuance costs	Total
Balance at December 31, 2023	$ 45,992	$ (404)	$ 45,588	$ 600,000	$ (8,077)	$ 591,923	$ 300,000	$ (7,515)	$ 292,485
Amortization of debt issuance costs	—	75	75	—	620	620	—	310	310
Balance at March 31, 2024	$ 45,992	$ (329)	$ 45,663	$ 600,000	$ (7,457)	$ 592,543	$ 300,000	$ (7,205)	$ 292,795

Interest expense related to the Notes was as follows (in thousands):

	Three Months Ended March 31,						
	2024				2023		
	2025 Notes	2027 Notes	2029 Notes	Total	2025 Notes	2027 Notes	Total
Contractual interest expense	$ 259	$ 375	$ 937	$ 1,571	$ 1,294	$ 375	$ 1,669
Amortization of debt issuance costs	75	620	310	1,005	340	606	946
Total interest expense	$ 334	$ 995	$ 1,247	$ 2,576	$ 1,634	$ 981	$ 2,615

Capped Calls

In connection with the offering of the 2025 Notes, the 2027 Notes and the 2029 Notes, we entered into privately negotiated capped call transactions with certain counterparties (the “2025 Capped Calls”, “2027 Capped Calls” and “2029 Capped Calls”) (collectively, the “Capped Calls”).

The Capped Calls are expected to reduce potential dilution to our common stock upon conversion of a given series of notes and/or offset any cash payments that we are required to make in excess of the principal amount of converted notes of such series, as the case may be, with such reduction and/or offset subject to a cap. The Capped Calls are subject to adjustment upon the occurrence of certain specified extraordinary events affecting us, including merger events, tender offers and announcement events. In addition, the Capped Calls are subject to certain specified additional disruption events that may give rise to a termination of the Capped Calls, including nationalization, insolvency or delisting, changes in law, failures to deliver, insolvency filings and hedging disruptions.

The following table sets forth other key terms and premiums paid for the Capped Calls related to each series of Notes:

	Capped Calls Entered into in Connection with the Issuance of the 2025 Notes	Capped Calls Entered into in Connection with the Issuance of the 2027 Notes	Capped Calls Entered into in Connection with the Issuance of the 2029 Notes
Initial strike price, subject to certain adjustments	$ 61.02	$ 103.38	$ 64.85
Cap price, subject to certain adjustments	$ 93.88	$ 159.04	$ 97.88
Total premium paid (in thousands)	$ 27,255	$ 76,020	$ 36,570
Expiration dates	March 4, 2025 - April 29, 2025	January 1, 2027 - March 11, 2027	February 13, 2029 - March 13, 2029

For accounting purposes, the 2025 Capped Calls, the 2027 Capped Calls and the 2029 Capped Calls are separate transactions, and not part of the terms of the 2025 Notes, the 2027 Notes and the 2029 Notes. The 2025 Capped Calls, 2027 Capped Calls and 2029 Capped Calls are recorded in stockholders' equity and are not accounted for as derivatives.

Credit Agreement

In April 2020, we entered into a Credit and Security Agreement (the Credit Agreement), with KeyBank National Association (as amended, in December 2021) that provides for a $100.0 million revolving credit facility, with a letter of credit sublimit of $ 15.0 million and an accordion feature under which we can increase the credit facility to up to $150.0 million. We incurred fees of $0.4 million in connection with entering into the Credit Agreement. The fees are recorded in other current assets on the condensed consolidated balance sheet and are amortized on a straight-line basis over the contractual term of the arrangement. The commitment fee of 0.2% per annum on the unused portion of the credit facility is expensed as incurred and included within interest expense on the condensed consolidated statement of operations. The Credit Agreement contains certain financial covenants including a requirement that we maintain specified minimum recurring revenue and liquidity amounts.

The borrowings under the Credit Agreement bear interest, at our option, at a rate equal to either (i) term SOFR plus a credit spread adjustment of 0.10% per annum plus a margin of 2.50% per annum or (ii) the alternate base rate (subject to a floor), plus an applicable margin equal to 0% per annum.

As of March 31, 2024, we did not have any outstanding borrowings under the Credit Agreement.

As of March 31, 2024, we had a total of $7.4 million in letters of credit outstanding as collateral for certain office space leases which reduce the amount of borrowing available under our Credit Agreement.

Note 11. Stock-Based Compensation Expense

(***a)*** ***General***

Stock-based compensation expense for restricted stock units (“RSUs”), performance-based restricted stock units (“PSUs”), stock options and purchase rights issued under our employee stock purchase plan was classified in the accompanying condensed consolidated statements of operations as follows:

	Three Months Ended March 31, 2024	Three Months Ended March 31, 2023
	(in thousands)	
Stock-based compensation expense:		
Cost of revenue	2,580	2,837
Research and development	7,566	10,505
Sales and marketing	6,847	7,843
General and administrative	7,900	8,188
Total stock-based compensation expense	$ 24,893	$ 29,373

We recognize compensation cost of all awards on a straight-line basis over the applicable vesting period, which is generally three to four years.

Our Compensation Committee adopted and approved the performance goals, targets and payout formulas for our 2024 and 2023 bonus plans, including permitting our executive officers and certain other employees the opportunity to receive payment of their earned bonuses in the form of common stock (in lieu of cash). During the three months ended March 31, 2024 and 2023, we recognized stock-based compensation expense related to such bonuses in the amount of

$0.1 million, and $0.7 million, based on the probable expected performance against the pre-established corporate financial objectives as of March 31, 2024 and 2023. For employees, including executive officers, who elect to receive their bonuses in the form of common stock (in lieu of cash), the payouts are expected to be made in the form of fully vested stock awards in the first quarter of the following year pursuant to our 2015 Equity Incentive Plan, as amended. The number of shares underlying such awards is determined by dividing the dollar value of the actual bonus award payment by the closing price per share of our common stock on the date of grant.

(b) Restricted Stock, Restricted Stock Units and Performance-Based Restricted Stock Units

RSUs and PSUs activity during the three months ended March 31, 2024 was as follows:

	Shares	Weighted-Average Grant Date Fair Value
Unvested balance as of December 31, 2023	2,714,426	63.02
Granted	1,840,322	55.22
Vested	(325,113)	61.01
Forfeited	(245,501)	66.14
Unvested balance as of March 31, 2024	3,984,134	$ 59.52

As of March 31, 2024, the unrecognized compensation expense related to our unvested RSUs and PSUs was $214.7 million. This unrecognized compensation expense will be recognized over an estimated weighted-average amortization period of 2.3 years.

In January 2024, our Compensation Committee awarded 279,570 PSUs that required the achievement of net annualized recurring revenue ("Net ARR") and Adjusted EBITDA targets for the 2024 full-year to earn any payout. Net ARR is defined as the change in the annual value of all recurring revenue related to contracts in place at year end. In addition, the portion of the PSUs that are earned would be capped at a maximum of 200% of the target level payout and if certain net ARR or Adjusted EBITDA goals were not met, no PSUs will be earned. The PSUs have a performance period of one year and the earned PSUs will vest in three equal installments following each of the first, second and third anniversary of the vesting commencement date, subject to the participant's continuous service as of each such date. In the three months ended March 31, 2024, we recorded $0.9 million of stock-based compensation expense related to these PSUs based on estimated achievement of the performance criteria.

(c) Stock Options

The following tables summarizes information about stock option activity during the reporting periods:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in years)	Aggregate Intrinsic Value (in thousands)
Outstanding as of December 31, 2023	716,270	12.26	1.97	$ 32,115
Granted	—	—		
Exercised	(111,034)	11.42		$ 4,450
Forfeited/cancelled	(450)	7.73		
Outstanding as of March 31, 2024	604,786	12.42	1.95	$ 22,146
Vested and exercisable as of March 31, 2024	604,786	12.42	1.95	$ 22,146

(d) Employee Stock Purchase Plan

Under the Rapid7, Inc. 2015 Employee Stock Purchase Plan ("ESPP"), employees may set aside up to 15% of their gross earnings, on an after-tax basis, to purchase our common stock at a discounted price, which is calculated at 85% of the lesser of: (i) the market value of our common stock at the beginning of each offering period and (ii) the market value of our common stock on the applicable purchase date.

On March 15, 2024, we issued shares of common stock to employees, with a purchase price of either $ 33.78 or $39.78 per share, for aggregate proceeds of $5.0 million.

Note 12. Net Income (Loss) per Share

The following table summarizes the computation of basic and diluted net income (loss) per share of our common stock for the three months March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except share and per share data)	
Numerator:		
Net income (loss)	$ 2,258	$ (25,915)
Denominator:		
Weighted-average common shares outstanding, basic	61,907,808	59,888,119
Weighted-average common shares outstanding, diluted	74,021,704	59,888,119
Net income (loss) per share, basic	$ 0.04	$ (0.43)
Net income (loss) per share, diluted	$ 0.03	$ (0.43)

We intend to settle any conversion of our 2025 Notes, 2027 Notes and 2029 Notes in cash, shares, or a combination thereof. The dilutive impact of the Notes for our calculation of diluted net income (loss) per share is considered using the if-converted method. For the three months ended March 31, 2024 and 2023, the shares underlying the Notes were not considered in the calculation of diluted net income (loss) per share as the effect would have been anti-dilutive.

In connection with the issuance of the 2025 Notes, the 2027 Notes and the 2029 Notes, we entered into 2025 Capped Calls, 2027 Capped Calls and 2029 Capped Calls, which were not included for the purpose of calculating the number of diluted shares outstanding, as their effect would have been anti-dilutive. As further described in Note 10, *Debt*, the 2025 Capped Calls were not redeemed with the partial repurchase of the 2025 Notes and remain outstanding.

As of March 31, 2024 and 2023, the 2025 Notes, the 2027 Notes and the 2029 Notes were not convertible at the option of the holder. We had not received any conversion notices through the issuance date of our unaudited condensed consolidated financial statements. For disclosure purposes, we have calculated the potentially dilutive effect of the conversion spread, which is included in the table below. The following potentially dilutive securities outstanding have been excluded from the computation of diluted weighted-average shares outstanding for the respective periods below because they would have been anti-dilutive:

	Three Months Ended March 31,	
	2024	2023
Options to purchase common stock	604,786	915,314
Unvested restricted stock units	3,984,134	4,246,259
Common stock issued in conjunction to acquisitions	36,923	148,473
Shares to be issued under ESPP	15,902	31,793
Convertible senior notes	11,183,611	9,572,955
Total	15,825,356	14,914,794

Note 13. Commitments and Contingencies

(a) Warranty

We provide limited product warranties. Historically, any payments made under these provisions have been immaterial.

(b) Litigation and Claims

From time to time, we may be a party to litigation or subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

(c) Indemnification Obligations

We agree to standard indemnification provisions in the ordinary course of business. Pursuant to these provisions, we agree to indemnify, hold harmless and reimburse the indemnified party for losses suffered or incurred by the indemnified party, generally our customers, in connection with any United States patent, copyright or other intellectual property infringement claim by any third party arising from the use of our products or services in accordance with the agreement or arising from our gross negligence, willful misconduct or violation of the law (provided that there is not gross or willful misconduct on the part of the other party) with respect to our products or services. The term of these indemnification provisions is generally perpetual from the time of execution of the agreement. We carry insurance that covers certain third-party claims relating to our services and limits our exposure. We have never incurred costs to defend lawsuits or settle claims related to these indemnification provisions.

As permitted under Delaware law, we have entered into indemnification agreements with our officers and directors, indemnifying them for certain events or occurrences while they serve as officers or directors of the company.

Note 14. Segment Information and Information about Geographic Areas

We operate in one segment. Our chief operating decision maker is our Chief Executive Officer, who makes operating decisions, assesses performance and allocates resources on a consolidated basis.

Net revenues by geographic area presented based upon the location of the customer are as follows:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
North America	$ 157,340	$ 137,111
Rest of world	47,761	46,063
Total	$ 205,101	$ 183,174

Property and equipment, net by geographic area was as follows:

	As of March 31, 2024	As of December 31, 2023
	(in thousands)	
North America	$ 25,949	$ 27,609
Rest of world	11,317	12,033
Total	$ 37,266	$ 39,642

Note 15. Restructuring

On August 7, 2023, our board of directors approved a restructuring plan that was designed to improve operational efficiencies, reduce operating costs and better align the Company's workforce with current business needs, top strategic priorities and key growth opportunities (collectively, the "Restructuring Plan"). The Restructuring Plan included a reduction of the Company's workforce by approximately 16%.

In the three months ended March 31, 2024, the execution of the Restructuring Plan was completed and we recorded $(0.2) million of restructuring charges within general and administrative expense in the condensed consolidated statements of operations.

As of March 31, 2024, the restructuring liability accrued but not paid totaled $ 0.1 million, which is included within accrued expenses in the condensed consolidated balance sheets.

The following table presents the activity of the restructuring liability for the year ended March 31, 2024:

	Restructuring Liability (in thousands)
Balance at December 31, 2023	$ 3,764
Charges	(190)
Payments	(3,441)
Balance at March 31, 2024	$ 133

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 (1) our unaudited condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and (2) the audited consolidated financial statements and the related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations for the fiscal year ended December 31, 2023 included in our Annual Report on Form 10-K, filed with the SEC on February 26, 2024. Forward-looking statements in this review are qualified by the cautionary statement included under the next sub-heading, "Special Note Regarding Forward-Looking Statements".

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q, including the sections entitled "Risk Factors," and "Management's Discussion and Analysis of Financial Condition and Results of Operations," contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Statements that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "believe," "can," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "seek," "should," "target," "will," "would" and similar expressions or variations intended to identify forward-looking statements. These forward-looking statements include, but are not limited to, statements concerning the following:

• our ability to continue to add new customers, maintain existing customers and sell new products and professional services to new and existing customers;

• uncertain impacts that changes in overall level of software spending and ongoing volatility in the global economy as well as effects of inflation and increased interest rates may have on our business, strategy, operating results, financial condition and cash flows;

• the effects of increased competition as well as innovations by new and existing competitors in our market;

• our ability to adapt to technological change and effectively enhance, innovate and scale our solutions;

• our ability to effectively manage or sustain our growth and to attain and sustain profitability;

• our ability to diversify our sources of revenue;

• potential acquisitions and integration of complementary business and technologies;

• our expected use of proceeds from future issuances of equity or convertible debt securities;

• our ability to maintain, or strengthen awareness of, our brand;

• perceived or actual security, integrity, reliability, quality or compatibility problems with our solutions, including related to security breaches in our customers; systems, unscheduled downtime or outages;

• statements regarding future revenue, hiring plans, expenses, capital expenditures, capital requirements and stock performance;

• our ability to meet publicly announced guidance or other expectations about our business, key metrics and future operating results;

• our ability to maintain an adequate annualized recurring revenue growth;

• our ability to attract and retain qualified employees and key personnel and further expand our overall headcount;

• our ability to grow, both domestically and internationally;

• our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally;

• our ability to maintain, protect and enhance our intellectual property;

• costs associated with defending intellectual property infringement and other claims; and

• the future trading prices of our common stock and the impact of securities analysts' reports on these prices.

These statements represent the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled “Risk Factors” included under Part II, Item 1A. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

As used in this report, the terms “Rapid7,” the “company,” “we,” “us,” and “our” mean Rapid7, Inc. and its subsidiaries unless the context indicates otherwise.

Overview

Rapid7 is a global cybersecurity software and services provider on a mission to offer customers greater clarity and control of their attack surface through our comprehensive and consolidated security offerings. For more than twenty years, Rapid7 has partnered with customers across the globe representing a diverse range of industries and sizes to improve the efficacy and productivity of their security operations (“SecOps”). In today's rapidly evolving IT environment, customers are encountering escalating challenges due to the proliferation of cyberattacks leveraging artificial intelligence (“AI”), targeted automation, and a widening spectrum of attackers and techniques. To fortify their security posture, organizations will require greater visibility, advanced capabilities leveraging increased expertise, and integrated data to effectively anticipate, identify, and respond to exposure-led threats.

Through our security operations platform, anchored on our cloud security, security information and event management (“SIEM”), advanced detection and response, and vulnerability management offerings, we believe that Rapid7 is poised to expand the capabilities of today's SecOps teams. Rapid7 extends and expands the expertise of the Security Operations Center (“SOC") across information security, cloud operations, development, and IT teams, enabling them to better understand the attacker and leverage that information to take control of their fragmented attack surface. Enriched by years of managed services expertise, our integrated security operations platform enables SecOps teams to move away from a reactive approach, reduce their attack surface, and enhance response efficiency with a deep contextual understanding of their environment.

In the past few years, we have observed the industry undergoing a customer-driven shift to consolidated security platforms. As part of this transition, customers are moving away from cloud security as a specialized function towards cloud security as an integrated capability for SecOps teams. We view this as a demand driver for integrated SecOps, and believe that we have an opportunity to be a leader in delivering integrated risk and threat management across on-premise, cloud, and external attack surfaces. As we have shifted our strategic focus to SecOps consolidation, we are focused on continuing to drive innovation across our core products and capabilities to accelerate customer value and provide a frictionless and integrated cloud security experience.

As the threat landscape continues to grow in complexity, customers are demonstrating demand for integrated expertise to support them in effectively managing their security technologies. The convergence of these key trends – security consolidation, integrated cloud security, and expertise driven outcomes – are the foundation of what we view as the new extended SOC. Our focus is to be the leading provider of integrated security solutions for the extended SOC by providing risk and threat management within the context of overall security.

We market and sell our products and professional services to organizations of all sizes globally, including mid-market businesses, enterprises, non-profits, educational institutions and government agencies. Our customers span a wide variety of industries such as technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, education, real estate, transportation, government and professional services. As of March 31, 2024, we had over 11,000 customers in 148 countries, including 47% of the Fortune 100. Our revenue was not concentrated with any individual customer and no customer represented more than 1% of our revenue for the three months ended March 31, 2024 or 2023.

Our Business Model

We offer our products through a variety of delivery models to meet the needs of our diverse customer base, including:

- Cloud-based subscriptions, which provide our software capabilities to our customers through cloud access and on a subscription basis. Our InsightIDR, InsightCloudSec, InsightVM, InsightAppSec, InsightConnect and Threat Command products are offered as cloud-based subscriptions, with an option for a one or multi-year term.
- Managed services, through which we operate our products and provide our capabilities on behalf of our customers. Our Managed Vulnerability Management, Managed Detection and Response, and Managed Application Security products are offered on a managed service basis, pursuant to one or multi-year agreements.

- Licensed on-premise software consists of term licenses. When licensed on-premise software is purchased, maintenance and support and content subscriptions, as applicable, are bundled with the license for the term period. Our Nexpose and Metasploit products are offered through term software licenses with an option for one or multi-year terms. Our maintenance and support provides our customers with telephone and web-based support and ongoing bug fixes and repairs during the term of the maintenance and support agreement, and our customers who purchase our Nexpose and Metasploit products also purchase content subscriptions, which provide them with real-time access to the latest vulnerabilities and exploits.

Additionally, we offer our products through our consolidation offerings, which unify our products and services to our customers in a single package. Our Threat Complete and Cloud Risk Complete packages are offered as cloud based subscriptions, with an option for a one or multi-year term. Our Managed Threat Complete Offering is offered on a managed service basis, generally pursuant to one or multi-year agreements.

For the three months ended March 31, 2024 and 2023, recurring revenue, defined as revenue from term software licenses, content subscriptions, managed services, cloud-based subscriptions and maintenance and support, was 96%, and 95%, respectively, of total revenue.

Key Metrics

We monitor the following key metrics to help us measure and evaluate the effectiveness of our operations and as a means to evaluate period-to-period comparisons. We believe that both management and investors benefit from referring to these key metrics as supplemental information in assessing our performance and when planning, forecasting, and analyzing future periods. These key metrics also facilitate management's internal comparisons to our historical performance as well as comparisons to certain competitors' operating results. We believe these key metrics are useful to investors both because they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and also because they are used by institutional investors and the analyst community to help evaluate the health of our business:

	Three Months Ended March 31,	
	2024	2023
	(dollars in thousands)	
Total revenue	$ 205,101	$ 183,174
Year-over-year growth	12.0 %	16.4 %
Non-GAAP income from operations	$ 40,285	$ 10,993
Non-GAAP operating margin	19.6 %	6.0 %
Free cash flow	$ 27,534	$ (1,219)

	As of March 31,	
	2024	2023
	(dollars in thousands)	
Annualized recurring revenue (“ARR”)	$ 807,196	$ 727,853
Year-over-year growth	10.9 %	16.1 %
Number of customers	11,462	11,034
Year-over-year growth	3.9 %	6.0 %
ARR per customer	$ 70.4	$ 66.0
Year-over-year growth	6.8 %	9.5 %

Total Revenue and Growth. We are focused on driving continued revenue growth through increased sales of our products and professional services to new and existing customers. We monitor total revenue and believe it is useful to investors as a measure of the overall success of our business.

Non-GAAP Income from Operations and Non-GAAP Operating Margin . We monitor non-GAAP income from operations and non-GAAP operating margin, non-GAAP financial measures, to analyze our financial results. We believe non-GAAP income from operations and non-GAAP operating margin are useful to investors, as supplements to U.S. GAAP measures, in evaluating our ongoing operational performance and enhancing an overall understanding of our past financial performance and allowing for greater transparency with respect to metrics used by our management in its financial and operational decision-making. See Non-GAAP Financial Results below for further information on non-GAAP income from operations and a reconciliation of non-GAAP income from operations to the comparable GAAP financial measure.

Free Cash Flow. Free cash flow is a non-GAAP measure that we define as cash provided by operating activities less purchases of property and equipment and capitalization of internal-use software costs. We consider free cash flow to be a liquidity measure that provides useful information to management and investors about the amount of cash generated by the business after necessary capital expenditures. See Non-GAAP Financial Results below for a reconciliation of non-GAAP free cash flow to the comparable GAAP financial measure.

Annualized Recurring Revenue and Growth. Annualized Recurring Revenue ("ARR") is defined as the annual value of all recurring revenue related to contracts in place at the end of the quarter. ARR should be viewed independently of revenue and deferred revenue, as ARR is an operating metric and is not intended to be combined with or replace these items. ARR is not a forecast of future revenue, which can be impacted by contract start and end dates and renewal rates and does not include revenue reported as professional services revenue in our consolidated statement of operations. We use ARR and believe it is useful to investors as a measure of the overall success of our business.

Number of Customers. We believe that the size of our customer base is an indicator of our global market penetration and that our net customer additions are an indicator of the growth of our business. We define a customer as any entity that has an active Rapid7 recurring revenue contract as of the specified measurement date, excluding only InsightOps and Logentries customers with a contract value less than $2,400 per year.

ARR per Customer. ARR per customer is defined as ARR divided by the number of customers at the end of the period.

Non-GAAP Financial Results

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain non-GAAP financial measures, including non-GAAP gross profit, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income, non-GAAP net income per share, adjusted EBITDA and free cash flow. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons, and use certain non-GAAP financial measures as performance measures under our executive bonus plan. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision-making. While our non-GAAP financial measures are an important tool for financial and operational decision-making and for evaluating our own operating results over different periods of time, you should review the reconciliation of our non-GAAP financial measures to the comparable GAAP financial measures included below, and not rely on any single financial measure to evaluate our business.

We define non-GAAP gross profit, non-GAAP income from operations, non-GAAP operating margin, non-GAAP net income and non-GAAP net income per share as the respective GAAP balances excluding the effect of stock-based compensation expense, amortization of acquired intangible assets, amortization of debt issuance costs and certain other items such as acquisition-related expenses, restructuring expense and discrete tax items. Non-GAAP net income per basic and diluted share is calculated as non-GAAP net income divided by the weighted average shares used to compute net income per share, with the number of weighted average shares decreased, when applicable, to reflect the anti-dilutive impact of the capped call transactions entered into in connection with our convertible senior notes.

We believe these non-GAAP financial measures are useful to investors in assessing our operating performance due to the following factors:

- *Stock-based compensation expense.* We exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allows for more meaningful comparisons between our operating results from period to period.

- *Amortization of acquired intangible assets.* We believe that excluding the impact of amortization of acquired intangible assets allows for more meaningful comparisons between operating results from period to period as the intangible assets are valued at the time of acquisition and are amortized over several years after the acquisition.

- *Amortization of debt issuance costs.* The expense for the amortization of debt issuance costs related to our convertible senior notes and revolving credit facility is a non-cash item and we believe the exclusion of this interest expense provides a more useful comparison of our operational performance in different periods.

- *Acquisition-related expenses.* We exclude acquisition-related expenses that are unrelated to the current operations and neither are comparable to the prior period nor predictive of future results.
- *Discrete tax items.* We exclude certain discrete tax items such as income tax expenses or benefits that are not related to ongoing business operations in the current year and adjustments to uncertain tax position reserves as these charges are not indicative of our ongoing operating results, and they are not considered when we are forecasting our future results.
- *Restructuring expense.* We exclude non-ordinary course restructuring expenses related to the restructuring plan we announced in August 2023, which was concluded in the three months ended March 31, 2024 (the "Restructuring Plan") because we do not believe these charges are indicative of our core operating performance and we believe the exclusion of the restructuring expense provides a more useful comparison of our performance in different periods. For further information see Note 15, *Restructuring*, in the Notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q.
- *Anti-dilutive impact of capped call transaction.* Our capped calls transactions are intended to offset potential dilution from the conversion features in our convertible senior notes. Although we cannot reflect the anti-dilutive impact of the capped call transactions under GAAP, we do reflect the anti-dilutive impact of the capped call transactions in non-GAAP net income (loss) per diluted share, when applicable, to provide investors with useful information in evaluating our financial performance on a per share basis.

We define adjusted EBITDA as net income before (1) interest income, (2) interest expense, (3) other income (expense), net, (4) provision for income taxes, (5) depreciation expense, (6) amortization of intangible assets, (7) stock-based compensation expense, (8) acquisition-related expenses and (9) restructuring expense. We believe that the use of adjusted EBITDA is useful to investors and other users of our financial statements in evaluating our operating performance because it provides them with an additional tool to compare business performance across companies and across periods.

Our non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in our industry, as other companies in our industry may calculate non-GAAP financial results differently, particularly related to non-recurring, unusual items. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees.

The following tables reconcile GAAP gross profit to non-GAAP gross profit for the three months ended March 31, 2024, and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
GAAP total gross profit	$ 144,198	$ 127,175
Stock-based compensation expense	2,580	2,837
Amortization of acquired intangible assets	4,317	4,375
Non-GAAP total gross profit	$ 151,095	$ 134,387

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
GAAP gross profit – product subscriptions	$ 142,263	$ 125,584
Stock-based compensation expense	2,219	2,123
Amortization of acquired intangible assets	4,317	4,375
Non-GAAP gross profit – product subscriptions	$ 148,799	$ 132,082

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
GAAP gross profit – professional services	$ 1,935	$ 1,591
Stock-based compensation expense	361	714
Non-GAAP gross profit – professional services	$ 2,296	$ 2,305

The following table reconciles GAAP income (loss) from operations to non-GAAP income from operations for the three months ended March 31, 2024, and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
GAAP income (loss) from operations	$ 10,568	$ (23,965)
Stock-based compensation expense	24,893	29,373
Amortization of acquired intangible assets	5,014	5,222
Acquisition-related expenses	—	363
Restructuring expense[1]	(190)	—
Non-GAAP income from operations	$ 40,285	$ 10,993

[1] For the three months ended March 31, 2024, restructuring expense was recorded within general and administrative expense in our condensed consolidated statement of operations.

The following table reconciles GAAP net income (loss) to non-GAAP net income for the three months ended March 31, 2024, and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands, except share and per share data)	
GAAP net income (loss)	$ 2,258	$ (25,915)
Stock-based compensation expense	24,893	29,373
Amortization of acquired intangible assets	5,014	5,222
Acquisition-related expenses	—	363
Amortization of debt issuance costs	1,053	994
Restructuring expense	(190)	—
Discrete tax items	6,360	—
Non-GAAP net income	$ 39,388	$ 10,037
Interest expense of convertible senior notes (1)	1,571	375
Numerator for non-GAAP earnings per share calculation	$ 40,959	$ 10,412
Weighted average shares used in GAAP earnings per share calculation, basic	61,907,898	59,888,119
Dilutive effect of convertible senior notes (1)	11,183,611	5,803,831
Dilutive effect of employee equity incentive plans (2)	930,195	708,176
Weighted average shares used in non-GAAP earnings per share calculation, diluted	74,021,704	66,400,126
Non-GAAP net income per share:		
Basic	$ 0.64	$ 0.17
Diluted	$ 0.55	$ 0.16

(1) We use the if-converted method to compute diluted earnings per share with respect to our Notes. There was no add-back of interest expense or additional dilutive shares related to the Notes where the effect was anti-dilutive. On an if-converted basis, for the three months ended March 31, 2024, the 2025 Notes, the 2027 Notes and the 2029 Notes were dilutive. On an if-converted basis, for the three months ended March 31, 2023, the 2027 Notes were dilutive and the 2025 Notes were anti-dilutive.

(2) We use the treasury method to compute the dilutive effect of employee equity incentive plan awards.

The following table reconciles GAAP net income (loss) to adjusted EBITDA for the three months ended March 31, 2024, and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
GAAP net income (loss)	$ 2,258	$ (25,915)
Interest income	(4,720)	(1,668)
Interest expense	2,670	2,717
Other (income) expense, net	1,435	307
Provision for income taxes	8,925	594
Depreciation expense	2,908	3,837
Amortization of intangible assets	8,440	7,213
Stock-based compensation expense	24,893	29,373
Acquisition-related expenses	—	363
Restructuring expense	(190)	—
Adjusted EBITDA	$ 46,619	$ 16,821

The following table reconciles net cash provided by operating activities to free cash flow for the three months ended March 31, 2024, and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Net cash provided by operating activities	$ 31,070	$ 5,842
Less: Purchases of property and equipment	(620)	(2,285)
Less: Capitalized internal-use software costs	(2,916)	(4,776)
Free cash flow	$ 27,534	$ (1,219)

Components of Results of Operations

Revenue

We generate revenue primarily from selling products and professional services through a variety of delivery models to meet the needs of our diverse customer base.

Product subscriptions

We generate product subscriptions revenue from the sale of (1) cloud-based subscriptions, (2) managed services offerings, which utilize our products and (3) software licenses with related maintenance and support and content subscription, as applicable. Software license revenue consists of revenues from term licenses. When software licenses are purchased, maintenance and support and content subscription, as applicable, is bundled with the license for the term period.

Professional Services

We generate professional service revenue from the sale of deployment and training services related to our products, incident response services and security advisory services.

Cost of Revenue

Our total cost of revenue consists of the costs of products and professional services, as noted below. In addition, cost of revenue includes overhead costs for depreciation, facilities, IT, information security, and recruiting. Our IT overhead costs include IT personnel compensation costs and costs associated with our IT infrastructure. All overhead costs are allocated based on relative headcount.

Cost of Product Subscriptions

Cost of product subscriptions consists of personnel and related costs for our content, support, managed service and cloud operations teams, including salaries and other payroll related costs, bonuses, stock-based compensation and allocated overhead costs. Also included in cost of products are software license fees, cloud computing costs and internet connectivity expenses directly related to delivering our products, amortization of contract fulfillment costs, as well as amortization of certain intangible assets including internally developed software.

Cost of Professional Services

Cost of professional services consists of personnel and related costs for our professional services team, including salaries and other payroll related costs, bonuses, stock-based compensation, costs of contracted third-party vendors, travel and entertainment expenses and allocated overhead costs.

We expect our cost of revenue to increase on an absolute dollar basis as we continue to grow our revenue.

Gross Margin

Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the average sales price of our products and services, transaction volume growth, the mix of revenue between software licenses, cloud-based subscriptions, managed services and professional services and changes in cloud computing costs.

We expect our gross margins to fluctuate over time depending on the factors described above.

Operating Expenses

Operating expenses consist of research and development, sales and marketing, general and administrative expenses and restructuring. Operating expenses include overhead costs for depreciation, facilities, IT, information security and recruiting. Our IT overhead costs include IT personnel compensation costs and costs associated with our IT infrastructure. All overhead costs are allocated based on relative headcount.

Research and Development Expense

Research and development expense consists of personnel costs for our research and development team, including salaries and other payroll related costs, bonuses and stock-based compensation. Additional expenses include third-party infrastructure costs, travel and entertainment, consulting and professional fees for third-party development resources as well as allocated overhead costs.

We expect research and development expense to decrease as a percentage of total revenue in the near term.

Sales and Marketing Expense

Sales and marketing expense consists of personnel costs for our sales and marketing team, including salaries and other payroll related costs, commissions, including amortization of deferred commissions, bonuses and stock-based compensation. Additional expenses include marketing activities and promotional events, travel and entertainment, training costs, amortization of certain intangible assets and allocated overhead costs.

We expect sales and marketing expense to decrease as a percentage of total revenue in the near term.

General and Administrative Expense

General and administrative expense consists of personnel costs for our executive, legal, human resources, and finance and accounting departments, including salaries and other payroll related costs, bonuses and stock-based compensation. Additional expenses include travel and entertainment, professional fees, litigation-related expenses, insurance, acquisition-related expenses, amortization of certain intangible assets and allocated overhead costs.

We expect general and administrative expense to decrease as a percentage of total revenue in the near term.

Interest Income

Interest income consists primarily of interest income on our cash and cash equivalents and our short and long-term investments.

Interest Expense

Interest expense consists primarily of contractual interest expense, amortization of debt issuance costs related to our convertible senior notes and revolving credit facility and induced conversion expense. We expect interest expense in the near term to represent contractual interest expense and amortization of debt issuance costs related to our convertible senior notes and revolving credit facility.

Other Income (Expense), Net

Other income (expense), net consists primarily of the change in fair value of derivative assets and unrealized and realized gains and losses related to changes in foreign currency exchange rates.

Provision for Income Taxes

Provision for income taxes consists of domestic and foreign taxes on income and withholding taxes. We maintain a substantially full valuation allowance for domestic and certain foreign deferred tax assets, including net operating loss carryforwards and tax credits. Based on our history of losses, we expect to maintain this substantially full valuation allowance for the foreseeable future as it is more likely than not that some or all of those deferred tax assets may not be realized.

Results of Operations

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Consolidated Statement of Operations Data:		
Revenue:		
Product subscriptions	$ 196,918	$ 173,772
Professional services	8,183	9,402
Total revenue	205,101	183,174
Cost of revenue: (1)		
Product subscriptions	54,655	48,188
Professional services	6,248	7,811
Total cost of revenue	60,903	55,999
Operating expenses: (1)		
Research and development	40,990	46,346
Sales and marketing	72,805	80,587
General and administrative	19,835	24,207
Total operating expenses	133,630	151,140
Income (loss) from operations	10,568	(23,965)
Interest income	4,720	1,668
Interest expense	(2,670)	(2,717)
Other income (expense), net	(1,435)	(307)
Income (loss) before income taxes	11,183	(25,321)
Provision for income taxes	8,925	594
Net income (loss)	$ 2,258	$ (25,915)

(1) Cost of revenue and operating expenses include stock-based compensation expense and depreciation and amortization expense as follows:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Stock-based compensation expense:		
Cost of revenue	$ 2,580	$ 2,837
Research and development	7,566	10,505
Sales and marketing	6,847	7,843
General and administrative	7,900	8,188
Total stock-based compensation expense	$ 24,893	$ 29,373

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Depreciation and amortization expense:		
Cost of revenue	$ 8,300	$ 7,086
Research and development	859	1,168
Sales and marketing	1,733	2,067
General and administrative	456	729
Total depreciation and amortization expense	$ 11,348	$ 11,050

The following table sets forth our condensed consolidated statements of operations data expressed as a percentage of revenue:

	Three Months Ended March 31,	
	2024	2023
Condensed Consolidated Statement of Operations Data:		
Revenue:		
Product subscriptions	96.0 %	94.9 %
Professional services	4.0	5.1
Total revenue	100.0	100.0
Cost of revenue:		
Product subscriptions	26.7	26.3
Professional services	3.0	4.3
Total cost of revenue	29.7	30.6
Operating expenses:		
Research and development	20.0	25.3
Sales and marketing	35.4	44.0
General and administrative	9.7	13.2
Total operating expenses	65.1	82.5
Income (loss) from operations	5.2	(13.1)
Interest income	2.3	0.9
Interest expense	(1.3)	(1.5)
Other income (expense), net	(0.7)	(0.1)
Income (loss) before income taxes	5.5	(13.8)
Provision for income taxes	4.4	0.3
Net income (loss)	1.1 %	(14.1)%

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

Revenue

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Revenue:				
Product subscriptions	$ 196,918	$ 173,772	$ 23,146	13.3 %
Professional services	8,183	9,402	(1,219)	(13.0)%
Total revenue	$ 205,101	$ 183,174	$ 21,927	12.0 %

Total revenue increased by $21.9 million in the three months ended March 31, 2024 compared to the same period in 2023. The $21.9 million increase in revenue consisted of a $1.9 million increase in revenue from new customers and a $20.0 million increase in revenue from existing customers. The $20.0 million increase in revenue from existing customers was due to an increase in revenue from renewals, upsells and cross-sells as a result of the continued growth of our existing customer base. Revenue from new customers represents the revenue recognized from the customer's initial purchase.

The increase in total revenue in the three months ended March 31, 2024 compared to the same period in 2023 was comprised of $13.4 million generated from sales in North America and $8.5 million generated from sales from the rest of the world.

Cost of Revenue

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Cost of revenue:				
Product subscriptions	$ 54,655	$ 48,188	$ 6,467	13.4 %
Professional services	6,248	7,811	(1,563)	(20.0)%
Total cost of revenue	$ 60,903	$ 55,999	$ 4,904	8.8 %
Gross margin %:				
Product subscriptions	72.2 %	72.3 %		
Professional services	23.6 %	16.9 %		
Total gross margin %	70.3 %	69.4 %		

Total cost of revenue increased by $4.9 million in the three months ended March 31, 2024 compared to the same period in 2023, primarily due to a $6.1 million increase in cloud computing costs related to growing cloud-based subscription and managed services revenue, a $1.4 million increase in amortization expense for capitalized internally-developed software and a $0.5 million increase in other expenses. These increases were partially offset by a $3.1 million decrease in personnel costs, inclusive of a $0.3 million decrease in stock-based compensation expense, resulting from a decrease in headcount due to our Restructuring Plan.

Total gross margin percentage increased for the three months ended March 31, 2024 compared to the same period in 2023. The products subscriptions gross margin was consistent year-over-year. The increase in professional services gross margin for the three months ended March 31, 2024 was primarily due to a decrease in personnel costs.

Operating Expenses

Research and Development Expense

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Research and development	$ 40,990	$ 46,346	$ (5,356)	(11.6) %
% of revenue	20.0 %	25.3 %		

Research and development expense decreased by $5.4 million in the three months ended three months ended March 31, 2024 compared to the same period in 2023, primarily due to a $5.4 million decrease in personnel costs, inclusive of a $2.9 million decrease in stock-based compensation expense, resulting from a decrease in headcount due to our Restructuring Plan.

Sales and Marketing Expense

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Sales and marketing	$ 72,805	$ 80,587	$ (7,782)	(9.7) %
% of revenue	35.4 %	44.0 %		

Sales and marketing expense decreased by $7.8 million in the three months ended March 31, 2024 compared to the same period in 2023, primarily due to a $6.3 million decrease in personnel costs, inclusive of a $1.0 million decrease in stock-based compensation expense, resulting from a decrease in headcount due to our Restructuring Plan and a $1.5 million decrease in marketing and advertising expenses.

General and Administrative Expense

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
General and administrative	$ 19,835	$ 24,207	$ (4,372)	(18.1) %
% of revenue	9.7 %	13.2 %		

General and administrative expense decreased by $4.4 million in the three months ended March 31, 2024 compared to the same period in 2023, primarily due to a $2.9 million decrease in personnel costs, inclusive of a $0.3 million decrease in stock-based compensation expense, resulting from a decrease in headcount due to our Restructuring Plan, as well as a $1.5 million decrease in other expenses.

Interest Income

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Interest income	$ 4,720	$ 1,668	$ 3,052	183.0 %
% of revenue	2.3 %	0.9 %		

Interest income increased by $3.1 million in the three months ended March 31, 2024 compared to the same period in 2023 primarily due to an increase in interest rates.

Interest Expense

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Interest expense	$ (2,670)	$ (2,717)	$ 47	(1.7)%
% of revenue	(1.3)%	(1.5)%		

Interest expense was consistent in the three months ended March 31, 2024 compared to the same period in 2023.

Other Income (Expense), Net

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Other income (expense), net	$ (1,435)	$ (307)	$ (1,128)	367.4 %
% of revenue	(0.7)%	(0.2)%		

Other income (expense), net increased by $1.1 million in the three months ended March 31, 2024 compared to the same period in 2023 primarily due to increases in realized and unrealized foreign currency losses, primarily related to the euro and British pound sterling.

Provision for Income Taxes

	Three Months Ended March 31,		Change	
	2024	2023	$	%
	(dollars in thousands)			
Provision for income taxes	$ 8,925	$ 594	$ 8,331	1,402.5 %
% of revenue	4.4 %	0.3 %		

Provision for income taxes increased by $8.3 million in the three months ended March 31, 2024 compared to the same period in 2023 primarily due to $6.4 million of tax expense recorded for an intercompany sale of intellectual property as part of post-acquisition strategy related to the acquisition of Minerva Lab Ltd. and an increase in domestic taxes.

Liquidity and Capital Resources

As of March 31, 2024, we had $198.7 million in cash and cash equivalents, $265.5 million in investments that have maturities ranging from one to sixteen months and an accumulated deficit of $1.0 billion. Since our inception, we have generated significant losses and we may generate losses for the foreseeable future. Our principal sources of liquidity are cash and cash equivalents, investments, cash flow provided by operating activities and our Credit and Security Agreement (the “Credit Agreement”). To date, we have financed our operations primarily through private and public equity financings, issuance of convertible senior notes and through cash generated by operating activities.

We believe that our existing cash and cash equivalents, our investments, our available borrowings under our Credit Agreement and cash generated by operating activities will be sufficient to meet our operating and capital requirements for at least the next 12 months. Our foreseeable cash needs, in addition to our recurring operating expenses, include our expected capital expenditures to support expansion of our infrastructure and workforce, office facilities lease obligations, purchase commitments, including our cloud infrastructure services (including with Amazon Web Services (“AWS”)), potential future acquisitions of technology businesses and any election we make to redeem our convertible senior notes.

Our future capital requirements will depend on many factors, including our growth rate, the timing and extent of spending to support research and development efforts, the expansion of sales and marketing activities, particularly internationally, the introduction of new and enhanced products and service offerings, the cost of any future acquisitions of technology or businesses and any election we make to redeem our convertible senior notes. In the event that additional financing is required from outside sources, we may be unable to raise the funds on acceptable terms, if at all. If we are unable to raise additional capital on terms satisfactory to us when we require it, our business, operating results and financial condition could be adversely affected.

Cash Flows

The following table shows a summary of our cash flows for the years ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
	(in thousands)	
Cash, cash equivalents and restricted cash at beginning of period	$ 214,130	$ 207,804
Net cash provided by operating activities	31,070	5,842
Net cash used in investing activities	(41,694)	(10,177)
Net cash provided by financing activities	4,362	2,838
Effects of exchange rates on cash, cash equivalents and restricted cash	(1,493)	(33)
Cash, cash equivalents and restricted cash at end of period	$ 206,375	$ 206,274

Uses of Funds

Our historical uses of cash have primarily consisted of cash used for operating activities such as expansion of our sales and marketing operations, research and development activities and other working capital needs, as well as cash used for business acquisitions and purchases of property and equipment, including leasehold improvements for our facilities.

Operating Activities

Operating activities provided $31.1 million of cash and cash equivalents in the three months ended March 31, 2024, which reflects continued growth in revenue partially offset by our continued investments in our operations and the timing of working capital adjustments. Cash provided by operating activities reflected our net income of $2.3 million and a decrease in our net operating assets and liabilities of $10.1 million, offset by non-cash charges of $38.9 million related primarily to depreciation and amortization, stock-based compensation expense, deferred income taxes, amortization of debt issuance costs and other non-cash charges. The change in our net operating assets and liabilities was primarily due to a decrease in deferred revenue and the timing of payments of operating expenses, including payout of annual bonuses and year-end commissions and other compensation costs and accounts payable, partially offset by a decrease in accounts receivable due to an increase in cash collections from our customers.

Operating activities provided $5.8 million of cash and cash equivalents in the three months ended March 31, 2023, which reflects continued growth in revenue partially offset by our continued investments in our operations and the timing of working capital adjustments. Cash provided by operating activities reflected our net loss of $25.9 million and a decrease in our net operating assets and liabilities of $10.7 million, offset by non-cash charges of $42.4 million related primarily to depreciation and amortization, stock-based compensation expense, amortization of debt issuance costs and other non-cash charges. The change in our net operating assets and liabilities was primarily due to a decrease in deferred revenue and the timing of payments of operating expenses, including payout of annual bonuses and year-end commissions and other compensation costs and accounts payable, partially offset by a decrease in accounts receivable due to an increase in cash collections from our customers.

Investing Activities

Investing activities used $41.7 million of cash in the three months ended March 31, 2024, consisting of $38.2 million in purchases of investments, net of sales/maturities, $2.9 million for capitalization of internal-use software costs and $0.6 million in capital expenditures to purchase computer equipment and leasehold improvements.

Investing activities used $10.2 million of cash in the three months ended March 31, 2023, consisting of $34.0 million of cash paid for the acquisition of Minerva, $4.8 million for capitalization of internal-use software costs, $2.3 million in capital expenditures to purchase computer equipment and leasehold improvements, partially offset by $30.9 million of investment sales and maturities, net of purchases.

Financing Activities

Financing activities provided $4.4 million of cash in the three months ended March 31, 2024, which consisted primarily of $5.0 million in proceeds from the issuance of common stock purchased by employees under the Rapid7, Inc. 2015 Employee Stock Purchase Plan ("ESPP") and $1.1 million in proceeds from the exercise of stock options, partially offset by $1.7 million in withholding taxes paid for the net share settlement of equity awards.

Financing activities provided $2.8 million of cash in the three months ended March 31, 2023, which consisted primarily of $6.2 million in proceeds from the issuance of common stock purchased by employees under the ESPP and $0.2 million in proceeds from the exercise of stock options, partially offset by $2.3 million in payments related to the acquisition of IntSights and $1.3 million in withholding taxes paid for the net share settlement of equity awards.

Contractual Obligations and Commitments

As of March 31, 2024, there were no additional material changes from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on February 26, 2024 (the "Annual Report").

Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts. We therefore believe that we are not materially exposed to any financing, liquidity, market or credit risk that could arise if we had engaged in these relationships.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with generally accepted accounting principles in the United States ("GAAP"). The preparation of our condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, expenses and disclosures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates. There have been no material changes in our critical accounting policies from those disclosed in our Annual Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Foreign Currency Exchange Risk

Our results of operations and cash flows are subject to fluctuations due to changes in foreign currency exchange rates. A majority of our customers enter into contracts that are denominated in U.S. dollars. Our expenses are generally denominated in the currencies of the countries where our operations are located, which is primarily in the United States and to a lesser extent in the United Kingdom, other Euro-zone countries within mainland Europe, Canada, Australia, Israel, Singapore and Japan. Our results of operations and cash flows are, therefore, subject to fluctuations due to changes in foreign currency exchange rates and may be adversely affected in the future due to changes in foreign currency exchange rates. The effect of a hypothetical 10% adverse change in foreign currency exchange rates on monetary assets and liabilities as of March 31, 2024 would not have been material to our financial condition or results of operations. We enter into forward contracts designated as cash flow hedges to manage the foreign currency exchange rate risk associated with certain of our foreign currency denominated expenditures. The effectiveness of our existing hedging transactions and the availability and effectiveness of any hedging transactions we may decide to enter into in the future may be limited, and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and operating results. For further information, see Note 9, *Derivatives and Hedging Activities*, in the Notes to our Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign currency rates.

Interest Rate Risk

As of March 31, 2024, we had cash and cash equivalents of $198.7 million consisting of bank deposits and money market funds and investments of $265.5 million consisting of U.S. government agencies. Our investments are made for capital preservation purposes. We do not enter into investments for trading or speculative purposes.

Our cash and cash equivalents and investments are subject to market risk due to changes in interest rates, which may affect our interest income and the fair value of our investments. Due in part to these factors, our future investment income may fluctuate due to changes in interest rates or we may suffer losses in principal if we are forced to sell securities that decline in market value due to changes in interest rates. However, because we classify our investments as available-for-sale securities, no gains or losses are recognized due to the changes in interest rates unless securities are sold prior to maturity or declines in fair value are determined to be other-than-temporary.

The fair values of our convertible senior notes are subject to interest rate risk, market risk and other factors due to the conversion features of the notes. The fair values of the convertible senior notes may increase or decrease for various reasons, including fluctuations in the market price of our common stock, fluctuations in market interest rates and fluctuations in general economic conditions. The interest and market value changes affect the fair values of the convertible senior notes but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Based upon the quoted market price as of March 31, 2024, the fair values of our 2025 Notes, 2027 Notes and 2029 Notes were $47.1 million, $525.3 million and $304.2 million , respectively.

As of March 31, 2024, the effect of a hypothetical 10% increase or decrease in interest rates would not have had a material impact on our financial statements.

Inflation Risk

As of March 31, 2024, we do not believe that inflation had a material effect on our business, financial condition or results of operations. If our costs were to become subject to significant inflationary pressures, we may 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.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

We maintain “disclosure controls and procedures,” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act of 1934, as amended (the “Exchange Act”), that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, evaluated the effectiveness of the design and operations of our disclosure controls and procedures as of March 31, 2024. Based on the evaluation of our disclosure controls and procedures as of March 31, 2024, our Chief Executive Officer and Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were effective at the reasonable assurance level.

Inherent Limitations of Internal Controls

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures or our internal controls will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Changes in Internal Control over Financial Reporting

There was no change 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.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we are a party to litigation or subject to claims incident to the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, we currently believe that the final outcome of these ordinary course matters will not have a material adverse effect on our business, financial condition or results of operations. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors.

There have been no material changes to the risk factors disclosed in Part 1, Item 1A. "Risk Factors" of our Annual Report on Form 10-K for the year ended December 31, 2023, filed with the Securities and Exchange Commission (the "SEC") on February 26, 2024 (the "Annual Report"). Our operations and financial results are subject to various risks and uncertainties that, if they materialize, could adversely affect our business, financial condition and results of operations. In that event, the trading price of our common stock could decline. In addition to the other information set forth in this Quarterly Report on Form 10-Q, you should carefully consider the factors described in Part I, Item 1A. "Risk Factors" of our Annual Report. We may disclose additional changes to risk factors or disclose additional factors from time to time in our future filings with the SEC. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business.

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds from Initial Public Offering of Common Stock

None.

(c) Issuer Purchases of Equity Securities

None.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Certain of our executive officers and directors may execute purchases and sales of our securities through Rule 10b5-1 equity trading plans and "non-Rule 10b5-1 equity trading arrangements" (as defined in Item 408(c) of Regulation S-K).

During the three months ended March 31, 2024, the executive officers set forth below terminated or modified a 10b5-1 equity trading plan, or adopted, terminated, or modified any "non-Rule 10b5-1 equity trading arrangement".

Name and Position	Action	Adoption or Transaction Date	Type of Trading Arrangement	Number of Shares of Common Stock to be Sold	Expiration Date
Christina Luconi, Chief People Officer	Adoption	March 6, 2024	Rule 10b5-1*	50,692**	03/06/2025***
Tim Adams, Chief Financial Officer	Adoption	March 6, 2024	Rule 10b5-1*	10,037*	12/31/2024***

* Contract, instruction or written plan intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) under the Exchange Act.

** Represents the maximum number of shares that may be sold pursuant to the Rule 10b5-1 trading arrangement in amounts and prices determined in accordance with a formula set forth in the plan. The actual number of shares sold will be dependent on the satisfaction of certain conditions as set forth in the written plan.

*** The Rule 10b5-1 trading arrangement will terminate on the earlier of the date all the shares under the plan are sold and the expiration date indicated, subject to early termination for specified events set forth in the plan.

During the year ended March 31, 2024, other than noted above, none of our executive officers or directors terminated or modified a 10b5-1 equity trading plan, or adopted, terminated, or modified any “non-Rule 10b5-1 equity trading arrangement”.

Item 6. Exhibits.

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Rapid7, Inc., as of June 3, 2020 (incorporated by reference Exhibit 3.1 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-37496), filed on August 10, 2020).
3.2	Amended and Restated Bylaws of Rapid7, Inc., as of June 3, 2020 (incorporated by reference to Exhibit 3.2 to the Registrant’s Quarterly Report on Form 10-Q (File No. 001-37496), filed with the Securities and Exchange Commission on August 10, 2020).
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
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 Linkbase Document.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data file (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101)

* Filed herewith.

** This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized**.**

	RAPID7, INC.	
Date: May 8, 2024	By:	/s/ Corey E. Thomas
		Name: Corey E. Thomas
		Title: Chief Executive Officer
		(Principal Executive Officer)
Date: May 8, 2024	By:	/s/ Tim Adams
		Name: Tim Adams
		Title: Chief Financial Officer
		(Principal Financial Officer)

Exhibit 31.1

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

I, Corey E. Thomas, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rapid7, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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

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

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

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

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

Date: May 8, 2024

By: /s/ Corey E. Thomas
Name: Corey E. Thomas
Title: Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

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

I, Tim Adams, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Rapid7, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2024

By: /s/ Tim Adams

Name: Tim Adams

Title: Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

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

I, Corey E. Thomas, Chief Executive Officer of Rapid7, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report on Form 10-Q of Rapid7, Inc. for the quarter ended March 31, 2024 (the “Report”):

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rapid7, Inc. for the period presented herein.

Date: May 8, 2024	By:	/s/ Corey E. Thomas
		Name: Corey E. Thomas
		Title: Chief Executive Officer
		(Principal Executive Officer)

Exhibit 32.2

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

I, Tim Adams, Chief Financial Officer of Rapid7, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Quarterly Report on Form 10-Q of Rapid7, Inc. for the quarter ended March 31, 2024 (the "Report"):

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

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Rapid7, Inc. for the period presented herein.

Date: May 8, 2024

By: /s/ Tim Adams

Name: Tim Adams

Title: Chief Financial Officer

(Principal Financial Officer and Principal Accounting Officer)