Risk Factors Comparison 2024-02-26 to 2023-02-24 Form: 10-K

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Our operations and financial results are subject to various risks and uncertainties including those described below. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10- K, including our consolidated financial statements and related notes, as well as our other public filings with the Securities and Exchange Commission (the " SEC "). The risks and uncertainties described below are not the only ones we face. 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. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that event, the trading price of our common stock could decline. Please also see " Special Note Regarding Forward- Looking Statements. " ~~Risks Related to Our Business and Industry~~ Our quarterly operating results may vary from period to period, which could result in our failure to meet expectations with respect to operating results and cause the trading price of our stock to decline. Our operating results, including the levels of our revenue, annualized recurring revenue (" ARR "), cash flow, deferred revenue and gross margins, have historically varied from period to period, and we expect that they will continue to do so as a result of a number of factors, many of which are outside of our control, including: • the level of demand for our products and ~~professional services~~ **service offerings** ; • customer renewal rates and ability to attract new customers; • the extent to which customers purchase additional products or ~~professional services~~ **service offerings** ; • the mix of our products, as well as ~~professional services~~ **service offerings** , sold during a period; • the ability to successfully grow our sales of our cloud- based solutions, including through the shift to a consolidated platform sales approach; • the level of perceived threats to organizations' cybersecurity; • network outages, security breaches, technical difficulties or interruptions with our products; • changes in the growth rate of the markets in which we compete; • sales of our products and ~~professional services~~ **service offerings** due to seasonality and customer demand; • the timing and success of new product or service introductions by us or our competitors or any other changes in the competitive landscape of our industry, including consolidation among our competitors **and initiatives that use artificial intelligence (" AI ")** ; • the introduction or adoption of new technologies that compete with our offerings; • decisions by potential customers to purchase cybersecurity products or ~~professional services~~ **service offerings** from other vendors; • the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business; • price competition; • our ability to successfully manage and integrate any acquired businesses, ~~including IntSights Cyber Intelligence Ltd. (" IntSights "), and~~ including without limitation, the amount and timing of expenses and potential future charges for impairment of goodwill from acquired companies; • business disruptions in regions affecting our operations, stemming from actual, imminent or perceived outbreak or reemergence of contagious disease ~~, including the COVID- 19 pandemic~~ ; • our ability to increase, retain and incentivize the channel partners that market and sell our products and ~~professional services~~ **service offerings** ; • our continued international expansion and associated exposure to changes in foreign currency exchange rates; • the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure; • the announcement or adoption of new regulations and policy mandates or changes to existing regulations and policy mandates that impact our business or industry; • the cost or results of existing or unforeseen litigation and intellectual property infringement; • the strength of regional, national and global economies; • the impact of climate change, natural disasters or manmade problems, including terrorism or war (such as the Russia- Ukraine war **and the Israel- Hamas conflict**); and • future accounting pronouncements or changes in our accounting policies or practices. Each factor above or discussed elsewhere herein or the cumulative effect of some of these factors may result in fluctuations in our operating results. This variability and unpredictability could result in our failure to meet expectations with respect to operating results, or those of securities analysts or investors, for a particular period. If we fail to meet or exceed expectations for our operating results for these or any other reasons, the market price of our stock could fall and we could face costly lawsuits, including securities class action suits. Our business and operations have experienced significant growth, and if we do not appropriately manage any future growth, or are unable to maintain and scale our infrastructure, systems and processes, our business and results of operations may be negatively affected. From the year ended December 31, ~~2018~~ **2019** to the year ended December 31, ~~2022~~ **2023** , our revenue grew from $ ~~244~~ **326** . ~~1~~ **9** million to $ ~~685~~ **777** . ~~1~~ **7** million and our headcount grew from 1, ~~246~~ **544** to 2, ~~623~~ **228** employees. Our future growth is dependent upon our ability to continue to meet the expanding needs of our customers and to attract new customers. Although we have experienced rapid growth historically, we cannot provide any assurance that our business will continue to grow at the same rate or at all. As existing customers gain more experience with our products, they may broaden their reliance on our products, which will require that we expand our operations infrastructure. We also seek to maintain excess capacity in our operations infrastructure to facilitate the rapid provision of new customer deployments. In addition, we need to properly manage our technological operations infrastructure in order to support changes in hardware and software parameters and the evolution of our products, all of which require significant lead time. If we do not accurately predict our infrastructure requirements, our existing customers may experience service outages that may subject us to financial penalties, financial liabilities and customer losses. If our operations infrastructure fails to keep pace with increased sales, customers may experience delays as we seek to obtain additional capacity, which could adversely affect our reputation and our revenue. To continue to grow and expand our business while meeting the performance and other requirements of our customers, we intend to continue to make significant financial and operational investments. Our future success will depend in part on our ability to manage our growth effectively, which will require us to, among other things: • maintain and expand our customer base, including through continued investments and strategies to evolve to a consolidated platform sales approach; • increase revenues from existing customers through increased or broader use of our products and professional services within their organizations; • improve the performance and capabilities of our products through research and development; • continue to develop our cloud- based solutions; • maintain the rate at which customers purchase and renew subscriptions to our cloud- based solutions, content subscriptions, maintenance and support and managed services; • continue to successfully expand our business domestically and internationally; • continue to improve our key business applications, processes and IT infrastructure to support our business needs and appropriately documenting such systems and processes; • continue to effectively attract, integrate and retain employees, particularly members of our sales and marketing and research and development teams; • enhance our information and communication systems to ensure that our employees and offices around the world are well coordinated and can effectively communicate with each other and our growing base of customers and partners; • improve our financial, management, and compliance systems and controls; and • successfully compete with other companies. If we fail to achieve these objectives effectively, our ability to manage our expected growth may be impaired and we may be unable to maintain the quality of our offerings, consistent revenue or revenue growth, our stock price could be volatile, and it may be difficult to achieve and maintain profitability. You should not rely on our prior quarterly or annual periods performance as any indication of our future growth. We have not been profitable historically and may not achieve or maintain profitability in the future. We have posted a net loss in each year since inception, including net losses of $ **149. 3 million, $** 124. 7 million ~~,~~ **and** $ 146. 3 ~~million and $ 98. 8~~ million in the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , respectively. As of December 31, ~~2022~~ **2023** , we had an accumulated deficit of $ ~~860~~ **1** . ~~7~~ **0** ~~million~~ **billion** . While we have experienced significant revenue growth in recent periods, we may not obtain a high enough volume of sales of our products and ~~professional services~~ **service offerings** to sustain or increase our growth or achieve or maintain profitability in the future. We also expect our costs to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we expect to continue to expend financial and other resources on: • research and development related to our offerings, including investments in our research and development team; • sales and marketing, including a continued expansion of our sales organization, both domestically and internationally; • continued international expansion of our business; • strategic acquisitions and expansion of our partner ecosystem; and • general and administrative expenses as we continue to implement and enhance our administrative, financial and operational systems, procedures and controls. These investments may not result in increased revenue or growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability over the long term. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our financial performance may be harmed, and we may not achieve or maintain profitability in the future. Prolonged economic uncertainties or downturns could adversely affect our business. Prolonged economic uncertainties or downturns could adversely affect our business operations or financial results. Negative conditions in the general economy in either the United States or abroad, including conditions resulting from financial and credit market fluctuations, changes in economic policy, inflation, foreign currency exchange rate fluctuations, trade uncertainty, including changes in tariffs, sanctions, international treaties, and other trade restrictions, the occurrence of a natural disaster, outbreaks of epidemics or pandemics such as COVID- 19, political unrest and social strife, including acts of terrorism, armed conflicts, such as the one between Russia and Ukraine **and the Israel- Hamas conflict** , have caused and could continue to cause a decrease in corporate spending on security offerings or information technology in general and negatively affect the rate of growth of our business. Our customer base spans a variety of industries, including the business services, energy, financial services, healthcare and pharmaceuticals, technology, manufacturing, media and entertainment, online services, retail, telecommunications and travel and transportation industries. A substantial downturn in any of these industries may cause companies to reduce their capital expenditures in general or by specifically reducing their spending on information technology or security offerings. As a result, our current or prospective customers in these industries may delay or cancel information technology projects or seek to lower their costs by renegotiating vendor contracts. For example, due to economic volatility as a result of ~~the continued impact of the ongoing COVID- 19 pandemic,~~ inflationary pressures and other global events, we have and may continue to see delays in our sales cycle, failures of customers to renew at all or to renew the anticipated scope their subscriptions with us, requests from customers for payment term deferrals as well as pricing or bundling concessions, which, if significant, could materially and adversely affect our business, results of operations and financial condition. To the extent purchases of our offerings are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in- house software as an alternative to using our offerings. Moreover, competitors may respond to market conditions by lowering prices and attempting to lure away our customers. In addition, the increased pace of consolidation in certain industries may result in reduced overall spending on our offerings. In addition, adverse economic conditions, including inflation, may also increase the costs of operating our business, including vendor, supplier and workforce expenses. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry or geography. Although we expect that our current cash and cash equivalent balances, including the proceeds of our **offering of** convertible senior notes ~~offering~~ in ~~March~~ **September** ~~2021~~ **2023** , together with cash flows that are generated from operations and availability under our revolving credit facility, will be sufficient to meet our domestic and international working capital needs and other capital and liquidity requirements for at least the next 12 months, if the economic conditions of the general economy or industries in which we operate worsen from present levels, our business operations and financial results could be adversely affected. Macroeconomic events and conditions, such as those discussed above, may also have the effect of heightening many of the other risks described in this " Risk Factors " section, including risks associated with our guidance, our customers, our potential customers, our market opportunity, renewals and sales cycle, among others. **Actions that we are taking to restructure our business in alignment with our strategic priorities may not be as effective as anticipated. In August of 2023, our Board approved the Restructuring Plan 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. The Restructuring Plan included the reduction of our workforce by approximately 16 %. We may encounter challenges as a result of these restructuring efforts and our reduction in force that could prevent us from recognizing the intended benefits of the Restructuring Plan or otherwise adversely affect our business, results of operations and financial condition. As of February 26, 2024, the execution of the Restructuring Plan has been substantially completed. As a result of the Restructuring Plan, we have incurred and may continue to incur additional costs in the short- term, including cash expenditures for employee transition, notice period and severance payments, employee benefits, and related facilitation costs as well as non- cash expenditures related to acceleration of vesting of share- based awards. These additional cash and non- cash expenditures could have the effect of reducing our operating margins. Our Restructuring Plan may result in other unintended consequences, including employee attrition beyond our intended reduction in force, which may also be further exacerbated by the actual or perceived declining value of our equity awards; damage to our corporate culture and decreased employee morale among our remaining employees; diversion of management attention; damage to our reputation as an employer, which could make it more difficult for us to hire new employees in the future; and the loss of institutional knowledge and expertise of departing employees. If we experience any of these adverse consequences, our Restructuring Plan may not achieve or sustain its intended benefits, or the benefits, even if achieved, may not be adequate to meet our long- term profitability and operational expectations, which could adversely affect our business, results of operations and financial condition. In connection with the Restructuring Plan, we permanently closed certain idle office spaces in Plano, Texas, Los Angeles, California and Toronto, Canada, which resulted in an impairment loss of $ 3. 6 million recorded in 2023. Refer to Note 12, Leases, and Note 19, Restructuring, in the Notes to our Consolidated Financial Statements for further details regarding the impairment of long- lived assets. While we believe the assumptions used in determining whether there was impairment and the amount of any resulting impairment were reasonable and commensurate with the views of a market participant, changes in key assumptions in the future, including increasing the discount rate, lowering forecasts for revenue and operating margin, or lowering the long- term growth rate, could result in additional charges; similarly, one or more changes in these assumptions in future periods due to changes in circumstances could result in future impairments in this reporting unit or other reporting units. In addition, our Restructuring Plan could lead us to fail to meet, or cause delays in meeting, our operational and growth targets. While positions have been eliminated, functions that they performed remain necessary to our operations, and we may be unsuccessful in effectively and efficiently distributing the duties and obligations of departed employees among our remaining employees. The Restructuring Plan could also prevent us from pursuing new opportunities and initiatives or require us to adjust our growth strategy. As we continue to identify areas of cost savings and operating efficiencies, we may consider implementing further measures to reduce operating costs and improve operating margins. We may not be successful in implementing such initiatives, including as a result of factors beyond our control. If we are unable to realize the anticipated savings and efficiencies from our Restructuring Plan and / or accomplish our business and strategic initiatives, our business, results of operations and financial condition could be materially and adversely affected. Refer to Note 19, Restructuring, in the Notes to our Consolidated Financial Statements for further details regarding the Restructuring Plan.** Our business and growth depend substantially on customers renewing and expanding their subscriptions with us. Any decline in our customer renewals or failure to convince customers to expand their use of our subscription offerings could adversely affect our future operating results. Our subscription offerings are sold on a term basis. In order for us to improve our operating results, it is important that our existing customers renew their subscriptions with us when the existing subscription term expires, and renew on the same or more favorable terms. Our customers have no obligation to renew their subscriptions with us and we may not be able to accurately predict customer renewal rates. Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction or dissatisfaction with our new or current product offerings, our pricing, the effects of economic conditions, including due to a global economic slowdown, inflation, foreign currency exchange rate fluctuation, the Russia- Ukraine war ~~and~~ **,** the **Israel- Hamas conflict and any** global economic uncertainty and financial market **disruptions** ~~conditions caused by the COVID- 19 pandemic~~ , competitive offerings, our customers' perception of their exposure, or alterations or reductions in their spending levels. If our customers do not renew their agreements with us or renew on terms less favorable to us, our revenues and results of operations may be adversely impacted. Our future growth is also affected by our ability to sell additional offerings to our existing customers, which depends on a number of factors, including customers' satisfaction with our products and services and general economic conditions. If our efforts to cross- sell and upsell to our customers are unsuccessful, the rate at which our business grows might decline. If our new and existing product offerings and product enhancements do not achieve sufficient market acceptance, our financial results and competitive position will suffer. Our business substantially depends on, and we expect our business to continue to substantially depend on, sales of our ~~Insight Platform~~ **platform** solutions. As such, market acceptance of our ~~Insight Platform~~ **platform solutions** is critical to our continued success. Demand for ~~Insight Platform~~ **platform** solutions are affected by a number of factors beyond our control, including continued market acceptance of cloud- based offerings, the timing of development and release of new products by our competitors, technological change, and growth or contraction in our market and the economy in general. If we are unable to continue to meet customer demands or to achieve more widespread market acceptance of our ~~Insight Platform~~ **platform** solutions, including through evolution of our sales model to a consolidated platform sales approach, our business operations, financial results and growth prospects will be materially and adversely affected. We spend substantial amounts of time and money to research and develop or acquire new offerings and enhanced versions of our existing offerings to incorporate additional features, improve functionality or other enhancements in order to meet our customers' rapidly evolving demands. In addition, we continue to invest in solutions that can be deployed on top of our platform to target specific use cases and to cultivate our community. When we develop a new or enhanced version of an existing offering, we typically incur expenses and expend resources upfront to market, promote and sell the new offering. Therefore, when we develop or acquire new or enhanced offerings, their introduction must achieve high levels of market acceptance in order to justify the amount of our investment in developing and bringing them to market. For example, if our recent product expansions and offerings, such as our **consolidation** ~~Cloud Security and Threat Intelligence~~ offerings, do not garner widespread market adoption and implementation, or our consolidated platform sales approach is not successful, our financial results and competitive position could suffer. Further, we may make changes to our offerings that our customers do not like, find useful or agree with. We may also discontinue certain features, begin to charge for certain features that are currently free or increase fees for any of our features or usage of our offerings. Our new and existing offerings or product enhancements and changes to our existing offerings could fail to attain sufficient market acceptance for many reasons, including: • our failure to predict market demand accurately in terms of product functionality and to supply offerings that meet this demand in a timely fashion, including declines in demand as a result of the broader macroeconomic environment; • the failure of our consolidated platform sales approach in execution or timing or both; • real or perceived defect, errors or failures; • negative publicity about their performance or effectiveness; • delays in releasing to the market our new offerings or enhancements to our existing offerings; • introduction or anticipated introduction of competing products by our competitors; • inability to scale and perform to meet customer demands; • poor business conditions for our customers, causing them to delay IT purchases, including as a result of the COVID- 19 pandemic; and • reluctance of customers to purchase cloud- based offerings. If our new or existing offerings or enhancements and changes do not achieve adequate acceptance in the market, our competitive position will be impaired, and our revenue, business and financial results will be negatively impacted. The adverse effect on our financial results may be particularly acute because of the significant research, development, marketing, sales and other expenses we will have incurred in connection with the new offerings or enhancements. We face intense competition in our market, which could adversely affect our business, financial condition, and results of operations. The market for SecOps solutions is highly fragmented, intensely competitive and constantly evolving. We compete with an array of established and emerging security software and services vendors. With the introduction of new technologies and market entrants, we expect the competitive environment to remain intense going forward. ~~Our~~ **The markets we operate in are highly competitive, fragmented, and subject to technology change and innovation. We** ~~primary~~ **primarily** ~~competitors in~~ **compete with established and emerging security product vendors, including the large companies that incorporate security products into their products;** XDR and SIEM **vendors** ~~include CrowdStrike, Exabeam, LogRhythm, Microsoft, and Splunk~~ ; ~~in Cloud~~ **cloud** ~~Security~~ **security vendors** ~~include Orca Security, Palo Alto Networks, and Wiz~~ ; ~~in Vulnerability~~ **vulnerability** ~~Risk~~ **risk** ~~Management~~ **management vendors** ~~include Qualys and Tenable~~ ; ~~in Application~~ **application** ~~Security~~ **security vendors** ~~include IBM and Micro Focus~~ ; ~~in Threat~~ **threat** ~~Intelligence~~ **intelligence vendors;** ~~include Digital Shadows~~ and **legacy security** ~~Recorded Future and finally~~ , ~~while~~ **systems management, MSSP, and** ~~the~~ **other IT vendors** ~~competition in our professional services business is diverse, our competitors include Crowdstrike, Mandiant (Google), and SecureWorks~~ . Some of our actual and potential competitors have advantages over us, such as longer operating histories, significantly greater financial, technical, marketing or other resources, stronger brand and business user recognition, larger and more mature intellectual property portfolios and broader global distribution and presence. In addition, our industry is evolving rapidly and is becoming increasingly competitive. Larger and more established companies may focus on security operations and could directly compete with us. Smaller companies could also launch new products and services that we do not offer and that could gain market acceptance quickly. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. With the introduction of new technologies, the evolution of our offerings and new market entrants, we expect competition to intensify in the future **. Conditions in our market could change rapidly and significantly as a result of technological advancements, including with respect to AI. Our competitors may more successfully incorporate AI into their products, gain or leverage superior access to certain AI technologies, and achieve higher market acceptance of their AI solutions. For further discussion of the risks related to AI, please see below under " Risks Related to Intellectual Property, Litigation and Government Regulation "** . In addition, some of our larger competitors have substantially broader product offerings and can bundle competing products and services with other software offerings. As a result, customers may choose a bundled product offering from our competitors, even if individual products have more limited functionality than our solutions. These competitors may also offer their products at a lower price as part of this larger sale, which could increase pricing pressure on our offerings and cause the average sales price for our offerings to decline. These larger competitors are also often in a better position to withstand any significant reduction in spending by customers, and will therefore not be as susceptible to economic downturns. Furthermore, our current and potential competitors may establish cooperative relationships among themselves or with third parties that may further enhance their resources and product and services offerings in the markets we address. In addition, current or potential competitors may be acquired by third parties with greater available resources. As a result of such relationships and acquisitions, our current or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. These competitive pressures in our market or our failure to compete effectively may result in price reductions, fewer orders, reduced renewals, reduced revenue and gross margins, and loss of market share. Any failure to address these factors could seriously harm our business and operating results. For all of these reasons, we may not be able to compete successfully against our current or future competitors, or we may be required to expend significant resources in order to remain competitive. If our competitors are more successful than we are in developing new product and service offerings or in attracting and retaining customers, our business, financial condition and results of operations could be adversely affected. If we are unable to successfully hire, train, and retain qualified personnel our business may suffer. We continue to be substantially dependent on our sales force to obtain new customers and increase sales with existing customers. Our ability to successfully pursue our growth strategy will also depend on our ability to attract, motivate and retain our personnel, especially those in sales, marketing and research and development. In addition, in recent years, recruiting, hiring and retaining employees with expertise in the cybersecurity industry has become increasingly difficult as the demand for cybersecurity professionals has increased as a result of the recent cybersecurity attacks on global corporations and governments. We face intense competition for these employees from numerous technology, software and other companies, especially in certain geographic areas in which we operate, and we cannot ensure that we will be able to attract, motivate and / or retain sufficient qualified employees in the future particularly in tight labor markets. **In addition, the change by us and other companies to offer a remote or hybrid work environment may increase the competition for such employees from employers outside of our traditional office locations. Our workforce has evolved to a hybrid- first model following the COVID- 19 pandemic, which requires regular in- office attendance but utilizes a hybrid approach. While we intend to continue iterating our approach to ensure we are balancing the needs of the business with the desires of our people, we may face difficulty in hiring and retaining our workforce as a result of this shift to have greater in- office attendance.** If we are unable to attract new employees and retain our current employees, we may not be able to adequately develop and maintain new products or ~~professional services~~ **service offerings** or market our existing products or ~~professional services~~ **service offerings** at the same levels as our competitors and we may, therefore, lose customers and market share. Our failure to attract and retain personnel, especially those in sales and marketing and research and development positions for which we have historically had a high turnover rate, could have an adverse effect on our ability to execute our business objectives and, as a result, our ability to compete could decrease, our operating results could suffer and our revenue could decrease. Even if we are able to identify and recruit a sufficient number of new hires, these new hires will require significant training before they achieve full productivity and they may not become productive as quickly as we would like or at all. We believe that our corporate culture has been a critical component to our success. We have invested substantial time and resources in building our team. As we grow and mature as a public company, we may find it difficult to maintain our corporate culture. Any failure to preserve our culture could negatively affect our future success, including our ability to attract, motivate and retain personnel and effectively focus on and pursue our business strategy. Our **hybrid working model and use of service providers with remote working arrangements also subjects us to heightened operational risks. For example, technologies in our employees' and service providers' homes when they are working remotely may not be as robust as in our offices and could cause the networks, information systems, applications, and other tools available to employees and service providers to be more limited or less reliable than in our offices. Further, the security systems in place at our employees' and service providers' homes may be less secure than those used in our offices, and while we have implemented technical and administrative safeguards to help protect our systems as our employees and service providers work from home, we may be subject to increased cybersecurity risk, which could expose us to risks of data or financial loss, and could disrupt our business operations. There is no guarantee that the data security and privacy safeguards we have put in place will be completely effective or that we will not encounter risks associated with employees and service providers accessing company data and systems remotely. Our** sales cycle may be unpredictable. The timing of sales of our offerings is difficult to forecast because of the length and unpredictability of our sales cycle, particularly with large enterprises and with respect to certain of our products. We sell our products primarily to IT departments that are managing a growing set of user and compliance demands, which has increased the complexity of customer requirements to be met and confirmed during the sales cycle and prolonged our sales cycle. Further, the length of time that potential customers devote to their testing and evaluation, contract negotiation and budgeting processes varies significantly, depending on the size of the organization, budgetary constraints, nature of the product or service under consideration and the seniority of the approval required. In addition, we might devote substantial time and effort to a particular unsuccessful sales effort, and as a result, we could lose other sales opportunities or incur expenses that are not offset by an increase in revenue, which could harm our business. ~~To date, we have derived a significant amount of our revenue from customers using our vulnerability management offerings. If we are unable to renew or increase sales of our vulnerability management offerings, or if we are unable to increase sales of our other offerings, our business and operating results could be adversely affected. Although we continue to introduce and acquire new products and professional services, we derive and expect to continue to derive a significant amount of our revenue from customers using certain of our vulnerability management offerings (" VM "), InsightVM, Nexpose and Metasploit. Approximately half of our revenue was attributable to InsightVM, Nexpose and Metasploit for the year ended December 31, 2022. As a result, our operating results could suffer due to: • any decline in demand for our vulnerability management offerings; • failure of our vulnerability management offerings to detect vulnerabilities in our customers' IT environments; • the introduction of products and technologies that serve as a replacement or substitute for, or represent an improvement over, our vulnerability management offerings; • technological innovations or new standards that our vulnerability management offerings do not address; • sensitivity to current or future prices offered by us or competing solutions; • our inability to release enhanced versions of our vulnerability management offerings on a timely basis in response to the dynamic threat landscape; and • a decline in overall IT spending due to inflation, weakness or deterioration in global macroeconomic and market conditions and foreign currency exchange rate pressure. Our inability to renew or increase sales of our vulnerability management offerings, including cloud- based subscriptions, content subscriptions, managed services and content and maintenance and support subscriptions, or a decline in prices of our vulnerability management offerings would harm our business and operating results more seriously than if we derived significant revenues from a variety of offerings. In addition, while we have introduced several non- VM subscription products, including InsightAppSec, InsightConnect, InsightCloudSec and Threat Intelligence, these products are relatively new, and it is uncertain whether they will gain the market acceptance we expect. Any factor adversely affecting sales of our non- VM~~

~~products or professional services, including release cycles, market acceptance, competition, performance and reliability, reputation and economic and market conditions, could adversely affect our business and operating results.~~ A component of our growth strategy is dependent on our continued international expansion, which adds complexity to our operations. We market and sell our products and ~~professional services~~ - **service offerings** throughout the world and have personnel in many parts of the world. For the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~, operations located outside of North America generated **22 %,** 21 % ~~,~~ **and** 19 ~~% and 17~~ %, respectively, of our revenue. Our growth strategy is dependent, in part, on our continued international expansion. We expect to conduct a significant amount of our business with organizations that are located outside the United States, particularly in Europe and Asia. We cannot assure you that our expansion efforts into international markets will be successful in creating further demand for our products and ~~professional services~~ - **service offerings** or in effectively selling our products and ~~professional services~~ - **service offerings** in the international markets that we enter. Our current international operations and future initiatives will involve a variety of risks, including: • increased management, infrastructure and legal costs associated with having international operations; • reliance on channel partners; • trade and foreign exchange restrictions; • economic or political instability or uncertainty in foreign markets and around the world; • foreign currency exchange rate fluctuations; • greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods; • changes in regulatory requirements, including, but not limited to data privacy, data protection and data security regulations; • difficulties and costs of staffing and managing foreign operations; • the uncertainty and limitation of protection for intellectual property rights in some countries; • costs of compliance with foreign laws and regulations and the risks and costs of non- compliance with such laws and regulations; • costs of compliance with U. S. laws and regulations for foreign operations, including the U. S. Foreign Corrupt Practices Act, import and export control laws, tariffs, trade barriers, economic sanctions and other regulatory or contractual limitations on our ability to sell or provide our solutions in certain foreign markets, and the risks and costs of non- compliance; • heightened risks of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, and irregularities in, financial statements; • the potential for political unrest, acts of terrorism, hostilities or war; • management communication and integration problems resulting from cultural differences and geographic dispersion; • costs associated with language localization of our products; • increased exposure to climate change, natural disasters, acts of war (including the Russia- Ukraine war **and the Israel- Hamas conflict**), terrorism, epidemics, or pandemics and other health crises, including the ongoing COVID- 19 pandemic; and • costs of compliance with multiple and possibly overlapping tax structures. Our business, including the sales of our products and ~~professional services~~ - **service offerings** by us and our channel partners, may be subject to foreign governmental regulations, which vary substantially from country to country and change from time to time. Our failure, or the failure by our channel partners, to comply with these regulations could adversely affect our business. Further, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U. S. regulations applicable to us. Although we have implemented policies and procedures designed to comply with these laws and policies, there can be no assurance that our employees, contractors, channel partners and agents have complied, or will comply, with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our products and could have a material adverse effect on our business and results of operations. Further, in late February 2022, Russian military forces launched a significant military action against Ukraine. While our business and operations have not been significantly impacted, it is not possible to predict the broader or longer- term consequences of this crisis. Consequences of the crisis could include further sanctions, embargoes, regional instability, geopolitical shifts and adverse effects on macroeconomic conditions, security conditions, currency exchange rates and financial markets. There can be no assurance that the Russia- Ukraine war, including any resulting sanctions, export controls or other restrictive actions, will not have a material adverse impact on our future operations and results. If we are unable to successfully manage the challenges of international expansion and operations, our business and operating results could be adversely affected. We recognize a significant percentage of our revenue ratably over the term of our agreements with customers, and as a result, downturns or upturns in sales may not be immediately reflected in our operating results. We recognize a significant percentage of our revenue ratably over the various terms of our agreements with customers. As a result, a substantial portion of the revenue that we report in each period will be derived from the recognition of deferred revenue relating to agreements entered into during previous periods. Consequently, a decline in new sales or renewals in any one period may not be immediately reflected in our revenue results for that period. This decline, however, will negatively affect our revenue in future periods. Accordingly, the effect of significant downturns in sales and market acceptance of our products and potential changes in our rate of renewals may not be fully reflected in our results of operations until future periods. Our model also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers generally will be recognized over the applicable term. We also intend to increase our investment in research and development, sales and marketing, and general and administrative functions and other areas to grow our business. We are likely to recognize the costs associated with these increased investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely affect our operating results. We may be unable to rapidly and efficiently adjust our cost structure in response to significant revenue declines, which could adversely affect our operating results. If our customers are unable to implement our products successfully or we fail to maintain high quality customer support, customer perceptions of our offerings may be impaired or our reputation and brand may suffer. Our products are deployed in a wide variety of IT environments, including large- scale, complex infrastructures, and we often must assist our customers in achieving successful implementations for such large, complex deployments. In the past, some of our customers have experienced difficulties implementing our products and may experience implementation difficulties in the future. If our customers are unable to implement our products successfully, customer perceptions of our offerings may be impaired or our reputation and brand may suffer. In addition, in order for our products to achieve their functional potential, our products must effectively integrate into our customers' IT infrastructures, which have different specifications, utilize varied protocol standards, deploy products from multiple different vendors and contain multiple layers of products that have been added over time. Our customers' IT infrastructures are also dynamic, with a myriad of devices and endpoints entering and exiting the customers' IT systems on a regular basis, including remote devices, and our products must be able to effectively adapt to and track these changes. We must be able to interoperate and provide our security offerings to customers with these highly complex and customized networks, which requires significant coordination between our customers, our customer support teams and our channel partners. Once our products are deployed within our customers' networks, our customers depend on our technical and other customer support services to resolve any issues relating to the implementation and maintenance of our products. If we do not effectively assist our customers in deploying our products, help our customers quickly resolve post- deployment issues or provide effective ongoing support, our ability to renew or sell additional products or ~~professional services~~ **service offerings** to existing customers would be adversely affected and our reputation with potential customers could be damaged. Further, to the extent that we are unsuccessful in hiring, training and retaining adequate technical and customer support and success personnel, our ability to provide adequate and timely support to our customers will be negatively impacted, and our customers' satisfaction with our offerings will be adversely affected. Any failure by our customers to appropriately implement our products or any failure of our products to effectively integrate and operate within our customers' IT infrastructures could result in customer dissatisfaction, impact the perceived reliability of our products, result in negative press coverage, negatively affect our reputation and harm our financial results. Our success in acquiring and integrating other businesses, products or technologies could impact our financial position. In order to remain competitive, we have in the past and may in the future seek to acquire additional businesses, products or technologies. We also may not find suitable acquisition candidates, and acquisitions we complete may be unsuccessful. Achieving the anticipated benefits of past or future acquisitions will depend in part upon whether we can integrate acquired operations, products and technology in a timely and cost- effective manner and successfully market and sell these as new product offerings, or as new features within our existing offerings. For example, on ~~July 16~~ **March 14** , ~~2021~~ **2023** , we acquired ~~IntSights~~ **Minerva Labs Ltd.** , a **leading** provider of **anti- evasion** ~~contextualized external threat intelligence~~ and **ransomware prevention technology** ~~proactive threat remediation which were intended to extend the cloud security capabilities of our Insight Platform~~ . The integration of ~~IntSights and~~ any ~~other~~ acquisition may prove to be difficult due to the necessity of coordinating geographically separate organizations and integrating personnel with disparate business backgrounds and accustomed to different corporate cultures and business operations and internal systems. We may need to implement or improve controls, procedures, and policies at a business that prior to the acquisition may have lacked sufficiently effective controls, procedures and policies. The acquisition and integration processes are complex, expensive and time consuming, and may cause an interruption of, or loss of momentum in, product development, sales activities and operations of both companies. Further, we may be unable to retain key personnel of an acquired company following the acquisition. If we are unable to effectively execute or integrate acquisitions, the anticipated benefits of such acquisition, including sales or growth opportunities or targeted synergies may not be realized, and our business, financial condition and operating results could be adversely affected. In addition, we may only be able to conduct limited due diligence on an acquired company' s operations or may discover that the products or technology acquired were not as capable as we thought based upon the initial or limited due diligence. Following an acquisition, we may be subject to unforeseen liabilities arising from an acquired company' s past or present operations and these liabilities may be greater than the warranty and indemnity limitations that we negotiate. Any unforeseen liability that is greater than these warranty and indemnity limitations could have a negative impact on our financial condition. We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline. We have provided and may continue to provide guidance about our business, future operating results and key metrics, including ARR. In developing this guidance, our management must make certain assumptions and judgments about our future performance. Some of those key assumptions relate to the impact of macroeconomic pressures on our business and the timing and scope of economic recovery globally, which are inherently difficult to predict. While presented with numerical specificity, this guidance is necessarily speculative in nature, and is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions or economic conditions, some of which may change. This guidance, which inherently consists of forward- looking statements, is also qualified by, and subject to, assumptions, estimates and expectations as of the date given. Forward- looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward- looking statements including the risks described in this Risk Factors section and in the Risk Factors section of our future SEC filings. It can be expected that some or all of the assumptions, estimates and expectations of any guidance we have furnished will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release of such guidance. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our business results may vary significantly from such projections or that consensus due to a number of factors, many of which are outside of our control, including due to the global economic uncertainty and financial market conditions which could adversely affect our operations and operating results. Furthermore, if we make downward revisions of our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock would decline. If we are unable to maintain successful relationships with our channel partners, our business operations, financial results and growth prospects could be adversely affected. Our success is dependent in part upon establishing and maintaining relationships with a variety of channel partners that we utilize to extend our geographic reach and market penetration. We anticipate that we will continue to rely on these partners in order to help facilitate sales of our offerings as part of larger purchases in the United States and to grow our business internationally. For the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ , we derived approximately **62 %,** 57 % ~~,~~ **and** 52 ~~%, and 47~~ %, respectively, of our revenue from sales of products and ~~professional services~~ **service offerings** through channel partners, and the percentage of revenue derived from channel partners may increase in future periods. Our agreements with our channel partners are non- exclusive and do not prohibit them from working with our competitors or offering competing solutions, and some of our channel partners may have more established relationships with our competitors. If our channel partners choose to place greater emphasis on products of their own or those offered by our competitors or do not effectively market and sell our products and ~~professional services~~ **service offerings** , our ability to grow our business and sell our products and ~~professional services~~ **service offerings** , particularly in key international markets, may be adversely affected. In addition, our failure to recruit additional channel partners, or any reduction or delay in their sales of our products and ~~professional services~~ **service offerings** or conflicts between channel sales and our direct sales and marketing activities may harm our results of operations. Finally, even if we are successful, our relationships with channel partners may not result in greater customer usage of our products and ~~professional services~~ **service offerings** or increased revenue. If we are not able to maintain and enhance our brand, our business and operating results may be adversely affected. We believe that maintaining and enhancing our brand identity is critical to our relationships with our customers and channel partners and to our ability to attract new customers and channel partners. The successful promotion of our brand will depend largely upon our marketing efforts, our ability to continue to offer high- quality offerings and our ability to successfully differentiate our offerings from those of our competitors. Our brand promotion activities may not be successful or yield increased revenues. In addition, independent industry analysts often provide reviews of our offerings, as well as those of our competitors, and perception of our offerings in the marketplace may be significantly influenced by these reviews. If these reviews are negative, or less positive as compared to those of our competitors' products and professional services, our brand may be adversely affected. Moreover, it may be difficult to maintain and enhance our brand in connection with sales through channel or strategic partners. The promotion of our brand requires us to make substantial expenditures, and we anticipate that the expenditures will increase as our market becomes more competitive, as we expand into new markets and as more sales are generated through our channel partners. To the extent that these activities yield increased revenues, these revenues may not offset the increased expenses we incur. If we do not successfully maintain and enhance our brand, our business may not grow, we may have reduced pricing power relative to competitors with stronger brands, and we could lose customers and channel partners, all of which would adversely affect our business operations and financial results. We are dependent on the continued services and performance of our senior management and other key employees, the loss of any of whom could adversely affect our business, operating results and financial condition. Our future performance depends on the continued services and contributions of our senior management, particularly Corey Thomas, our Chief Executive Officer, and other key employees to execute on our business plan and to identify and pursue new opportunities and product innovations. From time to time, there may be changes in our senior management team resulting from the termination or departure of our executive officers and key employees. Our senior management and key employees are employed on an at- will basis, which means that they could terminate their employment with us at any time. The temporary or permanent loss of the services of our senior management, particularly Mr. Thomas, or other key employees for any reason could significantly delay or prevent the achievement of our development and strategic objectives and harm our business, financial condition and results of operations. We use third- party software and data to operate certain functions of our business and deliver our offerings that may be difficult to replace or that may cause errors or failures of our solutions, which could lead to lost customers or harm to our reputation and our operating results. We use software vendors to operate certain critical functions of our business, including financial management, customer relationship management and human resource management. If we experience difficulties in implementing new software or if these services become unavailable due to extended outages or interruptions or because they are no longer available on commercially reasonable terms or prices, our expenses could increase, our ability to manage our finances could be interrupted and our processes for managing sales of our solutions and supporting our customers could be impaired until equivalent services, if available, are identified, obtained and integrated, all of which could harm our business. Additionally, we license third- party software and security and compliance data from various third parties to utilize in our solutions to deliver our offerings. In the future, this software or data may not be available to us on commercially reasonable terms, or at all. Any loss of the right to use any of this software or data could result in delays in the provisioning of our offerings until equivalent technology or data is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. In addition, any errors or defects in or failures of this third- party software could result in errors or defects in our products or cause our products to fail, which could harm our business and be costly to correct. Many of these providers attempt to impose limitations on their liability for such errors, defects or failures, and if enforceable, we may have additional liability to our customers or third- party providers that could harm our reputation and increase our operating costs. We will need to maintain our relationships with third- party software and data providers, and to obtain software and data from such providers that do not contain errors or defects. Any failure to do so could adversely impact our ability to deliver effective solutions to our customers and could harm our operating results. Our technology alliance partnerships expose us to a range of business risks and uncertainties that could have a material adverse impact on our business and financial results. We have entered, and intend to continue to enter, into technology alliance partnerships with third parties to support our future growth plans, including with certain of our actual or potential competitors. For example, through these technology alliance partnerships, we integrate with certain third- party application program interfaces (" APIs "), which enhance our data collection capabilities in our customers' IT environments. If these third parties no longer allow us to integrate with their APIs, or if we determine not to maintain these integrations, the functionality of our products may be reduced and our products may not be as marketable to certain potential customers. Technology alliance partnerships require significant coordination between the parties involved, particularly if a partner requires that we integrate its products with our products. Further, we have invested and will continue to invest significant time, money and resources to establish and maintain relationships with our technology alliance partners, but we have no assurance that any particular relationship will continue for any specific period of time, result in new offerings that we can effectively commercialize or result in enhancements to our existing offerings. In addition, while we believe that entering into technology alliance partnerships with certain of our actual or potential competitors is currently beneficial to our competitive position in the market, such partnerships may also give our competitors insight into our offerings that they may not otherwise have, thereby allowing them to compete more effectively against us. If our products fail to help our customers achieve and maintain compliance with regulations and / or industry standards, our revenue and operating results could be harmed. We generate a portion of our revenue from our vulnerability management offerings that help organizations achieve and maintain compliance with regulations and industry standards both domestically and internationally. For example, many of our customers subscribe to our vulnerability management offerings to help them comply with the security standards developed and maintained by the Payment Card Industry Security Standards Council (the " PCI Council "), which apply to companies that process, transmit or store cardholder data. In addition, our vulnerability management offerings are used by customers in the health care industry to help them comply with numerous federal and state laws and regulations related to patient privacy. In particular, HIPAA, and the 2009 Health Information Technology for Economic and Clinical Health Act include privacy standards that protect individual privacy by limiting the uses and disclosures of individually identifiable health information and implementing data security standards. The foregoing and other state, federal and international legal and regulatory regimes may affect our customers' requirements for, and demand for, our products and ~~professional services~~ **service offerings** . Governments and industry organizations, such as the PCI Council, may also adopt new laws, regulations or requirements, or make changes to existing laws or regulations, that could impact the demand for, or value of, our products. If we are unable to adapt our products to changing legal and regulatory standards or other requirements in a timely manner, or if our products fail to assist with, or expedite, our customers' cybersecurity defense and compliance efforts, our customers may lose confidence in our products and could switch to products offered by our competitors or threaten or bring legal actions against us. In addition, if laws, regulations or standards related to data security, vulnerability management and other IT security and compliance requirements are relaxed or the penalties for non- compliance are changed in a manner that makes them less onerous, our customers may view government and industry regulatory compliance as less critical to their businesses, and our customers may be less willing to purchase our products. In any of these cases, our revenue and operating results could be harmed. In addition, government and other customers may require our products to comply with certain privacy, security or other certifications and standards. If our products are late in achieving or fail to achieve or maintain compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our products to such customers, or may otherwise be at a competitive disadvantage, either of which would harm our business, results of operations, and financial condition. A portion of our revenue is generated by sales to government entities, which are subject to a number of challenges and risks. Selling to government entities can be highly competitive, expensive and time consuming, and often requires significant upfront time and expense without any assurance that we will win a sale. Government demand and payment for our products and ~~professional services~~ **service offerings** may also be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offerings. Government entities also have heightened sensitivity surrounding the purchase of cybersecurity solutions due to the critical importance of their IT infrastructures, the nature of the information contained within those infrastructures and the fact that they are highly- visible targets for cyber attacks. For example, the conflict in Ukraine and associated activities in Ukraine and Russia may increase the risk of cyberattacks on various types of infrastructure and operations, and the United States government has warned companies to be prepared for a significant increase in Russian cyberattacks in response to the sanctions on Russia. Accordingly, increasing sales of our products and ~~professional services~~ **service offerings** to government entities may be more challenging than selling to commercial organizations. Further, in the course of providing our products and ~~professional services~~ **service offerings** to government entities, our employees and those of our channel partners may be exposed to sensitive government information. Any failure by us or our channel partners to safeguard and maintain the confidentiality of such information could subject us to liability and reputational harm, which could materially and adversely affect our results of operations and financial performance. Additionally, in the United States, federal government agencies may promulgate regulations, and the President may issue executive orders, requiring federal contractors to adhere to different or additional requirements after a contract is signed. If we do not meet applicable requirements of law or contract, we could be subject to significant liability from our customers or regulators. We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations. Our reporting currency is the U. S. dollar and we generate a majority of our revenue in U. S. dollars. However, for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ we incurred **17 %,** 16 % ~~,~~ **and** 15 ~~% and 12~~ %, respectively, of our expenses outside of the United States in foreign currencies, primarily the British pound sterling and euro, principally with respect to salaries and related personnel expenses associated with our sales and research and development operations. Additionally, for the years ended December 31, **2023,** 2022 ~~,~~ **and** 2021 ~~and 2020~~ **, 11 %** , 10 % ~~,~~ **and** 10 ~~% and 9~~ %, respectively, of our revenue was generated in foreign currencies. Accordingly, changes in exchange rates may have an adverse effect on our business, operating results and financial condition. The exchange rate between the U. S. dollar and foreign currencies has fluctuated substantially in recent years and may fluctuate in the future **, including as a result of geopolitical factors such as the Israel- Hamas conflict, which has impacted the exchange rate between the U. S. dollar and the Israeli New Shekel** . Furthermore, a strengthening of the U. S. dollar could increase the cost in local currency of our products and services to customers outside the United States, which could adversely affect our business, results of operations, financial condition and cash flows. We enter into forward contracts designated as cash flow hedges in order to mitigate our exposure to foreign currency fluctuations resulting from certain operating expenses denominated in certain foreign currencies. These forward contracts and other hedging strategies such as options and foreign exchange swaps related to transaction exposures that we may implement to mitigate this risk in the future may not eliminate our exposure to foreign exchange fluctuations. ~~Risks Related to Intellectual Property, Litigation and Government Regulation~~ Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and operating results. Our success and competitive position depend in part on our ability to protect our intellectual property and proprietary technologies. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the United States and other jurisdictions, all of which provide only limited protection and may not now or in the future provide us with a competitive advantage. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated, or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers. We have registered the " Rapid7, " " Nexpose " and " Metasploit " names and logos in the United States and certain other countries. We have registrations and / or pending applications for additional marks in the United States and other countries; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights. While we have copyrights in our software, we do not typically register such copyrights with the United States Copyright Office. This failure to register the copyrights in our software may preclude us from obtaining statutory damages for infringement under certain circumstances. We also license software from third parties for integration into our products, including open source software and other software available on commercially reasonable terms. We cannot assure you that such third parties will maintain such software or continue to make it available. In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, channel partners, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Moreover, policing unauthorized use of our technologies, trade secrets and intellectual property is difficult, expensive and time- consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United States and where mechanisms for enforcement of intellectual property rights may be weak. We may be unable to determine the extent of any unauthorized use or infringement of our solutions, technologies or intellectual property rights. From time to time, legal action by us may be necessary to enforce our patents and other intellectual property rights, to protect our trade secrets, to determine the validity and scope of the intellectual property rights of others or to defend against claims of infringement or invalidity. Such litigation could result in substantial costs and diversion of resources and could result in impairment or loss of portions of our intellectual property. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our failure to secure, protect and enforce our intellectual property rights could negatively affect our brand and adversely impact our business, operating results and financial condition. Assertions by third parties of infringement or other violations by us of their intellectual property rights, whether or not correct, could result in significant costs and harm our business and operating results. Patent and other intellectual property disputes are common in our industry. We are periodically involved in disputes brought by non- practicing entities alleging patent infringement and we may, from time to time, be involved in other such disputes in the ordinary course of our business. Some companies, including some of our competitors, own large numbers of patents, copyrights and trademarks, which they may use to assert claims against us. Many of these companies have the capability to dedicate substantially greater resources to enforce their intellectual property rights. Third parties have in the past and may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us ~~and we are currently involved in legal proceedings with Finjan, Inc., which has filed a complaint against us and our wholly- owned subsidiary, Rapid7 LLC, in the United States District Court, District of Delaware, alleging patent infringement~~ . Third parties may also assert claims against our customers or channel partners, whom we typically indemnify against claims that our solutions infringe, misappropriate or otherwise violate the intellectual property rights of third parties. As the numbers of products and competitors in our market increase and overlaps occur, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business. The patent portfolios of our most significant competitors are larger than ours. This disparity may increase the risk that they may sue us for patent infringement and may limit our ability to counterclaim for patent infringement or settle through patent cross- licenses. In addition, future assertions of patent rights by third parties, and any resulting litigation, may involve patent holding companies or other adverse patent owners who have no relevant product revenues and against whom our own patents may therefore provide little or no deterrence or protection. There can be no assurance that we will not be found to infringe or otherwise violate any third- party intellectual property rights or to have done so in the past. An adverse outcome of a dispute may require us to: • pay substantial damages, including treble damages, if we are found to have willfully infringed a third party' s patents or copyrights; • cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others; • expend additional development resources to attempt to redesign our solutions or otherwise develop non- infringing technology, which may not be successful; • enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights; and • indemnify our partners and other third parties. In addition, royalty or licensing agreements, if required or desirable, may be unavailable on terms acceptable to us, or at all, and may require significant royalty payments and other expenditures. Some licenses may also be non- exclusive, and therefore, our competitors may have access to the same technology licensed to us. Any of the foregoing events could seriously harm our business, financial condition and results of operations **. We may not be successful in our initiatives that utilize AI, which could adversely affect our business, reputation, There are significant risks involved in utilizing AI and no assurance can be provided that the usage of such AI will enhance our business or assist our business in being more efficient or profitable. Known risks of AI currently include accuracy, bias, toxicity, intellectual property infringement or misappropriation, data privacy and cybersecurity, and data provenance. In addition, AI may have errors or inadequacies that are not easily detectable. For example, certain AI may utilize historical data in its analytics. To the extent that such historical data is not indicative of the current or future conditions, or the AI fails to filter biases in the underlying data or collection methods, the usage of AI may lead us to make determinations on behalf of our business, recommendations to our clients, or developments to our products and services, in each case, that have an adverse effect on our business and financial results. AI may also be subject to data herding and interconnectedness (i. e., multiple market participants utilizing the same data), which may adversely impact our business. If the AI we utilize is incorrectly designed or utilizes training data that is overbroad, incomplete, inadequate or biased in some way, our use of AI may inadvertently reduce our efficiency or cause unintentional or unexpected outputs that are incorrect, do not match our business goals, do not comply with our policies or interfere with the performance of our products and services, business and reputation. AI is complex and subject to a rapidly evolving regulatory landscape. The use of AI may increase intellectual property, data privacy and cybersecurity, operational and technological risks, and our AI- related efforts may result in new or enhanced governmental or regulatory scrutiny, litigation, ethical concerns, or other complications that could adversely affect our business, reputation, or financial results or subject us to legal liability. In particular, the technologies underlying AI and their use cases are subject to a variety of laws, including intellectual property, data privacy and cybersecurity, consumer protection and equal opportunity laws. If we do not have sufficient rights to use the data on which AI relies, we may incur liability through the violation of such laws, third- party privacy or other rights or contracts to which we are a party. Changes in laws, rules, directives and regulations governing the use of AI may adversely affect the ability of our business to develop and use AI. Any of these factors could adversely affect our business, reputation, or financial results or subject us to legal liability** . Our products contain third- party open source software components, and our failure to comply with the terms of the underlying open source software licenses could restrict our ability to sell our products. Our products contain software licensed to us by third parties under so- called " open source " licenses, including the GNU General Public License, the GNU Lesser General Public License, the BSD License, the Apache License and others. From time to time, there have been claims against companies that distribute or use open source software in their products and services, asserting that such open source software infringes the claimants' intellectual property rights. We could be subject to suits by parties claiming that what we believe to be licensed open source software infringes their intellectual property rights. Use and distribution of open source software may entail greater risks than use of third- party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code. In addition, certain open source licenses require that source code for software programs that are subject to the license be made available to the public and that any modifications or derivative works to such open source software continue to be licensed under the same terms. Although we monitor our use of open source software in an effort both to comply with the terms of the applicable open source licenses and to avoid subjecting our products to conditions we do not intend, the terms of many open source licenses have not been interpreted by U. S. courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to commercialize our products. The terms of certain open source licenses require us to release the source code of our applications and to make our applications available under those open source licenses if we combine or distribute our applications with open source software in a certain manner. In the event that portions of our applications are determined to be subject to an open source license, we could be required to publicly release the affected portions of our source code, re- engineer all, or a portion of, those applications or otherwise be limited in the licensing of our applications. Disclosing our proprietary source code could allow our competitors to create similar products with lower development effort and time and ultimately, could result in a loss of sales for us. Disclosing the source code of our proprietary software could also make it easier for cyber attackers and other third parties to discover vulnerabilities in or to defeat the protections of our products, which could result in our products failing to provide our customers with the security they expect. Likewise, some open source projects have known security and other vulnerabilities and architecture instabilities, or are otherwise subject to security attacks due to their wide availability, and are provided on an " as- is " basis. Any of these events could have a material adverse effect on our business, operating results and financial condition. We are subject to governmental export and import controls that could impair our ability to compete in international markets and / or subject us to liability if we are not in compliance with applicable laws. Like other U. S.- based IT security products, our products are subject to U. S. export control and import laws and regulations, including the U. S. Export Administration Regulations and various economic and trade sanctions regulations administered by the U. S. Treasury Department' s Office of Foreign Assets Control. Exports of these products must be made in compliance with these laws and regulations. Although we take precautions to prevent our products from being provided in violation of these laws, our products could be provided inadvertently in violation of such laws, despite the precautions we take. Compliance with these laws and regulations is complex, and if we were to fail to comply with these laws and regulations, we and certain of our employees could be subject to substantial civil and criminal penalties, including fines for our company and responsible employees or managers, and, in extreme cases, incarceration of responsible employees and managers and the possible loss of export privileges. Complying with export control laws and regulations, including obtaining the necessary licenses or authorizations, for a particular sale may be time- consuming, is not guaranteed and may result in the delay or loss of sales opportunities. Changes in export or import laws and regulations, shifts in the enforcement or scope of existing laws and regulations, or changes in the countries, governments, persons, products or services targeted by such laws and regulations, could also result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers. For example, in response to the Russia- Ukraine war, countries such as Canada, the United Kingdom, the European Union, the United States and other countries and organizations have implemented new and stricter sanctions and export controls against officials, individuals, regions, and industries in Russia, Ukraine and Belarus. Each country' s potential response to such sanctions, export controls, tensions, and military actions could damage or disrupt international commerce and the global economy and could have a material adverse effect on our business and results of operations or impact our ability to continue to operate in affected regions. A decreased use of our products or limitation on our ability to export or sell our products could adversely affect our business, financial condition and results of operations. We also incorporate encryption technology into our products. These encryption products may be exported outside of the United States only with the required export authorizations, including by a license, a license exception or other appropriate government authorizations, including the filing of a product classification request. In addition, various countries regulate the import and domestic use of certain encryption technology, including through import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers' ability to implement our products in those countries. Governmental regulation of encryption technology and regulation of imports or exports of encryption products, or our failure to obtain required import or export approval for our products, when applicable, could harm our international sales and adversely affect our revenue. Compliance with applicable laws and regulations regarding the export and import of our products, including with respect to new products or changes in existing products, may create delays in the introduction of our products in international markets, prevent our customers with international operations from deploying our products globally or, in some cases, could prevent the export or import of our products to certain countries, governments, entities or persons altogether. Our ability to use net operating losses to offset future taxable income may be subject to certain limitations. As of December 31, ~~2022~~ **2023** , we had federal and state net operating loss carryforwards (" NOLs "), of $ ~~450~~ **346** . 5 million and $ ~~345~~ **293** . ~~4~~ **5** million, respectively, available to offset future taxable income, **a portion of** which ~~expire~~ **expires** in various years beginning in ~~2023~~ **2024** if not utilized. A lack of future taxable income would adversely affect our ability to utilize these NOLs before they expire. Under the provisions of the Internal Revenue Code ~~of 1986, as amended~~ (the " **IRC** ~~Internal Revenue Code~~ "), substantial changes in our ownership may limit the amount of pre- change NOLs that can be utilized annually in the future to offset taxable income. **IRC** Section 382 ~~of the Internal Revenue Code~~ imposes limitations on a company' s ability to use NOLs if a company experiences a more- than- 50- percentage point ownership change over a three- year testing period. Based upon our historical analysis, we determined that although a limitation on our historical NOLs exists, we do not expect this limitation to impair our ability to use our NOLs prior to expiration. However, if changes in our ownership occur in the future, our ability to use our NOLs may be further limited. For these reasons, we may not be able to utilize a material portion of the NOLs, even if we achieve profitability. If we are limited in our ability to use our NOLs in future years in which we have taxable income, we will pay more taxes than if we were able to fully utilize our NOLs. This could adversely affect our operating results, cash balances and the market price of our common stock. We ~~could be subject~~ **may have exposure** to ~~additional~~ **greater than anticipated** tax liabilities. We are subject to U. S. federal, state, local and sales taxes in the United States and foreign income taxes, withholding taxes and transaction taxes in numerous foreign jurisdictions. We generally conduct our international operations through wholly- owned subsidiaries and report our taxable income in various jurisdictions worldwide based upon our business operations in those jurisdictions. Our intercompany relationships are and will continue to be subject to complex transfer pricing regulations administered by taxing authorities in various jurisdictions. Significant judgment is required in evaluating our tax positions and our worldwide provision for taxes. During the ordinary course of business, there are many activities and transactions for which the ultimate tax determination is uncertain and the relevant taxing authorities may disagree with our determinations as to the income and expenses attributable to specific jurisdictions. In addition, our tax obligations and effective tax rates could be adversely affected by changes in the relevant tax, accounting and other laws, regulations, principles and interpretations by recognizing tax losses or lower than anticipated earnings in jurisdictions where we have lower statutory rates and higher than anticipated earnings in jurisdictions where we have higher statutory rates, by changes in foreign currency exchange rates, or by changes in the valuation of our deferred tax assets and liabilities. We may be audited in various jurisdictions, and such jurisdictions may assess additional taxes, sales taxes **,** and value- added taxes against us. Although we believe our tax estimates are reasonable, the final determination of any tax audits or litigation could be materially different from our historical tax provisions and accruals, which could have a material adverse effect on our operating results or cash flows in the period for which a determination is made. Risks Related to Data Privacy and Cybersecurity Real or perceived failures, errors or defects in our solutions could adversely affect our brand and reputation, which could have an adverse effect on our business and results of operations. If our products or ~~professional services~~ - **service offerings** fail to detect vulnerabilities in our customers' cybersecurity infrastructure, or if our products or ~~professional services~~ - **service offerings** fail to identify and respond to new and increasingly complex methods of cyber attacks, our business and reputation may suffer. There is no guarantee that our products or ~~professional services~~ - **service offerings** will detect all vulnerabilities and threats, especially in light of the rapidly changing security landscape to which we must respond, including the constantly evolving techniques used by attackers to access or sabotage data. For example, the conflict in Ukraine and associated activities in Ukraine and Russia may increase the risk of cyberattacks on various types of infrastructure and operations, and the United States government has warned companies to be prepared for a significant increase in Russian cyberattacks in response to the sanctions on Russia. If we fail to update our solutions in a timely or effective manner to respond to these threats, our customers could experience security breaches. Many federal, state and foreign governments have enacted laws requiring companies to notify individuals of data security breaches involving their personal data. These mandatory disclosures regarding a security breach often lead to widespread negative publicity, and any association of us with such publicity may cause our customers to lose confidence in the effectiveness of our solutions. An actual or perceived security breach or theft of sensitive data of one of our customers, regardless of whether the breach is attributable to the failure of our products or ~~professional services~~ - **service offerings**, could adversely affect the market' s perception of our offerings and subject us to legal claims. Additionally, our products may falsely detect vulnerabilities or threats that do not actually exist. For example, our Metasploit offering relies on information provided by an active community of security researchers who contribute new exploits, attacks and vulnerabilities. We expect that the continued contributions from these third parties will both enhance the robustness of Metasploit and also support our sales and marketing efforts. However, to the extent that the information from these third parties is inaccurate or malicious, the potential for false indications of security vulnerabilities and susceptibility to attack increases. These false positives, while typical in the industry, may impair the perceived reliability of our offerings and may therefore adversely impact market acceptance of our products and ~~professional services~~ - **service offerings** and could result in negative publicity, loss of customers and sales and increased costs to remedy any problem. Further, to the extent that our community of third parties is reduced in size or participants become less active, we may lose valuable insight into the dynamic threat landscape and our ability to quickly respond to new exploits, attacks and vulnerabilities may be reduced. Our products may also contain undetected errors or defects. Errors or defects may be more likely when a product is first introduced or as new versions are released, or when we introduce an acquired company' s products. We have experienced these errors or defects in the past in connection with new products, acquired products and product upgrades and we expect that these errors or defects will be found from time to time in the future in new, acquired or enhanced products after commercial release. Defects may cause our products to be vulnerable to attacks, cause them to fail to detect vulnerabilities or threats, or temporarily interrupt customers' networking traffic. Any errors, defects, disruptions in service or other performance problems with our products may damage our customers' businesses and could hurt our reputation. If our products or ~~professional services~~ - **service offerings** fail to detect vulnerabilities or threats for any reason, we may incur significant costs, the attention of our key personnel could be diverted, our customers may delay or withhold payment to us or elect not to renew or other significant customer relations problems may arise. We may also be subject to liability claims for damages related to errors or defects in our products. A material liability claim or other occurrence that harms our reputation or decreases market acceptance of our products may harm our business and operating results. Limitation of liability provisions in our standard terms and conditions and our other agreements may not adequately or effectively protect us from any claims related to errors or defects in our solutions, including as a result of federal, state or local laws or ordinances or unfavorable judicial decisions in the United States or other countries. Our brand, reputation and ability to attract, retain and serve our customers are dependent in part upon the reliable performance of our products and network infrastructure. Our brand, reputation and ability to attract, retain and serve our customers are dependent in part upon the reliable performance of our products and network infrastructure. We have experienced, and may in the future experience, disruptions, outages and other performance problems due to a variety of factors, including infrastructure changes, human or software errors, capacity constraints and fraud or security attacks. In some instances, we may not be able to identify the cause or causes of these performance problems within an acceptable period of time. We utilize third- party data centers located in North America, Europe, Australia and Asia, in addition to operating and maintaining certain elements of our own network infrastructure. Some elements of our complex infrastructure are operated by third parties that we do not control and that could require significant time to replace. We expect this dependence on third parties to continue. More specifically, certain of our products, in particular our cloud- based products, are hosted on cloud providers such as Amazon Web Services, which provides us with computing and storage capacity. Interruptions in our systems or the third- party systems on which we rely, whether due to system failures, computer viruses, physical or electronic break- ins, or other factors, could affect the security or availability of our products, network infrastructure and website. Prolonged delays or unforeseen difficulties in connection with adding capacity or upgrading our network architecture when required may cause our service quality to suffer. Problems with the reliability or security of our systems or third- party systems on which we rely could harm our reputation. Damage to our reputation and the cost of remedying these problems could negatively affect our business, financial condition, and operating results. Additionally, our existing data center facilities and third- party hosting providers have no obligations to renew their agreements with us on commercially reasonable terms or at all, and certain of the agreements governing these relationships may be terminated by either party at any time. If we are unable to maintain or renew our agreements with these providers on commercially reasonable terms or if in the future we add additional data center facilities or third- party hosting providers, we may experience additional costs or downtime or delays as we transition our operations. Any disruptions or other performance problems with our products could harm our reputation and business and may damage our customers' businesses. Interruptions in our service delivery might reduce our revenue, cause us to issue credits to customers, due to our inability to meet stated service level commitments, subject us to potential liability and cause customers to not renew their purchases or our products. If we or our third party service providers experience a security breach or unauthorized parties otherwise obtain access to our customers' data, our reputation may be harmed, demand for our solutions may be reduced and we may incur significant liabilities. We sell cybersecurity and data analytics products. As a result, we have been and will continue to be a target of cyber attacks designed to impede the performance of our products, penetrate our network security or the security of our cloud platform or our internal systems, or that of our customers, misappropriate proprietary information and / or cause interruptions to our services. For example, because Metasploit serves as an introduction to hacking for many individuals, a successful cyber attack on us may be perceived as a victory for the cyber attacker, thereby increasing the likelihood that we may be a target of cyber attacks, even absent financial motives. We also process, store and transmit our own data as part of our business and operations, including personal, confidential or proprietary information. As many of our customers and employees will continue to work remotely, we expect there will continue to be an increased amount of such information that is stored in our solutions, which increases the exposure and risk of attempted security breaches, cyberattacks and other malicious internet- based activity. Additionally, we make use of third- party technology and systems for a variety of reasons, including, without limitation, encryption and authentication technology, employee email, content delivery to customers, back- office support, credit card processing, customer relationship management, human resources services and other functions. Computer malware, ransomware, cyber viruses, social engineering (phishing attacks), supply- chain attacks, denial of service or other attacks, employee theft or misuse and increasingly sophisticated network attacks have become more prevalent in our industry, particularly against cloud services. In particular, ransomware attacks, including by organized criminal threat actors, nation- states, and nation- state- supported actors, are becoming increasingly prevalent and severe and can lead to significant interruptions in our operations, loss of data and income, reputational harm, and diversion of funds. While extortion payments may alleviate the negative impact of a ransomware attack, we may be unwilling or unable to make such payments due to, for example, applicable laws or regulations prohibiting such payments. Similarly, supply- chain attacks have increased in frequency and severity, and we cannot guarantee that third parties and infrastructure in our supply chain or our third- party partners' supply chains have not been compromised or that they do not contain exploitable defects or bugs that could result in a breach of or disruption to our information technology systems (including our products) or the third- party information technology systems that support us and our services. Such attacks may also include exploitation of vulnerabilities in third party or open source software code that may be incorporated into our own or our customers' or supplier' s systems ~~, such as the vulnerability in the Java logging library known as " log4j " identified in late 2021 that affected many in our industry~~ . Further, if our systems or those of our third- party service providers are breached as a result of third- party action, employee error or misconduct, attackers could learn critical information about how our products operate to help protect our customers' IT infrastructures from cyber risk, thereby making our customers more vulnerable to cyber attacks. While we maintain measures designed to protect the integrity, confidentiality and security of our data, our security measures could fail and those of our third- party service providers have failed and could fail, any of which could result in unauthorized access to or disclosure, modification, misuse, loss or destruction of such data or financial loss. Additionally, the growth in state sponsored cyber activity, including those actions taken in connections with the Russia- Ukraine war, demonstrates the increasing sophistication and evolution of cyber threats. As a result, we may be unable to anticipate the techniques used or implement adequate measures to prevent an electronic intrusion into our customers through our cloud platform or to prevent breaches and other security incidents affecting our cloud platform, internal networks, systems or data. Further, once identified, we may be unable to remediate or otherwise respond to a breach or other incident in a timely manner. Actual or perceived security breaches of our cloud platform could result in actual or perceived breaches of our customers' networks and systems. Since our business is focused on providing reliable security solutions to our customers, a security breach or other security incident, or the perception that one has occurred, could result in a loss of customer confidence in the security of our offerings and damage to our brand, reduce the demand for our offerings, disrupt normal business operations, require us to spend material resources to investigate or correct the breach and to prevent future security breaches and incidents, expose us to legal liabilities, including litigation, regulatory enforcement, and indemnity obligations, and adversely affect our revenues and operating results. These risks may increase as we continue to grow the number and scale of our cloud services, and process, store, and transmit increasing amounts of data. Additionally, we cannot be certain that our insurance coverage will be adequate for data security liabilities actually incurred, that insurance will cover any indemnification claims against us relating to any incident, that insurance will continue to be available to us on economically reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co- insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation. If Metasploit were to be used by attackers to exploit vulnerabilities in the cybersecurity infrastructures of third parties, our reputation and business could be harmed. Although Metasploit is a penetration testing tool that is intended to allow organizations to test the effectiveness of their cybersecurity programs, Metasploit has in the past and may in the future be used to exploit vulnerabilities in the cybersecurity infrastructures of third parties. While we have incorporated certain features into Metasploit to deter misuse, there is no guarantee that these controls will not be circumvented or that Metasploit will only be used defensively or for research purposes. Any actual or perceived security breach, malicious intrusion or theft of sensitive data in which Metasploit is believed to have been used could adversely affect perception of, and demand for, our offerings. Further, the identification of new exploits and vulnerabilities by the Metasploit community may enhance the knowledge base of cyber attackers or enable them to undertake new forms of attacks. If any of the foregoing were to occur, we could suffer negative publicity and loss of customers and sales, as well as possible legal claims. Because our products collect and store user and related information, domestic and international privacy and cybersecurity concerns, and other laws and regulations, could have a material adverse effect on our business. We, and our customers, are subject to a number of stringent and changing obligations in domestic and international laws, regulations, guidance, industry standards, external and internal policies and contracts and other obligations that address a range of issues including data privacy and cybersecurity, and restrictions or technological requirements regarding the collection, use, storage, protection, retention or transfer of data. The regulatory framework for online services, data privacy and cybersecurity issues worldwide can vary substantially from jurisdiction to jurisdiction, is rapidly evolving and is likely to remain uncertain for the foreseeable future. This creates some uncertainty as to the effective legal frameworks and our obligations may be subject to differing applications and interpretations, which may be inconsistent or in conflict among jurisdictions. Preparation for and compliance with these obligations requires us to devote significant resources (including, without limitation, financial and time- related resources). These obligations may necessitate changes to our business including our information technologies, systems and practices and to those of any third parties that process personal data on our behalf. Although we strive to comply with all applicable data privacy and security obligations, we may at times fail (or be perceived to have failed) to do so. Moreover, despite our efforts, our personnel or third parties upon whom we rely may fail to comply with such obligations. If we (or third parties upon whom we rely) fail, or are perceived to have failed, to address and comply with data privacy and security obligations, we could face significant consequences. These consequences may include but are not limited to: government enforcement actions (e. g., investigations, fines, penalties, audits, inspections and similar consequences); litigation (including class- related claims); additional reporting requirements and oversight; bans on processing personal data; orders to destroy and not to use personal data; and imprisonment of company officials. Any of these events could have a material adverse effect on our reputation and our business, and financial condition, including but not limited to: loss of customers; interruptions or stoppages in our business or operations; inability to process personal data; inability to operate in specific jurisdictions; limitations in our ability to develop our products and professional services; management' s time and other resource expenditures; adverse publicity; and revisions to our operations. In the United States, federal, state and local governments have enacted numerous data privacy and cybersecurity laws (including data breach notification laws, personal data privacy laws and consumer protection laws). For example, **at the federal level, we are subject to the rules and regulations promulgated under the authority of the Federal Trade Commission, which regulates unfair or deceptive acts or practices, including with respect to data privacy and cybersecurity. At the state level, the California Consumer Privacy Act of 2018 (as updated by** the California Privacy Rights Act, **collectively,** ~~which updated the California Consumer Privacy Act of 2018 (~~ " CCPA ") ~~, went into effect on January 1, 2023, (" CPRA "),~~ imposes obligations on businesses, service providers, third parties and contractors to which it applies. These obligations include, but are not limited to, providing specific disclosures in privacy notices and affording California residents certain rights related to their personal ~~data~~ **information** . The CCPA allows for statutory fines for non- compliance (up to $ 7, 500 per violation). Other states have **enacted, or** ~~proposed~~ - **propose to enact, their own comprehensive** data privacy laws ~~which may come into effect~~ **and, in addition, laws in all 50 U. S. states generally require businesses to provide notice under certain circumstances to individuals whose personal information has been disclosed as a result of a data breach** . If we become subject to new data privacy or security laws, the risk of enforcement action against us could increase because we may become subject to additional obligations, and the number of individuals or entities that can initiate actions against us may increase (including individuals, via a private right of action, and state actors). Internationally, virtually every jurisdiction in which we operate has established its own data security and cyberprivacy legal frameworks with which we, and / or our customers, must comply, including the European Union' s General Data Protection Regulation, 2016 / 679 (" GDPR "), laws implemented by European Union (" EU ") member states and, following the withdrawal of the United Kingdom (" UK ") from the EU, the ~~so- called '~~ **UK General Data Protection Regulation (i. e. a version of the GDPR as implemented into UK law) ("** UK GDPR ~~' (~~ **, " and collectively, the** " European Data Protection Laws "). The UK' s decision to leave the EU and ongoing developments in the UK have created uncertainty with regard to data protection regulation in the UK. Going forward, there may be an increasing scope for divergence in the application, interpretation and enforcement of data protection laws as between the UK and EU. The European Data Protection Laws present significantly greater risks, compliance burdens and costs for companies with users and operations in the ~~EU~~ **European Economic Area (" EEA ")** and UK. Under the GDPR, fines of up to 20 million euros or up to 4 % of the annual global turnover of the infringer, whichever is greater, could be imposed for significant non- compliance and similar levels of fines could also be imposed under the UK GDPR. The European Data Protection Laws are broad in their application and apply when we do business with EU- and UK- based customers and when our U. S.- based customers collect ~~and~~ **,** use **and otherwise process** personal data that originates from individuals ~~resident~~ **residing** in the ~~EU~~ **EEA** and UK. They also apply to transfers of personal data between us and our EU- and UK- based subsidiaries, including employee information. Further, many U. S. federal and state and other foreign government bodies and agencies have introduced, and are currently considering, additional laws and regulations. Non- compliance with these laws could result in penalties or significant legal liability. We could be adversely affected if legislation or regulations are expanded to require changes in our business practices or if governing jurisdictions interpret or implement their legislation or regulations in ways that negatively affect our business, results of operations or financial condition. In addition, certain jurisdictions have enacted data localization laws and cross- border personal data transfer laws. For example, **the** European Data Protection Laws ~~generally prohibit~~ **impose strict rules on** the transfer of personal data from the ~~European Economic Area ("~~ EEA ~~") and~~ , the UK and Switzerland (collectively, " Europe "), to **so** ~~most other non- European~~ **called third** countries **, including the United States,** unless the parties to the transfer have implemented specific safeguards to protect the transferred personal data. ~~In particular, government regulators in Europe have found that the United States does not provide an adequate level of data privacy and cybersecurity protection and although~~ **Although** there are legal mechanisms to allow for the transfer of personal data from Europe to the United States, uncertainty remains about compliance and such mechanisms may not be available or applicable with respect to our personal data processing activities. For example, the " Standard Contractual Clauses " (" SCCs ") that are designed to be a valid mechanism by which parties can transfer personal data out of Europe to jurisdictions that are not found to provide an adequate level of protection, must be assessed on a case- by- case basis taking into account the legal regime applicable in the destination country. Specifically, the parties to the cross- border personal data transfer must evaluate the importing jurisdiction' s laws and implement supplemental security measures as necessary to protect the at- issue personal data. ~~It~~ **Additionally, in July 2023, the European Commission adopted an adequacy decision concluding that the United States ensures an adequate level of protection for personal data transferred from Europe under the EU- U. S. Data Privacy Framework (followed on October 2023 with the adoption of an adequacy decision in the UK for the UK- U. S. Data Bridge). However, such adequacy decisions do not foreclose, and are likely to face, future legal challenges, and it** is likely that there will continue to be some uncertainty regarding the mechanisms by which parties transfer personal data out of Europe to jurisdictions such as the United States ~~. At present, there are few if any viable alternatives to the SCCs~~ . If we cannot implement and maintain a valid mechanism for cross- border personal data transfers, we may face increased exposure to regulatory actions, substantial fines and injunctions against processing (including prohibitions on transferring personal data out of the EU and UK). This may also reduce demand for our services from companies subject to European Data Protection Laws. Loss of our ability to import personal data from **Europe** ~~the EU and UK~~ may also require us to increase our data processing capabilities in **Europe** ~~the EEA~~ at significant expense.

Moreover ~~The costs of compliance with~~ , **while we strive to publish** and **prominently display privacy** ~~other burdens imposed by, the laws, rules, regulations and~~ policies that are **accurate, comprehensive, and compliant with** applicable ~~to~~ **laws, rules regulations and industry standards, we cannot ensure that our privacy policies and** ~~the~~ **other** ~~businesses of~~ **statements regarding our practices will be sufficient to protect us from claims, proceedings, liability** ~~our~~ **or** ~~customers~~ **adverse publicity relating to data privacy and security. Although we endeavor to comply with our privacy policies, we** may ~~limit the~~ **at times fail to do so or be alleged to have failed to do so. If our public statements about our** use ~~and adoption of~~ , **collection, disclosure** and ~~reduce the~~ **other processing of personal information** ~~overall demand for, our software. Privacy or cybersecurity concerns~~ , whether ~~valid~~ **made through** ~~or~~ **our** ~~not valid~~ **privacy policies** , ~~may inhibit market adoption of~~ **information provided on our website, press statements** ~~our~~ **or** ~~products particularly~~ **otherwise, are alleged to be deceptive, unfair or misrepresentative of our actual practices, we may be subject to potential government or legal investigation or action, including by the Federal Trade Commission or applicable state attorneys general. Our compliance efforts are further complicated by the fact that data privacy and security laws, rules, regulations and standards around the world are rapidly evolving, may be subject to uncertain or inconsistent interpretations and enforcement, and may conflict among various jurisdictions. Any failure or perceived failure by us to comply with our privacy policies, or applicable data privacy and security laws, rules, regulations, standards, certifications or contractual obligations, or any compromise of security that results** in **unauthorized access to, or unauthorized loss, destruction, use, modification, acquisition, disclosure, release or transfer of personal information, may result in requirements to modify or cease** certain ~~industries~~ **operations or practices, the expenditure of substantial costs, time** and ~~foreign countries~~ **other resources, proceedings or actions against us, legal liability, governmental investigations, enforcement actions, claims, fines, judgments, awards, penalties, sanctions and costly litigation (including class actions)** . Further, there are active legislative discussions regarding the implementation of laws or regulations that could restrict the manner in which security research is conducted and that could restrict or possibly bar the conduct of penetration testing and the use of exploits, which are an essential component of our Metasploit product and our business strategy more generally. **Any of the foregoing could harm** ~~Our failure to comply with existing laws, rules or~~ **our** ~~regulations~~ **reputation** , **distract** ~~changes to existing laws or~~ **our** ~~their interpretation~~ **management and technical personnel** , **increase** ~~or~~ **our costs of doing business, adversely affect the demand for our products and services, and ultimately result in** the imposition of **liability** ~~new laws~~ , **any of which** ~~rules or regulations,~~ could ~~result in additional costs and may necessitate changes to our business practices and divergent operating models, which may~~ have a material ~~and~~ adverse ~~impact~~ **effect** on our business, ~~results of operations, and~~ financial condition **and results of operations** . Organizations may be reluctant to purchase our cloud- based offerings due to the actual or perceived vulnerability of cloud solutions. Some organizations have been reluctant to use cloud solutions for cybersecurity, such as our InsightVM, InsightIDR, InsightAppSec, InsightConnect, InsightCloudSec and Threat Intelligence, because they have concerns regarding the risks associated with the reliability or security of the technology delivery model associated with this solution. If we or other cloud service providers experience security incidents, breaches of customer data, disruptions in service delivery or other problems, the market for cloud solutions as a whole may be negatively impacted, which could harm our business. Risks Related to our Common Stock The market price of our common stock has been and is likely to continue to be volatile. The market price of our common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors, some of which are related in complex ways. Since shares of our common stock were sold in our initial public offering (" IPO "), in July 2015 at a price of $ 16. 00 per share, our stock price has ranged from an intraday low of $ 9. 05 to an intraday high of $ 145. 00 through February ~~17~~ **16** , ~~2023~~ **2024** . Factors that may affect the market price of our common stock include: • actual or anticipated fluctuations in our financial condition and operating results; • variance in our financial performance from expectations of securities analysts; • changes in our projected operating and financial results; • changes in the prices of our products and ~~professional services~~ **service offerings** ; • changes in laws or regulations applicable to our products or ~~professional services~~ **service offerings** ; • announcements by us or our competitors of significant business developments, acquisitions or new offerings; • our involvement in any litigation or investigations by regulators; • our sale of our common stock or other securities in the future; • changes in our board of directors, senior management or key personnel; • trading volume of our common stock; • price and volume fluctuations in the overall stock market; • effects of inflation and increased interest rates; • changes in the anticipated future size and growth rate of our market; • sales of shares of our common stock by us or our stockholders, including sales and purchases of any common stock issued upon conversion of our convertible senior notes; and • general economic, regulatory and market conditions and / or market speculation or rumors. Recently, the stock markets, and in particular the market on which our common stock is listed, have experienced price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies due to, among other factors, the actions of market participants or other actions outside of our control, including general market volatility. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management' s attention. If securities or industry analysts do not publish research or reports about our business, or publish negative reports about our business, our stock price and trading volume could decline. The trading market for our common stock depends, in part, on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. If our financial performance fails to meet analyst estimates or one or more of the analysts who cover us downgrade our shares or change their opinion of our shares, our share price would likely decline. If one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which could cause our share price or trading volume to decline. We do not intend to pay dividends for the foreseeable future and, as a result, your ability to achieve a return on your investment will depend on appreciation in the price of our common stock. We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends in the foreseeable future. We anticipate that we will retain all of our future earnings for use in the development of our business and for general corporate purposes. Any determination to pay dividends in the future will be at the discretion of our board of directors. Accordingly, investors must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investments. Future sales of our common stock or equity- linked securities in the public market could lower the market price for our common stock and adversely impact the trading price of the Notes. In the future, we may sell additional shares of our common stock or equity- linked securities to raise capital. In addition, a substantial number of shares of our common stock is reserved for issuance upon the exercise of stock options, settlement of other equity incentive awards and upon conversion of the 2025 Notes ~~and~~ **,** 2027 **Notes and 2029** Notes (the " Notes "). The indentures for the Notes do not restrict our ability to issue additional common stock or equity- linked securities in the future. We cannot predict the size of future issuances or the effect, if any, that they may have on the market price for our common stock. The issuance and sale of substantial amounts of common stock or equity- linked securities, or the perception that such issuances and sales may occur, could adversely affect the trading price of the Notes and the market price of our common stock and impair our ability to raise capital through the sale of additional equity or equity- linked securities. Risks Related to our Indebtedness We have a significant amount of debt that may decrease our business flexibility, access to capital, and / or increase our borrowing costs, and we may still incur additional debt in the future, which may adversely affect our operations and financial results. We may not have sufficient cash flow from our business to pay our substantial debt when due. In May 2020, we issued $ 230. 0 million aggregate principal amount of 2025 Notes ~~and~~ **,** in March 2021, we issued $ 600. 0 million aggregate principal amount of 2027 **Notes and in September 2023, we issued $ 300. 0 million aggregate principal amount of 2029 Notes. In September 2023, concurrently with the issuance of the 2029 Notes, 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. In addition, we may also incur indebtedness under our revolving credit facility. Our indebtedness may: • limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes; • limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes; • require us to use a substantial portion of our cash flow from operations to make debt service payments; • limit our flexibility to plan for, or react to, changes in our business and industry; • place us at a competitive disadvantage compared to our less leveraged competitors; and • increase our vulnerability to the impact of adverse economic and industry conditions. Further, the indentures governing the Notes do not restrict our ability to incur additional indebtedness, secure existing or future debt, recapitalize our existing or future debt or take a number of other actions that could intensify the risks discussed above and below. Further, we and our subsidiaries may incur substantial additional indebtedness in the future, subject to the restrictions contained in our revolving credit facility and any future debt instruments existing at the time, some of which may be secured indebtedness. While our revolving credit facility restricts our ability to incur additional indebtedness, if our revolving credit facility is terminated, we may not be subject to such restriction under the terms of such indebtedness. Our ability to pay our debt when due or to refinance our indebtedness, including the Notes, depends on our future performance, which is subject to economic, financial, competitive, and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. In addition, any required repurchase of the Notes for cash as a result of a fundamental change or voluntary redemption (in each case, pursuant to the terms of the Notes) would lower our current cash on hand such that we would not have that cash available to fund operations. If we are unable to generate sufficient cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring our debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, our revolving credit facility contains, and any future additional indebtedness that we may incur may contain, financial and other restrictive covenants that limit our ability to operate our business, raise capital, pay dividends and / or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full. Any such event of default under our revolving credit facility would give the lenders the right to terminate their commitments to provide additional loans under our revolving credit facility and to declare any and all borrowings outstanding, together with accrued and unpaid interest and fees, to be immediately due and payable. In addition, the lenders under our revolving credit facility would have the right to proceed against the collateral in which we granted a security interest to them, which consists of substantially all our assets. If the debt under our revolving credit facility were to be accelerated, we may not have sufficient cash or be able to borrow sufficient funds to refinance the debt or sell sufficient assets to repay the debt, which could immediately materially and adversely affect our cash flows, business, results of operations, financial condition and our ability to make payments under our indebtedness, including the Notes, when due. Further, the terms of any new or additional financing may be on terms that are more restrictive or on terms that are less desirable to us. The conditional conversion feature of the Notes, if triggered, may adversely affect our financial condition and operating results. In the event the conditional conversion feature of the Notes is triggered, holders of the Notes will be entitled to convert their Notes at any time during specified periods at their option. If one or more holders elect to convert their Notes, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation in cash, which could adversely affect our liquidity. As **of December 31** ~~disclosed in Note 10~~ , ~~Debt, to our consolidated financial statements, during the six months ended June 30, 2022~~ **2023** , the 2025 Notes **,** ~~were convertible at~~ the ~~option of the holders. During this~~

~~period an immaterial principal amount of the 2025~~ **2027** Notes ~~were requested for conversion~~ and **the** ~~settled in cash. As of December 31, 2022~~ **2029** ~~, the 2025 Notes and the 2027~~ Notes were not convertible at the option of the holder. Whether the Notes will be convertible following the year ended December 31, ~~2022~~ **2023** , will depend on the future satisfaction of a conversion condition. In addition, even if holders of Notes do not elect to convert their Notes, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the Notes as a current rather than long-term liability, which would result in a material reduction of our net working capital. The capped call transactions may affect the value of the Notes and our common stock. In connection with the issuance of the 2023 Notes, the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2029** Notes, we entered into capped call transactions with certain counterparties (the " Capped Calls "). The Capped Calls cover, subject to customary adjustments, the number of shares of our common stock initially underlying each of the 2023 Notes, the 2025 Notes ~~and~~ **,** the 2027 **Notes and the 2029** Notes. The Capped Calls are expected to offset the potential dilution as a result of conversion of such Notes. In connection with establishing their initial hedge of the capped call transactions, the counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricings of the respective Notes, including with certain investors in the applicable Notes. The counterparties and / or or their respective affiliates may modify or unwind their hedge positions by entering into or unwinding various derivatives with respect to our common stock and / or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the applicable Notes (and are likely to do so on each exercise date of the capped call transactions, which are scheduled to occur during the applicable observation period relating to any conversion of the 2025 Notes on or after November 1, 2024 ~~or~~ **,** relating to any conversion of the 2027 Notes on or after December 15, 2026 **or relating to any conversion of the 2029 Notes on or after December 15, 2028** , in each case that is not in connection with a redemption). We redeemed the 2023 Notes in November 2021. As described elsewhere in this Annual Report on Form 10- K, the 2023 Capped Calls were not redeemed with the redemption of the 2023 Notes **but were cash-settled via written notice provided to the counterparties on May 31, 2023; see the section entitled " Capped Calls " under Note 11 to our consolidated financial statements and " Management' s Discussion and Analysis of Financial Condition and Results of Operations " included elsewhere in this report for information regarding our cash settlement of the 2023 Capped Calls** . We cannot make any prediction as to the direction or magnitude of any potential effect that the transactions described above may have on the prices of the Notes or the shares of our common stock. Any of these activities could adversely affect the value of the Notes and our common stock. We are subject to counterparty risk with respect to the capped call transactions. The option counterparties are financial institutions, and we will be subject to the risk that one or more of the option counterparties may default or otherwise fail to perform, or may exercise certain rights to terminate, their obligations under the Capped Calls. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Recent global economic conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at the time under such transaction. Our exposure will depend on many factors but, generally, our exposure will increase if the market price or the volatility of our common stock increases. In addition, upon a default or other failure to perform, or a termination of obligations, by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our common stock. We can provide no assurances as to the financial stability or viability of the option counterparties. Conversion of the Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock. The conversion of some or all of the Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares of our common stock upon conversion of any of the Notes. As disclosed in Note ~~10~~ **11** , Debt, as of December 31, ~~2022~~ **2023** the Notes were not convertible at the option of the holder. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the Notes may encourage short selling by market participants because the conversion of the Notes could be used to satisfy short positions, or anticipated conversion of the Notes into shares of our common stock could depress the price of our common stock. General Risks Failure to comply with governmental laws and regulations could harm our business. Our business is subject to regulation by various federal, state, local and foreign governments. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. **These laws and regulations may also impact our innovation and business drivers in developing new and emerging technologies, including those related to AI and machine learning.** Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, mandatory product recalls, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management' s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, reputation, results of operations and financial condition. Our business is subject to the risks of climate change, pandemics, earthquakes, fire, power outages, floods and other catastrophic events, and to interruption by manmade problems such as terrorism. A significant public health crisis, epidemic or pandemic ~~(including the ongoing COVID- 19 pandemic)~~ , or climate change, or a natural disaster, such as an earthquake, fire or a flood, or a significant power outage could have a material adverse impact on our business, operating results and financial condition. In addition, public health crises, climate change, or natural disasters could affect our channel partners' ability to perform services for us on a timely basis. In the event we or our channel partners are hindered by any of the events discussed above, our ability to provide our products or ~~professional services~~ **service offerings** to customers could be delayed. In addition, our facilities and those of our third- party data centers and hosting providers are vulnerable to damage or interruption from human error, intentional bad acts, pandemics, earthquakes, hurricanes, floods, fires, war (including the Russia- Ukraine war **and the Israel-**

Hamas conflict), terrorist attacks, power losses, hardware failures, systems failures, telecommunications failures and similar events. The occurrence of a public health crisis, climate change, natural disaster, power failure **, war (including the Russia-Ukraine war and the Israel- Hamas conflict)** or an act of terrorism, vandalism or other misconduct, a decision by a third party to close a facility on which we rely without adequate notice, or other unanticipated problems could result in lengthy interruptions in provision or delivery of our products, potentially leaving our customers vulnerable to cyber attacks. The occurrence of any of the foregoing events could damage our systems and hardware or could cause them to fail completely, and our insurance may not cover such events or may be insufficient to compensate us for the potentially significant losses, including the potential harm to the future growth of our business, that may result from interruptions in our service as a result of system failures. In addition, while the long- term effects of climate change on the global economy and the technology industry in particular are unclear, we recognize that there are inherent climate related risks wherever business is conducted. Any of our primary locations may be vulnerable to the adverse effects of climate change. Climate- related events, including the increasing frequency of extreme weather events and their impact on critical infrastructure in the United States and elsewhere, have the potential to disrupt our business, our third- party suppliers, and / or the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain and resume operations. Transitional climate change risks that result from a shift to a low- carbon economy may subject us to increased regulations, reporting requirements, standards, or expectations regarding the environmental impacts of our business and untimely or inaccurate disclosure could adversely affect our reputation, business or financial performance. All of the aforementioned risks may be exacerbated if our disaster recovery plans or the disaster recovery plans established for our third- party data centers and hosting providers prove to be inadequate. To the extent that any of the above results in delayed or reduced customer sales, our business, financial condition and results of operations could be adversely affected. We are obligated to maintain proper and effective internal controls over financial reporting and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in our company and, as a result, the value of our common stock. We have been and are required, pursuant to Section 404 of the Sarbanes- Oxley Act (“ Section 404 ”), to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting on an annual basis. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. During the evaluation and testing process, if we identify one or more material weaknesses in our internal control over financial reporting, we will be unable to assert that our internal controls are effective. While we have established certain procedures and control over our financial reporting processes, we cannot assure you that these efforts will prevent restatements of our financial statements in the future. Our independent registered public accounting firm is also required, pursuant to Section 404, to report annually on the effectiveness of our internal control over financial reporting. This assessment is required to include disclosure of any material weaknesses identified by our management in our internal control over financial reporting. For future reporting periods, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating. We may not be able to remediate any future material weaknesses, or to complete our evaluation, testing and any required remediation in a timely fashion. If we are unable to conclude that our internal control over financial reporting is effective, or if our independent registered public accounting firm is unable to express an opinion that our internal controls over financial reporting are effective, investors could lose confidence in the accuracy and completeness of our financial reports, which could cause the price of our common stock to decline, and we could be subject to sanctions or investigations by regulatory authorities, including the SEC and Nasdaq. Failure to remediate any material weakness in our internal control over financial reporting, or to maintain other effective control systems required of public companies, could also restrict our future access to the capital markets. Changes in financial accounting standards may adversely impact our reported results of operations. A change in accounting standards or practices could adversely affect our operating results and may even affect our reporting of transactions completed before the change is effective. New accounting pronouncements and varying interpretations of accounting pronouncements have occurred and may occur in the future. Changes to existing rules or the questioning of current practices may adversely affect our operating results. We may require additional capital to support business growth, and this capital might not be available on acceptable terms, if at all. We intend to continue to make investments to support our business growth and may require additional funds to respond to business challenges, including the need to develop new features or enhance our products, improve our operating infrastructure or acquire complementary businesses and technologies. Accordingly, we may need to engage in equity or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we may secure in the future could involve restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions. We may not be able to obtain additional financing on terms favorable to us, if at all. ~~For example~~ **Market conditions and changing circumstances** , ~~while~~ **some of which may be beyond our control, could impair our ability to access our existing cash, cash equivalents and investments. We regularly maintain domestic cash deposits at FDIC insured banks which exceed the FDIC insured limits, and, as a result,** ~~the~~ **there is a concentration** ~~potential impact and duration~~ of **risk related to amounts** ~~the COVID- 19 pandemic~~ on ~~the global economy and~~ **deposit in excess of FDIC insurance coverage. In addition, we maintain cash deposits in foreign banks where we operate, some of which are not insured** ~~our~~ - **or** ~~business~~ **are only partially insured by the FDIC or other similar agencies. If banks and financial institutions with whom we have banking relationships enter receivership or become insolvent** in ~~particular~~ **the future, we** may be ~~difficult~~ **unable** to ~~assess~~ **access, and we may lose, some or all of** ~~or~~ **our** ~~predict~~ **existing cash** , **cash equivalents and investments to the extent** ~~the~~ **those** ~~pandemic has resulted~~ **funds are not insured or otherwise protected by the FDIC. Any delay** in ~~, and may continue to result in significant disruption of global financial markets, reducing~~

our ability to access **our cash, cash equivalents and investments (or the loss of some or all of such funds) could have a material adverse effect on our operations and cause us to need to seek additional** capital ~~,~~ **sooner than planned** which could ~~in the future negatively affect~~ **only be available at a higher cost** ~~our~~ - **or** ~~liquidity~~ **not at all** . Although we expect that current cash and cash equivalent balances and cash flows that are generated from operations will be sufficient to meet our domestic and international working capital needs and other capital and liquidity requirements for at least the next 12 months, if we are unable to obtain adequate financing or financing on terms satisfactory to us if and when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly impaired, and our business may be adversely affected. Anti- takeover provisions in our charter documents, our indenture and under Delaware law could make acquiring us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock. Provisions in our amended and restated certificate of incorporation and amended and restated bylaws may have the effect of delaying or preventing a change in control or changes in our management. Among other things, our amended and restated certificate of incorporation and amended and restated bylaws include provisions that: • authorize our board of directors to issue preferred stock without further stockholder action and with voting liquidation, dividend and other rights superior to our common stock; • require that any action to be taken by our stockholders be effected at a duly called annual or special meeting and not by written consent, and limit the ability of our stockholders to call special meetings; • establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for director nominees; • establish that ~~directors elected prior to our 2021 annual meeting serve three-year staggered terms and~~ subsequent to the 2023 annual meeting, each director will hold office for a term of one year; • require the approval of the holders of a majority of the voting power of all of the then- outstanding shares of capital stock of the Company entitled to vote generally at an election of directors, voting together as a single class, to adopt, amend or repeal our amended and restated bylaws or amend or repeal the provisions of our amended and restated certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action by written consent or call a special meeting; • prohibit cumulative voting in the election of directors; and • provide that vacancies on our board of directors may be filled only by a majority of directors then in office, even though less than a quorum. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, who are responsible for appointing the members of our management. If a fundamental change occurs prior to the maturity date of the Notes, holders of the Notes will have the right, at their option, to require us to repurchase all or a portion of their Notes. In addition, if a " make- whole fundamental change " (as defined in the indentures) occurs prior the maturity date, we will in some cases be required to increase the conversion rate of the Notes for a holder that elects to convert its Notes in connection with such make- whole fundamental change. Furthermore, the indentures governing the Notes prohibit us from engaging in certain mergers or acquisitions unless, among other things, the surviving entity assumes our obligations under the Notes. These and other provisions in the indentures could deter or prevent a third party from acquiring us even when the acquisition may be favorable to our stockholders. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any " interested " stockholder for a period of three years following the date on which the stockholder became an " interested " stockholder. Any of the foregoing provisions could limit the opportunity for our stockholders to receive a premium for their shares of our common stock and could also affect the price that some investors are willing to pay for our common stock. Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us. Pursuant to our amended and restated certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or (4) any action asserting a claim governed by the internal affairs doctrine. Our amended and restated certificate of incorporation further provides that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and consented to the foregoing provision. The forum selection clause in our amended and restated certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.