

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2017

OR

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

FOR THE TRANSITION PERIOD FROM TO

Commission File Number: 001-37874

**Everbridge, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)  
25 Corporate Drive, Suite 400  
Burlington, Massachusetts  
(Address of principal executive offices)

26-2919312  
(I.R.S. Employer  
Identification No.)

01803  
(Zip Code)

Registrant's telephone number, including area code: (818) 230-9700

Securities registered pursuant to Section 12(b) of the Act: Common Stock, Par Value \$0.001 Per Share; Common stock traded on The Nasdaq Global Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES  NO

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. YES  NO

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. YES  NO

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). YES  NO

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/> (Do not check if a small reporting company)	Small reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of the registrant's common stock on June 30, 2017 (the last business day of the registrant's most recently completed second fiscal quarter), as reported on the Nasdaq Global Market on such date, was approximately \$515.7 million. Shares of the registrant's common stock held by each executive officer, director and holder of 10% or more of the registrant's outstanding common stock have been excluded from this calculation as such persons may be deemed to be affiliates. This calculation does not reflect a determination that these persons are affiliates of the registrant for any other purpose.

The number of shares of registrant's Common Stock outstanding as of March 6, 2018 was 28,441,132.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2018 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Annual Report on Form 10-K.

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## PART I

### Forward-Looking Statements

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

- our ability to continue to add new customers, maintain existing customers and sell new products and professional services to new and existing customers;
- the effects of increased competition as well as innovations by new and existing competitors in our market;
- our ability to adapt to technological change and effectively enhance, innovate and scale our solutions;
- our ability to effectively manage or sustain our growth and to attain and sustain profitability;
- our ability to diversify our sources of revenue;
- our ability to integrate acquired companies, to complete potential acquisitions, and to integrate complementary businesses and technologies;
- our expected use of proceeds;
- our ability to maintain, or strengthen awareness of our brand;
- perceived or actual security, integrity, reliability, quality or compatibility problems with our solutions, including related to security breaches in our customers systems, unscheduled downtime or outages;
- statements regarding future revenue, hiring plans, expenses, capital expenditures, capital requirements and stock performance;
- our ability to attract and retain qualified employees and key personnel and further expand our overall headcount;
- our ability to grow, both domestically and internationally;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally, including laws and regulations related to export compliance;
- our ability to maintain, protect and enhance our intellectual property;
- costs associated with defending intellectual property infringement and other claims; and
- the future trading prices of our common stock and the impact of securities analysts’ reports on these prices.

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

## Item 1. Business.

*Unless otherwise stated in this Annual Report, references to "Everbridge," "we," "us," and "our" refer to Everbridge, Inc. and its consolidated subsidiaries.*

### Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and businesses running. During public safety threats such as active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, our SaaS-based platform enables our customers to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds or millions of recipients, across multiple communications modalities such as voice, SMS and e-mail. Our applications enable the delivery of messages in near real-time to more than 100 different communication devices, in over 200 countries and territories, in 15 languages and dialects – all simultaneously. We delivered 2.0 billion communications in 2017. We automate the process of sending contextual notifications to multiple constituencies and receiving return information on a person's or operation's status so that organizations can act quickly and precisely. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Crisis Commander, Community Engagement and Secure Messaging. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

In critical situations, the speed at which threats are assessed and information is transmitted and accessed is essential. For example, United States Department of Homeland Security research indicates that the average duration of an active shooter event at a school is approximately 12.5 minutes, while the average police response time to such events is 18 minutes. Accordingly, organizations must be able to aggregate multiple types of threat and incident data and determine whether their people, assets, or suppliers could be impacted, rapidly deliver messages that are tailored to multiple, specific audiences, in precise locations and be assured of delivery. Further, the proliferation of mobile and digital communications has resulted in individuals spending less time in a fixed office location, with International Data Corporation estimating that by 2020 mobile workers will account for 72% of the total United States workforce, and this trend has simultaneously increased the number of pathways through which people receive information. These developments have made it imperative that organizations be able to locate travelling or remote workers to determine who might be impacted by a critical event, and that critical communications be delivered via voice, SMS, and email, as well as to social media, outdoor signage and personal computers. Moreover, organizations require the ability to leverage all of these pathways, individually or in sequence, to reach people in situations where a certain means of communication may be inoperative or individuals are not responsive to a single pathway. During public safety threats and critical business events, the ability to gather, organize and analyze data in real time, and to enable secure, scalable, reliable and automated communications to people can be essential to saving lives, protecting assets and maintaining businesses. Further, the ability to rapidly organize a response by locating available responders and reducing the time required to manage them via automated communications can also result in significant economic savings, as each minute of unplanned downtime costs organizations an average of approximately \$8,900, according to the Ponemon Institute.

The severity, complexity and frequency of these critical events, their implications for business performance and personal safety, and regulatory and compliance challenges are increasing. The need for active shooter preparedness and public safety protection from terrorist attacks, as well managing the response to IT outages, cyber incidents, severe weather conditions, product recalls, supply-chain interruptions, hazardous material discharges and other urgent events, drive the need for a secure, scalable and reliable CEM system that can be operated quickly and easily. In addition, there has been a rapid proliferation of connected devices and networked physical objects – the Internet of Things, or IoT – that have the capability to communicate information about status and environment and generate data that enables individuals and enterprises to take appropriate action. These dynamics have led to a growing need for solutions that can deliver comprehensive yet targeted and contextually relevant content that facilitates the desired outcomes in critical situations and overcomes the information overload that individuals face. We estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, that the market for CEM solutions represented an \$18.3 billion worldwide opportunity in 2015 and is expected to grow to \$41.1 billion in 2020.

Following the tragic events of 9/11, Everbridge was founded with a vision of helping people communicate effectively in critical situations. Our SaaS-based CEM platform is built on a secure, scalable and reliable infrastructure with multiple layers of redundancy to enable the rapid delivery of critical communications, with near real-time verification, over numerous devices and contact paths. Our Mass Notification application is our most established application and enables enterprises and governmental entities to aggregate and assess threat data, locate people based on their standard work or home location and send and receive two-way, contextually aware notifications to individuals or groups to keep them informed before, during and after natural or man-made disasters and other emergencies. For example, during Hurricane Irma, our Mass Notification application was used in the state of Florida to deliver more than 18 million communications. By automating the delivery of these types of critical communications, we enable customers to increase the speed and accuracy of their response and reduce associated costs. Importantly, given the pressure and anxiety most people experience in critical situations, our Mass Notification application provides a simple user interface and automated workflows for ease of use. The expertise that we garnered developing our Mass Notification application and our customers' reliance on our solutions led us to leverage our platform to deploy solutions for CEM use cases. In turn, we have developed a full suite of enterprise-scale applications that enable our customers to inform and organize people during critical situations, whether a broad audience or a targeted subset of individuals, globally or locally, and accounting for cultural, linguistic, regulatory and technological differences. As all of our applications leverage our CEM platform, customers can use a single contacts database, rules engine of algorithms and hierarchies and user interface to accomplish multiple objectives. Our applications are easy-to-use, quickly deployable and require limited implementation services and no development resources.

The following situations reflect examples of how our applications aggregate and assess data and enable improved management of critical events:

- When an active shooter situation or terrorist attack occurs, organizations can quickly identify employees in the affected area, including employees not at their usual business location, in order to confirm that they are safe and provide tailored instructions. For example, shelter-in-place instructions may be provided to people in an impacted building while evacuation instructions are provided to those in an adjacent building. At the same time, first responders and hospitals can use multiple modes of alerting to mobilize resources and call in staff to provide emergency care.
- When a hurricane is imminent, local emergency management departments can alert affected communities with relevant safety and evacuation instructions while companies can put in place emergency plans to notify employees of office closures while coordinating work assignments to maintain the continuity of core operations.
- Companies can consolidate separate command centers for emergency operations and supply chain events, using one common data set to aggregate and assess data on severe weather, political unrest and other types of threats to their own and suppliers' operations, thereby reducing costs while gaining efficiencies.
- When IT systems fail, IT administrators can shorten the time required to alert cross-department responders, use scheduling information to determine availability and quickly assemble appropriate personnel on a conference bridge, thereby reducing the costs incurred from downtime.
- When a patient is suspected of having a stroke, an on-call specialist can provide a patient assessment via video communications during the ambulance trip and the emergency room can be readied for an immediate stroke treatment, accelerating critical time to treatment.
- When a cyber incident shuts down an IT network, management can alert employees of the network shutdown via a secure, alternate communication path.
- When a power line is down, utility workers can utilize pre-configured incident management templates to alert affected customers and responders and provide service updates.
- When engine readings in critical equipment detect a malfunction, technicians with the appropriate skills can be automatically alerted and quickly deployed to minimize downtime and avoid revenue loss or service interruption.

- When readings from an implanted medical device are abnormal, that information can be automatically routed to the individual's healthcare provider to enable timely medical care.
- When a young child goes missing, local officials can send alerts to and receive tips from their communities to aid in locating and returning the child.
- When a financial services firm experiences disruptions in service, clients can be promptly notified and audit confirmations can be provided to document delivery.

Our customer base has grown from 867 customers at the end of 2011 to more than 3,700 customers as of December 31, 2017. As of December 31, 2017, our customers were based in 38 countries and included nine of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 25 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide products and services to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and government agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We derive substantially all of our revenue from subscriptions to our critical communications applications, which represented 96%, 96% and 97% of our total revenue in 2017, 2016 and 2015, respectively. Historically, we derived more than 74% of our revenue in each of the last three fiscal years from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform, as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications and the number of contacts that our customers purchase over time.

### **Recent Developments**

In December 2016, we acquired 100% of the shares of Svensk Krisledning AB, or Crisis Commander. We acquired Crisis Commander for cash consideration of approximately \$2.3 million with additional time and performance-based milestones which will result in an additional payment of \$0.4 million in March 2018. Crisis Commander is a SaaS mobile crisis management company operating out of Sweden.

In January 2017, we acquired 100% of the shares of IDV Solutions, LLC, or IDV. We acquired IDV for cash consideration of approximately \$21.3 million, with additional time and performance-based milestones that resulted in additional payments of \$3.8 million. IDV is a provider of threat assessment and operational visualization software located in Lansing, Michigan.

In April 2017, we completed a follow-on public offering in which we sold 553,825 shares of our common stock, which included 26,825 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares, at a public offering price of \$19.85 per share. In addition, 3,162,164 shares of our common stock were sold by selling stockholders, which included 73,000 shares sold pursuant to the exercise of employee stock options by certain selling stockholders. We received net proceeds of \$9.9 million, after deducting underwriting discounts and commissions and offering expenses paid. We did not receive any proceeds from the sales by the selling stockholders.

In November 2017, we completed a public offering of \$115.0 million aggregate principal amount of 1.5% convertible senior notes due 2022, or the Notes, including \$15.0 million in principal amount of Notes issued upon exercise in full by the underwriters of an option to purchase additional Notes. Also in November 2017, Jaime Ellertson, our Chief Executive Officer, completed a secondary public offering of 747,500 shares of our common at a public offering price of \$26.97 per share, including 97,500 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares. We did not receive any proceeds from the sales by Mr. Ellertson.

In February 2018, we entered into a transaction agreement with Unified Messaging Systems ASA, or UMS, and our wholly-owned subsidiary Everbridge Holdings Limited, or Holdings, pursuant to which Holdings has commenced a tender offer to purchase all of the issued and outstanding shares of capital stock of UMS at a price of 1.37 Norwegian kroner per share, or the Offer Price. Based on the offer price, the aggregate price for the UMS shares would be approximately 268 million Norwegian kroner, or approximately \$33.6 million. Holders of approximately 67.3% of the UMS Shares have entered into pre-acceptances with Holdings, pursuant to which such holders have pre-accepted the offer for all shares they own. In addition, Holdings has entered into conditional purchase agreements with holders of options to purchase 2,285,000 shares of capital stock of UMS, whereby Holdings will purchase such options at a price equal to the difference between the Offer Price and the exercise price for the options, subject to the closing of the offer. The aggregate purchase price for the options is 1,066,700 Norwegian kroner. These pre-acceptances with respect to UMS shares and commitments to sell options may be withdrawn by the shareholders and the option holders in the event a superior competing offer is launched and the Board of Directors of UMS decides to recommend such competing offer. The closing of the tender offer for UMS shares is subject to satisfaction or waiver of customary closing conditions, including a minimum acceptance of at least 90% on a fully diluted basis or such lower percentage (not being less than 50%) of the UMS shares as we and Holdings determine. As a result, we cannot be certain that we will be able to complete the tender offer and close the transaction. The complete details of the offer, including all terms and conditions, are included in an offer document complying with the requirements of the Norwegian Securities Trading Act and which has been distributed to UMS shareholders. This Annual Report does not in itself constitute an offer. The offer will only be made on the basis of the offer document and can only be accepted pursuant to the terms of such document.

## **Industry Background**

Over the past two decades, methods to assess critical events and to automate and accelerate the process of managing and responding to such events have evolved rapidly, in tandem with advances in technology, to include automated or system-generated responses, including voice calls, text messages, emails, social media and outdoor digital signage. In critical situations, the speed at which information is transmitted and accessed is essential.

### ***Evolution of Critical Event Management Solutions***

Traditional solutions for critical communications have not kept pace with the increasingly digital world, the evolving threat landscape and the opportunity to leverage technological innovation to more effectively communicate with people. These solutions are often developed in-house or are not truly enterprise grade in scale and reliability, leaving many organizations to use analog, manual, one-way and people-based modalities to communicate with relevant stakeholders. These solutions lack the scale to reliably address the breadth of the different critical challenges that organizations increasingly face, the sophistication required to address evolving needs with aggregated data and analysis for threat assessment, automated workflows and the ability to rapidly deliver messages that are contextually tailored to multiple, specific audiences, in precise locations, using a variety of different communication modalities. Traditional critical communication solutions also typically send notifications based upon a person's static work or home address. Given the mobile nature of today's workforce, solutions now need to be able to dynamically locate who is near a critical event and send instructions to impacted parties and responders based upon where they actually are.

CEM solutions build upon the strengths of modern critical communications. Organizations today typically manage critical events across the organization in silos that use disparate data sources and unintegrated tools, making it difficult to achieve a common operational view of threats and of the status of response. Utilizing a common contact base, consistent rules engines, threat databases that are integrated with information on the location of an organization's people, assets and suppliers, and a common visualization platform, CEM solutions can provide a more integrated solution which can improve management control and visibility and lower costs. The ability to cohesively and rapidly share information and collaborate across the organization underlies creating a common operational approach.

### ***Requirements of Effective Critical Event Management Solutions***

In order to deliver effective critical communications solutions, several requirements must be met:

- ***Comprehensive Solution.*** Organizations require an enterprise-scale, comprehensive solution that can provide them with aggregated data and automated workflows and deliver intelligent, contextual messages across multiple communications modalities – all operated from desktop or mobile devices to accommodate managing critical events whenever they occur.
- ***Scalability and Speed.*** Organizations require a solution that is agile and flexible enough to reach individuals at both high volume/low frequency intervals, such as emergency mass notification situations, and low volume/high frequency intervals, such as for IT alerting and secure messaging.
- ***Enterprise-Grade Reliability.*** Given the inherent nature of critical events, organizations require a solution that is robust, resilient and highly redundant, with a high level of assured uptime and a low degree of fault tolerance.
- ***Situational Assessment.*** Organizations require ready access to information from weather feeds, threat sources and IT monitoring systems, as well as the ability to incorporate trends from social media and feedback from their personnel in the field, in order to assess critical events and impacted areas.
- ***Dynamic Location Capability.*** With today’s mobile workforce, organizations need to be able to locate and instruct impacted people, and identify and organize responders, based on where they actually are, not just based on their static office or home location.
- ***Visualization.*** Organizations require a visualization platform that integrates threat and incident data from a wide variety of sources, as well as updates on the status of incident response tasks, in order to improve their ability to assess the potential impact of events and the success of mitigation strategies, and to improve management control.
- ***Security and Regulatory Compliance.*** Organizations require a solution that is architected to ensure data and communications security given the significance of the content being managed and the regulatory requirements that apply to the sensitive data being communicated.
- ***Intelligent Communication and Contextual Personalization.*** Organizations require sophisticated, intelligent technology that can tailor both the content of communications and the modalities through which they are delivered based on differing individual preferences and roles and responsibilities within the organization.
- ***Ease-of-Use.*** Given the need for speed and the pressure and anxiety most people experience in critical situations, organizations require a solution that is simple and easy-to-use, particularly when lives and property are at risk.
- ***Real-Time and After-Event Reporting and Analytics.*** To ensure that organizations can measure and improve performance around critical events, a solution should provide detailed, timely and compliant reporting and analytics on organizational responsiveness and the effectiveness of communications.
- ***Global Reach and Local Expertise.*** Global communications require a “local” approach to deal with the complexity of varying cultural preferences, languages and device types, as well as technical and regulatory requirements.



## Key Benefits of Our Solutions and Competitive Strengths

Everbridge was founded with a vision to help organizations communicate quickly and reliably to deliver the right message to the right people, on the right device, in the right location, at the right time during public safety threats and critical business events. Our CEM solutions enable organizations to assess threats, locate impacted people and assets, and manage and respond to critical events, all on a single platform. Key benefits of our solutions and competitive strengths include the following:

- **Comprehensive, Enterprise-Scale Platform.** The core of our solutions is our Critical Event Management platform, which provides multiple layers of redundancy to assure uptime and delivery of communications regardless of volume or throughput requirements. The platform is secure, scalable and reliable, enabling the delivery and verification of tens of millions of different communications virtually anywhere, in any volume, in near real-time. In 2017, we delivered 2.0 billion communications, or over 69 communications per second, through our globally distributed data centers.
- **Out-of-the-Box, Scalable and Mobile Applications.** Our SaaS-based applications are out-of-the box, enterprise-ready and can be utilized without customer development, testing or ongoing maintenance. Regardless of a customer or prospect's size or needs, our applications are built to scale to its largest and most complex critical communications requirements.
- **Aggregated Threat Data and Analysis.** Our software gathers and analyzes information from weather data feeds, public safety and threat data feeds, social media, IT ticketing systems and monitoring systems, as well as inputs and feedback from two-way and polling messages. Data can be geo-mapped and threat and incident data can be used to automatically trigger simple or complex workflows that are tied to standard operating procedures or run-books.
- **Contextual Communications.** We enable intelligence and personalization in the critical communications process by delivering contextual communications. Our customers can deliver and escalate critical communications broadly to a mass population or to a targeted subset of individuals based on geographic location, skill level, role and communication modality preferences for rich, two-way collaboration.
- **Dynamic Location Awareness.** Our platform can provide organizations with the ability to send and receive notifications based on the last known locations of people, not just based on a static office or home address. Our platform integrates with a variety of sources of location information, including building access control systems and corporate network access solutions. This location-specific approach enables organizations to quickly determine which individuals may be affected by a public safety threat or able to respond to a critical business event, and to provide targeted and relevant instructions and two-way communications.
- **Large, Dynamic and Rich Communications Data Asset.** As of December 31, 2017, our data asset consists of our contacts databases that manage approximately 199 million contact profiles and connections from more than 3,700 customers based in 38 countries. Our contacts databases, which we refer to as contact stores, are initially created through an upload of contacts from the customer and are automatically updated with the most current contact information provided by the customer or by individuals who opt-in to receive notifications from our Community Engagement application. Our contact stores are repositories for all contact details, attributes and business rules and preferences, such as a person's last-known location, language spoken, special needs, technical certifications and on-call status.
- **Multi-channel Visualization.** Our platform provides the ability to create an integrated view of threats, incidents and the status of response, all within the context of the locations of an organization's people, assets and suppliers. Multiple channels of information can be displayed side-by-side so different facets of a critical event can be monitored simultaneously, and the same data can be displayed on personal computer screens and on a large command center wall to provide flexibility in deployment.

- **Robust Security, Industry Certification and Compliance.** Our platform is built on a secure and resilient infrastructure with multiple layers of redundancy. Many of our enterprise applications are designed to meet rigorous security and compliance requirements for financial services firms, healthcare institutions, the U.S. federal government and other regulated industries, including facilitating compliance with FINRA and HIPAA standards. Our solutions received designation under the Support Anti-terrorism by Fostering Effective Technology Act of 2002, or SAFETY Act, and certification by U.S. Department of Homeland Security that places us on the approved product list for homeland security. Our solutions are also accredited under the Federal Information Security Management Act of 2002, or FISMA.
- **Automated Workflows.** Our platform automates the workflows required to complete a critical notification, including establishing the individuals within an organization authorized to send messages, the groups of stakeholders to whom messages will be sent and the content of messages to be sent to different groups of relevant stakeholders, in each case based on incident type. We believe that this automation reduces the amount of time required to send critical notification as well as the associated cost. Our platform also enables customers to automatically establish procedures for improving the success of communication efforts.
- **Globally Local.** Our platform is designed to be utilized globally while accounting for local cultural, linguistic, regulatory and technological differences. We have relationships with suppliers and carriers in multiple countries to ensure delivery in compliance with local, technical and regulatory requirements. We have localized our user interface in 15 languages and dialects that are spoken by more than 60% of the world's population.
- **Next-Generation, Open Architecture.** We developed our platform to easily integrate our applications with other systems. Our solutions provide open Application Program Initiatives, or APIs, and configurable integrations, enabling our platform to work with our customers' and partners' pre-existing processes and solutions, increasing the business value we deliver.
- **Actionable Reporting and Analytics.** Our platform provides real-time dashboards, advanced map-based visualization and ad-hoc reporting across notifications, incidents and contacts. This information is easily accessed for required after-event reviews, continuous process improvements and regulatory compliance.

### **Our Growth Strategy**

We intend to drive growth in our business by building on our position as a global provider of critical event management, critical communications and enterprise safety applications. Key elements of our growth strategy include:

- **Accelerate Our Acquisition of New Customers.** We have multiple paths of entry into new customers with our portfolio of applications, which are used for a wide variety of use cases across a diverse set of verticals markets. We intend to capitalize on the breadth of our solutions and the technological advantages of our CEM platform to continue to attract new customers. In parallel, we plan to attract new customers by investing in sales and marketing and expanding our channel partner relationships.
- **Further Penetrate Our Existing Customers.** With revenue retention rates of over 110% for each of the last three years, we believe that there is a significant opportunity within our existing customer base to expand their use of our platform, both by selling new applications and features to our existing customers and selling to additional departments in their organizations. We believe that we have a significant opportunity to increase the lifetime value of our customer relationships as we educate customers about the benefits of our current and future applications that they do not already utilize and of taking an integrated CEM approach. In the last three years we have added five new applications, which have already begun to experience significant growth. These new applications have grown from 6% in the first quarter of 2015 to 46% in the fourth quarter of 2017 of our contracted sales, which represent the total dollar value of new agreements entered into within the prior 12 months, exclusive of renewals.

- ***Develop New Applications to Target New Markets and Use Cases.*** Our platform is highly flexible and can support the development of new applications to meet evolving safety and operational challenges. For example, our Safety Connection application enables organizations to locate people and send them notifications based on their dynamic last known location, while actively incorporating threat and other data to allow for targeted and relevant communications. While the historic market for corporate security and safety solutions has been focused on establishing perimeters – locks, alarms and guards – to keep threats to employees outside of the physical premises, our solutions are responsive to the dramatic shift towards an increasingly mobile workforce where employees spend less time in traditional offices. At the same time, protection of employees at traditional places of business remains crucial. Market research completed in 2016 by us together with Emergency Management & Safety Solutions, found that while organizations were very concerned about the risk of workplace violence, 79% said they were at best only somewhat prepared for an active shooter event, and communicating with people in an impacted building was seen as the biggest challenge. In light of these dynamics, we intend to continue to develop new applications for use cases in a variety of new markets and to leverage our platform and our existing customer relationships as a source of new applications, industry use cases, features and solutions.
- ***Expand Our International Footprint.*** We intend to continue to expand our local presence in regions such as Europe, the Middle East and Asia to leverage our relationships with local carriers and our ability to deliver messages to over 200 countries and territories in 15 languages and dialects as well as expand our channel partnerships and also to opportunistically consider expanding in other regions.
- ***Maintain Our Technology and Thought Leadership.*** We will continue to invest in our core CEM platform and our applications to maintain our technology leadership position. For example, we believe that we are the only company today that provides a full, integrated CEM solution and that we provide the first solution to offer dynamic versus static location awareness integrated with analysis and communications for the employee safety and security marketplace. Further, we believe we have a competitive advantage through our commitment to innovation and thought leadership that has enabled us to take market share from our competitors and accelerate our growth.
- ***Opportunistically Pursue Acquisitions.*** We plan to selectively pursue acquisitions of complementary businesses, technologies and teams that allow us to penetrate new markets and add features and functionalities to our platform.

### **Our Market Opportunity**

There is a significant demand for CEM solutions that meet the above requirements. We estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, that the market for CEM solutions represented an \$18.3 billion worldwide opportunity in 2015. This consists of an estimated addressable market of \$7.3 billion in North America and \$11.0 billion outside of North America. As the adoption of targeted and contextually aware CEM solutions continues to expand and take hold across a broader cross-section of organizations and industry verticals, we estimate, based on data from Frost & Sullivan, presented in an independent study commissioned by us, and data from Markets and Markets, that our addressable market will grow at a compound annual growth rate of 17.5% to \$41.1 billion in 2020.

More specifically, Markets and Markets estimates that the aggregate market for mass notification software and services was \$1.7 billion in 2015 and is projected to grow at a compound annual growth rate of 20.9% to \$4.4 billion in 2020. Within the market for mass notification software and services, Markets and Markets estimates that the distributed recipient solutions segment was \$713 million in 2015, and is projected to grow at a compound annual growth rate of 24.8% to \$2.6 billion in 2021. Further, Frost & Sullivan estimates that: (1) the market for IT service alerting was \$183 million in 2015 and is projected to grow at a compound annual growth rate of 32.7% to \$753 million in 2020; (2) the market for telemedicine was \$374 million in 2015 and is projected to grow at a compound annual growth rate of 15.0% to \$752 million in 2020; (3) the market for secure mobile messaging was \$325 million in 2015 and is projected to grow at a compound annual growth rate of 16.4% to \$694 million in 2020; (4) the market for community engagement was \$122 million in 2015 and is projected to grow at a compound annual growth rate of 33.4% to \$516 million in 2020; and (5) the market for IoT was \$3.3 billion in 2015 and is projected to grow at a compound annual growth rate of 24.6% to \$9.9 billion in 2020. Finally, Markets and Markets estimates that: (1) the market for safety and security and physical security and information management was \$9.6 billion in 2015, and is projected to grow at a compound annual growth rate of 8.9% to \$14.8 billion in 2020; and (2) the market for predictive analytics was \$2.7 billion in 2015, and is projected to grow at a compound annual growth rate of 27.4% to \$9.2 billion in 2020.

## **Our Platform**

Since inception, our SaaS-based critical communications engine was architected on a single code base to deliver multi-tenant capability and the speed, scale and resilience necessary to communicate globally when a serious event occurs. This engine is designed to address both the emergency and operational components of a critical communications program, and is capable of providing two-way communications and verified delivery in accordance with our customers' escalation policies. Our critical communications engine has multi-modal communications reach, including redundant global SMS and voice delivery capabilities, and is designed to comply with local, technical and regulatory requirements, which we believe has provided us with a competitive advantage. For example, we believe that our early deployment of local SMS codes intended to comply with rules established by the Telecom Regulatory Authority of India allowed us to increase our SMS delivery success rates in India. Our CEM platform builds on the strengths of this critical communications engine, adding capabilities for integrated threat assessment, visualization, incident management and analytics.

Additional core technical attributes of our platform include:

- Monitors more than 100 types of threat data for situation assessment.
- Multi-tenant architecture that supports multiple layers of redundancy to maximize uptime and delivery of critical content, regardless of volume or throughput requirements.
- Dynamic spatial/geographic information system capability to geo-target communications by zip code, street address or a specific radius from a location.
- Support for two-way communications and alerting on over 100 different devices and endpoints, including landline and wireless phones, hand-held communication and other voice-capable devices, satellite, SMS, two-way radios, outdoor digital signage, sirens and internet enabled devices.
- Designed to meet rigorous security and compliance requirements for financial services firms, healthcare institutions, the U.S. federal government and other regulated industries, including facilitating compliance with health care requirements such as HIPAA privacy and security standards.
- Extensive set of APIs and configuration capabilities to allow customers and partners to easily integrate our platform with other systems. Our APIs' two-way invocation capabilities enable third-party systems to flexibly and easily integrate with our platform.
- Multi-channel visualization capabilities support integrated views of threats, incidents and status of response to improve management visibility and control.
- Supports easy-to-use native mobile applications, including multiple secure mobile applications for message initiation, management and reporting.
- Supports push notifications and two-way conversations that enable mobile users to send and receive secure messages such as text, pictures, videos and the users' current geographic locations.

## ***Our Contact Stores***

Our contact stores manage approximately 199 million contact profiles and connections from more than 3,700 customers based in 38 countries as of December 31, 2017, up from 15 million contact profiles as of December 31, 2012. They are initially created through an upload of contacts from the customer and are automatically updated with the most current contact information provided by the customer or by individuals who opt-in to receive notification from our Community Engagement application. Our contact stores are simultaneously enriched by geographic, situational and other real-time data. Our contact stores are repositories for all contact details, attributes and business rules and preferences, such as a person's last-known location, language spoken, special needs, technical certifications and on-call status.

We leverage the data contained in our contact stores in a number of significant ways. Our data asset across multiple verticals enables us to develop best practices for reaching the intended contact, on the correct device, at the right location, at the appropriate time. We also use these data to better understand our customer base and their emerging use cases in order to improve our existing applications and develop new applications.

## ***Everbridge Publishing Network***

An important component of our platform is our Everbridge Publishing Network, which allows our customers to share relevant situational awareness information with each other. Public safety agencies, for example, can publish information to the Everbridge Publishing Network about incidents that might prove disruptive to the movement of people, goods and services for businesses within a certain area. If any of those businesses are also customers of ours, they will receive this information from a source they know is vetted and reliable, and will be able to take timely steps to mitigate or remediate the situation.

## **Our Applications**

Through our CEM platform, we deliver reliable enterprise-ready applications that provide organizations with the ability to assess threats, locate people, automate actions, monitor incident response, and deliver contextual communications in any volume, in near-real time. We have designed our applications' user interface to be easy to use. We understand that since some of our applications will be utilized to manage complex situations or to send large volumes of messages to key stakeholders during stressful situations, streamlining the user interface to reduce user errors and anxiety is essential. We conduct extensive usability testing and design reviews with our stakeholders, and have applied in our designs the lessons learned over more than a decade of working with critical communications users and professionals.

Our applications enable:

- Communications to key stakeholders during emergency situations.
- Corporate communications with customers and employees.
- Automated outreach to on-call personnel.
- Integrated threat assessment and visualization.
- Integration of physical security data with location awareness data gathered from travel, network and access systems to rapidly find and communicate with employees during disruptive events.
- Securely designed and efficiently implemented communications among healthcare providers and patients.
- Community engagement and collaboration with citizens and businesses.
- Critical IoT communications between machines and from machines to people
- Mobile response plan deployment and management of incidence response.

Our applications include:

- ***Mass Notification.*** Our secure, scalable and reliable Mass Notification application is our most established application and enables enterprises and governmental entities to send contextually aware notifications to individuals or groups to keep them informed before, during and after natural or man-made disasters and other emergencies. We provide robust analytics, map-based targeting, flexible group management, distributed contact data, language localization, multiple options for contact data management and a globally-optimized approach to voice and SMS routing. We also support community engagement functionality, which provides a direct link between residents and emergency management departments with the goal of fostering public safety.
- ***Safety Connection.*** Our Safety Connection application enables organizations to send notifications based on dynamic last known location of an individual, including the airport, street, building floor or conference room at which the individual was most recently present, while actively incorporating threat and other data to allow for targeted and relevant communications. When fully deployed, the application can also aggregate near real-time data from multiple sources, including building access control systems, wired and wireless network access points, travel management systems and mobile application check-ins. We believe that Safety Connection represents a significant advance in helping organizations use critical communications to keep their constituents safe, as many current solutions use only static office and residential locations that are not sufficiently location-aware relative to an increasingly mobile workforce.

- **Incident Management.** Our Incident Management application enables organizations to automate workflows and make their communications contextually relevant using drag and drop business rules to determine who should be contacted, how they should be contacted and what information is required. We believe that this application decreases costly human errors and reduces downtime, while simultaneously capturing required compliance information. We also support cross-account collaboration and situational intelligence sharing during crises for corporations and communities.
- **IT Alerting.** Our IT Alerting application enables IT professionals to alert and communicate with key members of their teams during an IT incident or outage, including during a cyber security breach. The application integrates with IT service management platforms, including ServiceNow, and uses automatic escalation of alerts, on-call scheduling and mobile alerting to automate manual tasks and keep IT teams collaborating during an incident. We also provide real-time shift calendars with integrated on-call notifications to help users better manage employee resources and get the right message to the right person, at the right time through automated staffing. Taken together, our IT Alerting application has the potential to provide meaningful savings to organizations by reducing mean-time-to-repair. Each minute of unplanned downtime costs organizations an average of approximately \$8,900 according to Ponemon Institute, while 59% of Fortune 500 companies experience 1.6 hours of downtime per week, according to Dunn & Bradstreet. IHS, Inc. estimates information and communication technology downtime costs North American organizations \$700 billion per year.
- **Visual Command Center.** Our Visual Command Center application enables customers to monitor and integrate more than 100 types of threat data, as well as information on internal incidents, to generate and visualize an alert when potential risks occur within proximity of an organization's physical locations, suppliers, assets or people. The solution improves the ability to more quickly understand and assess the impact of threats, execute the correct response, and monitor on-going resolution in order to mitigate risk to personnel safety, business continuity, assets and supply chain operations.
- **Community Engagement.** Our Community Engagement application integrates emergency management and community outreach by providing local governments with a unified solution to connect residents to their public safety department, public information resources, and neighbors via social media and mobile applications. This creates a stronger and more engaged community improving the communication reach for emergency personnel, while providing residents with real-time emergency and community information, and allows residents to anonymously opt-in and provide tips. For example, the City of Philadelphia experienced a 70% increase in opt-ins in 2015 with our Community Engagement application.
- **Crisis Commander.** Our Crisis Commander application provides mobile access to crisis, recovery and brand protection plans, as well as the capability to manage a crisis or event through role-based assignments and status updates. Organizations can enhance their overall crisis management efforts by making plans readily available to responders on the most popular mobile platforms regardless of their location. The application also simplifies updating plans for changes to personnel or processes, and enhances visibility into response progress during a critical event.
- **Secure Messaging.** Our Secure Messaging application meets the compliance and security requirements of organizations that need to provide an alternative way for their employees to communicate and share nonpublic information. A tailored version of our Secure Messaging application, CareConverge, is designed for medical professionals and facilitates HIPAA-compliant communications without the need for pagers and other single use devices, supporting the development of a "connected" hospital. CareConverge also facilitates telemedicine by allowing medical professionals to hold video conferences with patients and other medical professionals as well as share medical imaging, lab results and other critical information. Our Secure Messaging application also enables financial services organizations' employees and customers to securely communicate via text, voice, and video, while remaining FINRA compliant.

## Our Technology

The design and development of our applications, and our critical communication and critical event management platforms include the following key attributes:

- **Robust, Enterprise-Grade Scalability and Reliability.** Given the mission-critical nature of our solutions, our multi-tenant platform was designed to provide a robust, high level of resiliency, scalability and redundancy. We use multiple geographically distributed service providers and communications carriers to achieve a high degree of redundancy, fault tolerance and cost-effective operations. We have multiple layers of redundancy and a horizontal scaling model across our infrastructure to deliver high availability and performance. Our redundant data centers are located in Los Angeles, California; Denver, Colorado; San Francisco, California; Dallas, Texas; St. Louis, Missouri; and Toronto, Canada as well as in Germany, the United Kingdom and the Netherlands. Similarly, we leverage redundant downstream communications providers to enable our services to remain uninterrupted even if a particular provider encounters technical difficulties.
- **Multi-Modal, Globally Local Communications Delivery.** We optimize international call routing across hundreds of telecommunications providers to enable higher voice quality, improved delivery rates during emergencies and the ability to configure local caller IDs to improve recognition and answer rates. We also work with multiple SMS providers to identify regulatory hurdles and deploy and actively manage an optimal mix of national and international SMS codes to ensure high delivery and response rates.
- **Security and Compliance.** Our security and data protection policies and controls are based on the Federal Information Security Management Act risk management framework defined by the National Institute of Standards and Technology, or NIST, special publication, or SP, 800-37. To meet the rigorous standards of our enterprise and government customers, an independent and accredited third-party security assessment firm annually verifies our compliance with over 800 security and data protection requirements detailed in NIST SP 800-53. Through this process, we map our compliance with other security and data privacy frameworks including ISO 27001 and HIPAA. In addition, we hold certifications including SysTrust Statement on Standards for Attestation Engagements No. 16, Service Operations Controls 2 & 3. We have also been awarded approvals by DHS that enable us to receive priority treatment for vital voice and data circuits or other telecommunications services. More recently, our critical communications solutions received designation under the SAFETY Act and certification by DHS that places us on the approved product list for homeland security and provides us with the highest level of liability protection available under the SAFETY Act. The certification similarly protects our customers from legal liability claims arising from acts of terrorism, as contemplated by the SAFETY Act. Further, our solutions are accredited under FISMA and we are certified under the EU-US Privacy Shield to meet regulatory requirements governing the processing of European Union residents' personal data outside of the European Union.
- **Hybrid Infrastructure.** To provide highly scalable and global solutions, we employ redundant, geographically diverse production implementations of our platform infrastructure in multiple SOC 2-compliant data center facilities in North America and Europe. Within each data center, we utilize a hybrid-cloud architecture that enables us to leverage both proprietary and third-party infrastructure services to enable "on-demand" capacity and performance without substantial upfront investment. Our architecture enables our platform to dynamically determine the best location from which to deliver critical communications on behalf of our customers and solves many international communications delivery challenges by utilizing in-country or in-region telephony, messaging and data communication providers. Our infrastructure is continuously maintained and monitored by dedicated engineers based in redundant network operations centers in the Los Angeles and Boston areas.
- **Dynamic Location Detection.** Our platform can create and update dynamic data sets containing a contact's last-known location, including the airport, street, building floor or conference room at which the contact was most recently present. Multiple data sources can be aggregated including building access control and badging systems, wired and wireless network access points, and corporate travel management and office hoteling systems. These data are used to best locate a contact in an emergency or critical business situation, independent of the contact's home or office location. Contacts can also share their location via a three-in-one mobile panic button application, which sends a panic message to the applicable organization's security team, and also includes the ability to send audio and video content, to check-in to capture and report geo-location data and to establish a safe corridor through a potentially unsafe area.

## Our Comprehensive Customer Support Services

We are committed to the success of our customers. We demonstrate this commitment by offering a comprehensive set of support services to help our customers get started quickly, follow best practices, and realize on-going value from our critical communications solution. Our support services include:

- **Rapid Onboarding.** We leverage a proven methodology and domain expertise, honed through thousands of customer on-boardings worldwide, to enable rapid use of our platform and compliance with industry best practices. Promptly after a customer purchases one or more of our applications, our dedicated onboarding team begins to configure our solutions to meet the customer's needs, including specific messages and scenarios, ad-hoc report templates and incident management reviews. The onboarding service incorporates years of critical communications experiences, including our critical communications certification training through Everbridge University, to improve customer success. The average implementation time for new customers purchasing our solutions is 10 hours.
- **Everbridge University.** We offer online education, training and professional development through Everbridge University, with role-based training modules that can be customized to meet a customer's needs and that can facilitate formalized knowledge transfer and ensure ongoing self-sufficiency. Everbridge University is available anytime, online and is configured for self-paced use. To date, Everbridge University has delivered over 700,000 online training lessons.
- **Dedicated Account Management.** We assign dedicated account managers to all customers. Our account managers work exclusively with customers in a specific industry so they understand the applicable needs and challenges. They act as informed guides to help our customers make effective decisions in deploying our applications. Account managers perform regular service reviews and post-incident analyses of customer communications to incorporate communication best practices, and recommend additional applications to meet the customer's critical communications needs.
- **24/7 Technical Support & Emergency Live Operator Service.** We have established geographically redundant technical support centers in the Los Angeles, California; Boston, Massachusetts; and London, United Kingdom areas. From these support centers, we offer our customers 24/7 support by phone, email or through our online support center. In addition, our support centers offer a 24/7 emergency live operator service to assist customers with sending critical communications.
- **Premium Support Services.** With an understanding of the critical role that our solution plays, we have invested in assembling an expert professional services organization to deliver premium support service packages to our customers. Our professional services team includes certified emergency management and critical communications practitioners. Our premium support services address the unique challenges of customers' organizational structures, operational requirements, implementation and training needs. We believe that we help customers achieve faster time-to-value by providing on-site project management, consultation with a certified critical communications professional, creation of client-specific message and scenarios, development of ad-hoc report templates and on-site emergency and incident management reviews.

## Our Customers

Our customer base has grown from 867 customers at the end of 2011 to more than 3,700 customers as of December 31, 2017. We define a customer as a contracting entity from which we generated \$100 or more of revenue in the prior month, either directly or through a channel partner. We do not include customers of our wholly-owned subsidiary, Microtech, which generates an immaterial amount of our revenue in any given year. At the end of 2011 we had 20 customers with contracts valued at \$100,000 or more, whereas as of December 31, 2017 we had 204 customers with contracts valued at \$100,000 or more, including 10 customers with contracts in excess of \$500,000. As of December 31, 2017, our customers were based in 38 countries and included nine of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 25 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide solutions to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and government agencies. Our customers span a wide variety of industries,



including technology, energy, financial services, transportation, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services. For the year ended December 31, 2017, 52% of our revenue was generated from enterprise customers, 33% from government and government-related customers and 15% from healthcare-related customers. No customer contributed more than 4% of our total revenue for the year ended December 31, 2017.

Some of our representative customers by sector include the following:

<b>Enterprise</b>	<b>Healthcare</b>	<b>State and Local Government</b>
Alexion Pharmaceuticals	Alexian Brothers Medical Center	Boston Police Department
Cardtronics	Boston Children's Hospital	Chicago Department of Aviation
Choice Hotels	Catholic Health Initiatives	City of Torrance
Customers Bank	Children's Hospital of Philadelphia	Florida Division of Emergency Management
Digital Realty	Covenant Health System	Los Angeles Police Department
DTE Energy	Doctors Health at Renaissance Health System	Miami International Airport
East West Bank	Florida Health	Muskingum Watershed Conservancy District
EnerNOC	Hawaii Pacific Health	National Capital Region
Ericsson	Molina Healthcare	Northeast Region Community Awareness Emergency Response
Express Scripts	Penn State Health Milton S. Hershey Medical Center	State of Connecticut, Department of Emergency Services and Public Protection
Facebook	Penrose St. Francis Health Services	University of Louisiana System
KOR Energy	Spectrum Health	U.S. Department of Transportation
Pearson	Vanderbilt University Medical Center	
Sierra Nevada		
Uber		
Xerox		

### **Sales and Marketing**

Our sales and marketing organizations collaborate to create brand preference, efficiently and effectively generate leads, build a strong sales pipeline and cultivate customer relationships to help drive revenue growth. Our go-to-market strategy consists of a strong thought-leadership program, digital marketing engine and a diversified sales organization designed to efficiently sell across vertical markets to organizations of all sizes. We have dedicated sales teams focused on corporate customers, government customers and healthcare organizations, which covers U.S. federal, state and local governmental entities.

We believe that our sales and marketing model is economically compelling. We spent \$1.00 and \$0.95 to generate each \$1.00 of new sales in 2017 and 2016, respectively, which reflects our sales and marketing expense incurred in 2017 and 2016 (other than expense related to employees dedicated to client retention) compared to 12 months of contract value for contracts entered into in 2017 and 2016, and \$0.06 to renew each \$1.00 of renewal sales in each of 2017 and 2016, which reflects our sales and marketing expense related to employees dedicated to client retention compared to 12 months of contract value for contracts renewed in 2017 and 2016.

### **Sales**

We sell our solutions through our telephone and direct inside sales teams, a direct field sales team and a growing partner channel. Our global sales teams focus on both new customer acquisition and up-selling and cross-selling additional and new offerings, respectively, to our existing customers. Our sales teams are organized by geography, consisting of the Americas; Europe, the Middle East and Africa, or EMEA; as well as by target organization size. Our inside sales team focuses typically on small and middle-market transactions, while larger or more complex transactions are generally handled by our direct field sales teams. Our highly trained sales engineers help define customer use cases, manage pilots and train channel partners.

In addition to the vertical and geographic distribution of our salesforce, we have dedicated teams of account executives focused on net new accounts and growth of existing accounts, account managers responsible for renewal of existing accounts, and business development representatives targeting new and growth business opportunity creation. Our sales representatives use phone, email and web meetings to interact with prospects and customers. In 2017, we increased the headcount of our sales organization, and we intend to continue to invest in building our global sales and go-to-market organizations.

We also sell through channel partners both domestically and internationally. To help integrate our applications with other third-party services and take advantage of current and emerging technologies, we seek to enter into alliances with leading technology companies.

### ***Marketing***

We focus our marketing efforts on increasing the strength of the Everbridge brand, communicating product advantages and business benefits, generating leads for our salesforce and channel partners, leveraging geographic market strengths and driving product adoption. We run campaigns that take advantage of a network effect in which success within a region encourages other organizations within that area to choose our solutions, in part to be using a system consistent with that of other entities in the area with which they may share information or best practices. We deliver targeted content to demonstrate our thought leadership in critical communications best practices and use digital advertising methods to drive conversion of potential prospects, which convert to opportunities for our sales organization.

Our marketing team focuses on inbound marketing through our industry-leading content, resources, and sharing customer best practices. We rely on multiple marketing and sales automation tools to efficiently market to, and automatically identify qualified individuals using product and industry specific criteria. We use multiple marketing tactics to engage with prospective customers including: email marketing, event marketing, print and digital advertising, and webinar events. We engage with existing customers to provide vertically-based education and awareness and to promote expanded use of our current and new software offerings within these customers. We also host regional and national events to engage both customers and prospects, deliver product training and foster community.

### **Research and Development**

We invest substantial resources in research and development and leverage offshore development in multiple geographies to implement a “follow the sun” engineering strategy and to increase the efficiency of our overall development efforts. We enhance our core technology platform and applications, develop new end market-specific solutions and applications, and conduct application and quality assurance testing. Our technical and engineering team monitors and tests our applications on a regular basis, and we maintain a regular release process to refine, update, and enhance our existing applications. Research and development expense totaled \$22.2 million, \$14.8 million and \$11.5 million for 2017, 2016 and 2015, respectively.

### **Our Competition**

The market for CEM solutions is highly fragmented, intensely competitive and constantly evolving. We compete with an array of established and emerging companies, many of whom are single product or single market focused, as well as in-house solutions. With the introduction of new technologies and market entrants, we expect the competitive environment to remain intense going forward. The primary competitors for our Mass Notification and Incident Management applications include: BlackBerry Limited, F24 AG, Enea Inc., Nuance Communications, Inc., OnSolve, LLC and SunGard Data Systems Inc. The primary competitors for our IT Alerting application include: PagerDuty, Inc. and xMatters, Inc. The primary competitors for our Secure Messaging application include: DocHalo, LLC, Spok, Inc., Perfect Serve, Inc. and TigerText, Inc. With respect to our recent acquisitions, the primary competitors for our Visual Command Center and Crisis Commander applications include Planet Risk Inc. and In Case of Crisis, respectively.

We compete on the basis of a number of factors, including:

- product functionality, including local and multi-modal delivery in international markets;
- breadth of offerings;
- performance, security, scalability and reliability;
- compliance with local regulations and multi-language support;
- brand recognition, reputation and customer satisfaction;
- ease of implementation, use and maintenance; and
- total cost of ownership.

We believe that we compete favorably with respect to all of these factors and that we are well positioned as a leading provider of targeted and contextually relevant critical communications.

### **Intellectual Property**

Our future 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.

We have numerous issued patents and patent applications pending. 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 “Everbridge” and “Nixle” names in the United States, and have registered the “Everbridge” name in the European Union. We have registrations and/or pending applications for additional marks in the United States; 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.

We also license software from third parties for integration into our offerings, 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.

We are the registered holder of a variety of domestic and international domain names that include everbridge.com, as well as similar variations on that name.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, 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.

If we become more successful, we believe that competitors will be more likely to try to develop solutions that are similar to ours and that may infringe our proprietary rights. It may also be more likely that competitors or other third parties will claim that our solutions infringe their proprietary rights.

Patent and other intellectual property disputes are common in our industry and we have been involved in such disputes from time to time 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. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers whom we typically indemnify against claims that our solution infringes, misappropriates or otherwise violates 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.

### **Government Regulation**

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations may involve privacy, data protection, intellectual property, competition, consumer protection, export taxation or other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations often are uncertain, particularly in the new and rapidly evolving industry in which we operate. Because global laws and regulations have continued to develop and evolve rapidly, it is possible that we may not be, or may not have been, compliant with each such applicable law or regulation. For a discussion of risks related to these various areas of government regulation, see the risk factors set forth in Part I, Item 1A of this Annual Report on Form 10-K.

### **Culture and Employees**

We believe that our culture has been a key contributor to our success to-date and that the critical nature of the solutions that we provide promotes a sense of greater purpose and fulfillment in our employees. We have invested in building a strong corporate culture and believe it is one of our most important and sustainable sources of competitive advantage.

As of December 31, 2017, we had 581 full-time employees, including 128 in data center operations and customer support, 215 in sales and marketing, 159 in research and development and 79 in general and administrative. As of December 31, 2017, we had 459 full-time employees in the United States and 122 full-time employees internationally. None of our U.S. employees are covered by collective bargaining agreements. We believe our employee relations are good and we have not experienced any work stoppages.

### **Facilities**

Our principal executive offices are located in Burlington, Massachusetts, where we occupy an approximately 45,000 square-foot facility under a lease expiring on May 31, 2022, and in Pasadena, California, where we occupy an approximately 19,000 square-foot facility under a lease expiring on June 30, 2018. We also have offices in San Francisco, California; Lansing, Michigan; Orlando, Florida; Maidenhead, England; Colchester, England; Norsborg, Sweden; and Beijing, China.

### **Legal Proceedings**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

## Segments

We view our operations and manage our business as one operating segment. See our consolidated financial statements for a discussion of revenues, operating loss, net loss and total assets.

## Corporate Information

We were initially incorporated under the laws of the State of Delaware under the name 3n Global, Inc. in January 2008. 3n Global, Inc. was initially a wholly-owned subsidiary of National Notification Network, LLC, which was formed in November 2002 as a limited liability company organized under the laws of the State of California. In May 2008, pursuant to a merger agreement between 3n Global, Inc. and National Notification Network, LLC, National Notification Network, LLC merged with and into 3n Global, Inc. We changed our name to Everbridge, Inc. in April 2009.

Our principal executive offices are located at 25 Corporate Drive, Suite 400 Burlington, Massachusetts. Our telephone number is (818) 230-9700. Our website address is [www.everbridge.com](http://www.everbridge.com).

“Everbridge, Inc.,” the Everbridge logo, and other trademarks or service marks of Everbridge, Inc. appearing in this Annual Report on Form 10-K are the property of Everbridge, Inc. This Annual Report on Form 10-K contains additional trade names, trademarks and service marks of others, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this Annual Report on Form 10-K may appear without the ® or TM symbols.

## Geographic Information

For a description of our revenue and long-lived assets by geographic location, see Note 16 of the Notes to our Consolidated Financial Statements included in this Annual Report on Form 10-K. For a discussion of risks related to our international operations, see the risk factors set forth in Part I, Item 1A of this Annual Report on Form 10-K.

## Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge on or through our website at [www.ir.everbridge.com](http://www.ir.everbridge.com) as soon as reasonably practicable after such reports are filed with, or furnished to, the SEC. The SEC also maintains a website, [www.sec.gov](http://www.sec.gov), which contains reports and other information regarding issuers that file electronically with the SEC. The public may read and copy any files with the SEC Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling 1-800-SEC-0330. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

## Item 1A. Risk Factors.

*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 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 case, the trading price of our common stock could decline.*

### **Risks Related to Our Business and Our Industry**

***If our business does not grow as we expect, or if we fail to manage our growth effectively, our operating results and business prospects would suffer.***

We increased our number of full-time employees from 418 to 460 to 581 as of December 31, 2015, 2016 and 2017, respectively. In 2017, we made a significant investment in our sales organization, growing our headcount by 19%, and our revenue increased by \$27.5 million for the year ended December 31, 2017 compared to 2016, due in part to the increase in our customer base.

However, our business may not continue to grow as quickly or at all in the future, which would adversely affect our revenue and business prospects. Our business growth depends on a number of factors including:

- our ability to execute upon our business plan effectively;
- our ability to accelerate our acquisition of new customers;
- our ability to further sell to our existing customers new applications and features and to additional departments in their organizations;
- our ability to develop new applications to target new markets and use cases;
- our ability to expand our international footprint;
- the growth of the market in which we operate;
- our ability to maintain our technology leadership position; and
- our ability to acquire and integrate complementary business, technologies and teams we need.

Further, our growth has placed, and will continue to place, a strain on our managerial, operational, financial and other resources, and our future operating results depend to a large extent on our ability to successfully manage our anticipated expansion and growth. To manage our growth successfully and handle the responsibilities of being a public company, we believe we must effectively, among other things:

- increase our customer base and upsell and cross-sell additional and new applications to our existing customers;
- invest in sales and marketing and expand our channel partner relationships;
- develop new applications that target new markets and use cases;
- expand our international operations; and
- improve our platform and applications, financial and operational systems, procedures and controls.

We intend to continue our investment in sales and marketing, platform and applications, research and development, and general and administrative functions and other areas to grow our business. We are likely to recognize the costs associated with these 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.

If we are unable to manage our growth effectively in a manner that preserves the key aspects of our corporate culture, we may not be able to take advantage of market opportunities or develop new applications or upgrades to our existing applications and we may fail to satisfy customer requirements, maintain the quality and security of our applications, execute on our business plan or respond to competitive pressures, which could result in our financial results suffering and a decline in our stock price.

***We have not been profitable on a consistent basis 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 \$19.6 million, \$11.3 million and \$10.8 million in the years ended December 31, 2017, 2016 and 2015, respectively. As of December 31, 2017, we had an accumulated deficit of \$109.3 million. While we have experienced significant revenue growth in recent periods and profitability solely in the quarters ended March 31, 2014, June 30, 2014 and September 30, 2014, we are not certain whether or when we will obtain a high enough volume of sales of our applications to sustain or increase our growth or achieve or maintain profitability in the future. Our ability to achieve or maintain profitability also has been and will continue to be impacted by non-cash stock-based compensation. 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 substantial financial and other resources on:

- sales and marketing, including a significant expansion of our sales organization, both domestically and internationally;
- research and development related to our platform and applications, including investments in our research and development team;
- continued international expansion of our business; and
- general and administration expenses, including legal and accounting expenses related to being a public company.

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.

***To date, we have derived a substantial portion of our revenue from the sale of our Mass Notification application. If we are unable to renew or increase sales of this application, or if we are unable to increase sales of our other applications, our business and operating results could be adversely affected.***

While we have introduced seven new critical communications applications since 2014, one of which was introduced in the middle of 2014, three of which were introduced in 2015, one of which was introduced in 2016 and two of which were added in 2017, we derived 74%, 86% and 91% of our revenue from sales of our Mass Notification application in 2017, 2016 and 2015, respectively, and expect to continue to derive a substantial portion of our revenue from sales of this application in the near term. As a result, our operating results could suffer due to:

- any decline in demand for our Mass Notification application;
- pricing or other competitive pressures from competing products;
- the introduction of applications and technologies that serve as a replacement or substitute for, or represent an improvement over, our Mass Notification application;
- technological innovations or new standards that our Mass Notification application do not address; and
- sensitivity to current or future prices offered by us or competing solutions.

Because of our reliance on our Mass Notification application, our inability to renew or increase sales of this application or a decline in prices of this application would harm our business and operating results more seriously than if we derived significant revenue from a variety of applications. Any factor adversely affecting sales of our historical or new applications, including release cycles, market acceptance, competition, performance and reliability, reputation and economic and market conditions, could adversely affect our business and operating results.

***If we are unable to develop upgrades to our platform, develop new applications, sell our platform and applications into new markets or further penetrate our existing market, our revenue may not grow.***

Our ability to increase sales will depend in large part on our ability to enhance and improve our platform and applications, introduce new applications in a timely manner, develop new use cases for our platform and further penetrate our existing market. The success of any enhancement to our platform or new applications depends on several factors, including the timely completion, introduction and market acceptance of enhanced or new applications, the ability to maintain and develop relationships with channel partners and communications carriers, the ability to attract, retain and effectively train sales and marketing personnel and the effectiveness of our marketing programs. Any new application that we develop or acquire may not be introduced in a timely or cost-effective manner, and may not achieve the broad market acceptance necessary to generate significant revenue. Any new markets into which we attempt to sell our applications, including new vertical markets and new countries or regions, may not be receptive. Our ability to further penetrate our existing markets depends on the quality of our platform and applications and our ability to design our platform and applications to meet consumer demand. Any failure to enhance or improve our platform and applications as well as introduce new applications may adversely affect our revenue growth and operating results.

***If we are unable to attract new customers or sell additional applications to our existing customers, our revenue and revenue growth will be harmed.***

A part of our growth strategy is to add new customers and sell additional applications to our existing customers. Our ability to maintain existing customers, sell them new applications and to add new customers will depend in significant part on our ability to anticipate industry evolution, practices and standards and to continue to introduce and enhance the applications we offer on a timely basis to keep pace with technological developments. However, we may prove unsuccessful in developing new applications and improving existing applications. In addition, the success of any new application depends on several factors, including the timely completion, introduction and market acceptance of the application. Any new applications we develop or acquire might not be introduced in a timely or cost-effective manner and might not achieve the broad market acceptance necessary to generate significant revenue. If any of our competitors implements new technologies before we are able to implement them or better anticipates market opportunities, those competitors may be able to provide more effective or cheaper products than ours. As a result, we may be unable to renew our agreements with existing customers, attract new customers or grow or maintain our business from existing customers, which could harm our revenue and growth.

***Failure to effectively develop and expand our sales and marketing capabilities could harm our ability to increase our customer base and achieve broader market acceptance of our platform and applications.***

To increase total customers and achieve broader market acceptance of our platform and applications, we will need to expand our sales and marketing organization, including the vertical and geographic distribution of our salesforce and our teams of account executives focused on new accounts, account managers responsible for renewal and growth of existing accounts, and business development representatives targeting new and growth business opportunity creation. We will continue to dedicate significant resources to our global sales and marketing organizations. The effectiveness of our sales and marketing teams has varied over time and may vary in the future, and depends in part on our ability to maintain and improve our platform and applications. All of these efforts will require us to invest significant financial and other resources and we are unlikely to see the benefits, if any, of these increases until future periods after incurring these expenses. Our business will be seriously harmed if our efforts do not generate a correspondingly significant increase in revenue. We may not achieve revenue growth from expanding our salesforce if we are unable to hire, develop and retain talented sales personnel, if our new sales personnel are unable to achieve desired productivity levels in a reasonable period of time or if our sales and marketing programs are not effective.



***The nature of our business exposes us to inherent liability risks.***

Our applications, including our Mass Notification, Incident Management, IT Alerting, Safety Connection, Community Engagement, Visual Command Center, Crisis Commander and Secure Messaging applications, are designed to communicate life-saving or damage-mitigating information to the right people, on the right device, in the right location, at the right time during public safety threats and critical business events. Due to the nature of such applications, we are potentially exposed to greater risks of liability for employee acts or omissions or system failures than may be inherent in other businesses. Although substantially all of our customer agreements contain provisions limiting our liability to our customers, we cannot assure you that these limitations will be enforced or the costs of any litigation related to actual or alleged omissions or failures would have a material adverse effect on us even if we prevail. Further, certain of our insurance policies and the laws of some states may limit or prohibit insurance coverage for punitive or certain other types of damages or liability arising from gross negligence and we cannot assure you that we are adequately insured against the risks that we face.

***Because we generally recognize revenue ratably over the term of our contract with a customer, downturns or upturns in sales will not be fully reflected in our operating results until future periods.***

Our revenue is primarily generated from subscriptions to our critical communications applications. Our customers do not have the right to take possession of our software platform and applications. Revenue from subscriptions, including additional fees for items such as incremental usage, is recognized ratably over the subscription period beginning on the date that the subscription is made available to the customer. Our agreements with our customers typically range from one to three years. As a result, much of the revenue that we report in each quarter is attributable to agreements entered into during previous quarters. Consequently, a decline in sales, customer renewals or market acceptance of our applications in any one quarter would not necessarily be fully reflected in the revenue in that quarter, and would negatively affect our revenue and profitability in future quarters. This ratable revenue recognition also makes it difficult for us to rapidly increase our revenue through additional sales in any period, as revenue from new customers generally is recognized over the applicable agreement term.

***We operate in an emerging and evolving market, which may develop more slowly or differently than we expect. If our market does not grow as we expect, or if we cannot expand our platform and applications to meet the demands of this market, our revenue may decline, fail to grow or fail to grow at an accelerated rate, and we may incur operating losses.***

The market for CEM solutions is in an early stage of development, and it is uncertain whether this market will develop, and even if it does develop, how rapidly or how consistently it will develop or whether our platform and applications will be accepted into the markets in which we operate and plan to operate. Our success will depend, to a substantial extent, on the widespread adoption of our platform and applications as an alternative to historical mass notification systems. Some organizations may be reluctant or unwilling to use our platform and applications for a number of reasons, including concerns about additional costs, uncertainty regarding the reliability and security of cloud-based offerings or lack of awareness of the benefits of our platform and applications. Many organizations have invested substantial personnel and financial resources to integrate traditional on-premise applications into their businesses, and therefore may be reluctant or unwilling to migrate to cloud-based applications. Our ability to expand sales of our platform and applications into new markets depends on several factors, including the awareness of our platform and applications; the timely completion, introduction and market acceptance of enhancements to our platform and applications or new applications that we may introduce; our ability to attract, retain and effectively train sales and marketing personnel; our ability to develop relationships with channel partners and communication carriers; the effectiveness of our marketing programs; the costs of our platform and applications; and the success of our competitors. If we are unsuccessful in developing and marketing our platform and applications into new markets, or if organizations do not perceive or value the benefits of our platform and applications, the market for our platform and applications might not continue to develop or might develop more slowly than we expect, either of which would harm our revenue and growth prospects.

***Our estimates of market opportunity and forecasts of market growth may prove to be inaccurate, and even if the market in which we compete achieves the forecasted growth, our business could fail to grow at similar rates, if at all.***

Market opportunity estimates and growth forecasts are subject to significant uncertainty and are based on assumptions and estimates that may not prove to be accurate. Our estimates and forecasts relating to the size and expected growth of our addressable market may prove to be inaccurate. Even if the market in which we compete meets our size estimates and forecasted growth, our business could fail to grow at similar rates, if at all.

***The markets in which we participate are competitive, and if we do not compete effectively, our operating results could be harmed.***

The market for critical communications solutions is highly fragmented, competitive and constantly evolving. With the introduction of new technologies and market entrants, we expect that the competitive environment in which we compete will remain intense going forward. Some of our competitors have made or may make acquisitions or may enter into partnerships or other strategic relationships to provide a more comprehensive offering than they individually had offered or achieve greater economies of scale. In addition, new entrants not currently considered to be competitors may enter the market through acquisitions, partnerships or strategic relationships. We compete on the basis of a number of factors, including:

- application functionality, including local and multi-modal delivery in international markets;
- breadth of offerings;
- performance, security, scalability and reliability;
- compliance with local regulations and multi-language support;
- brand recognition, reputation and customer satisfaction;
- ease of application implementation, use and maintenance; and
- total cost of ownership.

We face competition from in-house solutions, large integrated systems vendors and established and emerging cloud and SaaS and other software providers. Our competitors vary in size and in the breadth and scope of the products and services offered. Many of our competitors and potential competitors have greater name recognition, longer operating histories, more established customer relationships, larger marketing budgets and greater resources than we do. While some of our competitors provide a platform with applications to support one or more use cases, many others provide point-solutions that address a single use case. Further, other potential competitors not currently offering competitive applications may expand their offerings to compete with our solutions. Our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards and customer requirements. An existing competitor or new entrant could introduce new technology that reduces demand for our solutions. In addition to application and technology competition, we face pricing competition. Some of our competitors offer their applications or services at a lower price, which has resulted in pricing pressures. Some of our larger competitors have the operating flexibility to bundle competing applications and services with other offerings, including offering them at a lower price as part of a larger sale. For all of these reasons, we may not be able to compete successfully and competition could result in reduced sales, reduced margins, losses or the failure of our applications to achieve or maintain market acceptance, any of which could harm our business.

***We may not be able to scale our business quickly enough to meet our customers' growing needs and if we are not able to grow efficiently, our operating results could be harmed.***

As usage of our platform and applications grows, we will need to continue making significant investments to develop and implement new applications, technologies, security features and cloud-based infrastructure operations. In addition, we will need to appropriately scale our internal business systems and our services organization, including customer support and professional services, to serve our growing customer base, particularly as our customer demographics change over time. Any failure of, or delay in, these efforts could impair the performance of our platform and applications and reduce customer satisfaction. Even if we are able to upgrade our systems and expand our staff, any such expansion may be expensive and complex, requiring management's time and attention. To the extent that we do not effectively scale our platform and operations to meet the growing needs of our customers, we may not be able to grow as quickly as we anticipate, our customers may reduce or cancel use of our applications and professional services, we may be unable to compete effectively and our business and operating results may be harmed.

***Our quarterly results of operations may fluctuate, and if we fail to meet or exceed the expectations of investors or securities analysts, our stock price could decline.***

Our quarterly revenue and results of operations have historically varied from period to period, and we expect that they will continue to do so as a result of a variety of factors, including many that are outside of our control. Our future revenue is difficult to predict. Our expense levels are relatively fixed in the short term and are based, in part, on our expectations as to future revenue. If revenue levels are below our expectations, we may incur higher losses and may never attain or maintain consistent profitability. Our operating results may be disproportionately affected by a reduction in revenue because a proportionately smaller amount of our expenses varies with our revenues. If our quarterly revenue or results of operations fall below the expectations of investors or securities analysts, the price of our common stock could decline substantially. Fluctuations in our results of operations may be due to a number of factors, including:

- fluctuations in demand for our platform and applications;
- changes in our business or pricing policies in response to competitive pricing actions or otherwise;
- the timing and success of introductions of new applications or upgrades to our platform;
- the impact of acquisition transaction-related amortization expenses and other certain expenses on our gross profit;
- competition, including entry into the industry by new competitors and new offerings by existing competitors;
- changes in the business or pricing policies of our competitors;
- the amount and timing of expenditures, including those related to expanding our operations, increasing research and development, enhancing our platform, introducing new applications or growing our sales and marketing teams;
- our ability to effectively manage growth within existing and new markets, both domestically and internationally;
- changes in the payment terms for our applications;
- our ability to successfully manage any future acquisitions of businesses or technologies;
- the strength of regional, national and global economies; and
- the impact of natural disasters or man-made problems such as cyber incidents and terrorism.

Due to the foregoing factors and the other risks discussed in this Annual Report on Form 10-K, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of our future performance nor should you consider our recent revenue growth or results in any single period to be indicative of our future performance.

***Interruptions or delays in service from our third-party data center providers could impair our ability to make our platform and applications available to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth and reduction in revenue.***

We currently serve part of our platform functions from third-party data center hosting facilities operated by Century Link and located in the Los Angeles, California and Denver, Colorado areas. In addition, we serve ancillary functions for our customers from third-party data center hosting facilities operated by Interoute located in the United Kingdom, Germany and the Netherlands, and by Elastichost in Toronto, Canada. We also rely on Amazon Web Services located in California and Virginia to host certain of our platform functions and applications. Our operations depend, in part, on our third-party facility providers' abilities to protect these facilities against damage or interruption from natural disasters, power or telecommunications failures, cyber incidents, criminal acts and similar events. In the event that any of our third-party facilities arrangements are terminated, or if there is a lapse of service or damage to a facility, we could experience interruptions in our platform as well as delays and additional expenses in arranging new facilities and services. Any changes in third-party service levels at our data centers or any errors, defects, disruptions, cyber incidents or other performance problems with our solutions could harm our reputation.

Any damage to, or failure of, the systems of our third-party providers could result in interruptions to our platform. Despite precautions taken at our data centers, the occurrence of spikes in usage volume, natural disasters, cyber incidents, acts of terrorism, vandalism or sabotage, closure of a facility without adequate notice or other unanticipated problems could result in lengthy interruptions in the availability of our platform and applications. Problems faced by our third-party data center locations, with the telecommunications network providers with whom they contract, or with the systems by which our telecommunications providers allocate capacity among their customers, including us, could adversely affect the experience of our customers. Because of the nature of the services that we provide to our customers during public safety threats and critical business events, any such interruption may arise when our customers are most reliant on our applications, thereby compounding the impact of any interruption on our business. Interruptions in our services might reduce our revenue, cause us to issue refunds to customers and subject us to potential liability.

Further, our insurance policies may not adequately compensate us for any losses that we may incur in the event of damage or interruption. Although we benefit from liability protection under the Support Anti-Terrorism by Fostering Effective Technology Act of 2002, the occurrence of any of the foregoing could reduce our revenue, subject us to liability, cause us to issue credits to customers or cause customers not to renew their subscriptions for our applications, any of which could materially adversely affect our business.

***Failures or reduced accessibility of third-party software on which we rely could impair the availability of our platform and applications and adversely affect our business.***

We license software from third parties for integration into our platform and applications, including open source software. These licenses might not continue to be available to us on acceptable terms, or at all. While we are not substantially dependent upon any third-party software, the loss of the right to use all or a significant portion of our third-party software required for the development, maintenance and delivery of our applications could result in delays in the provision of our applications until we develop or identify, obtain and integrate equivalent technology, which could harm our business.

Any errors or defects in the hardware or software we use could result in errors, interruptions, cyber incidents or a failure of our applications. Any significant interruption in the availability of all or a significant portion of such software could have an adverse impact on our business unless and until we can replace the functionality provided by these applications at a similar cost. Furthermore, this software may not be available on commercially reasonable terms, or at all. The loss of the right to use all or a significant portion of this software could limit access to our platform and applications. Additionally, we rely upon third parties' abilities to enhance their current applications, develop new applications on a timely and cost-effective basis and respond to emerging industry standards and other technological changes. We may be unable to effect changes to such third-party technologies, which may prevent us from rapidly responding to evolving customer requirements. We also may be unable to replace the functionality provided by the third-party software currently offered in conjunction with our applications in the event that such software becomes obsolete or incompatible with future versions of our platform and applications or is otherwise not adequately maintained or updated.

***If we do not or cannot maintain the compatibility of our platform with third-party applications that our customers use in their businesses, our revenue will decline.***

As a significant percentage of our customers choose to integrate our solutions with certain capabilities provided by third-party providers, the functionality and popularity of our solutions depend, in part, on our ability to integrate our platform and applications with certain third-party systems. Third-party providers may change the features of their technologies, restrict our access to their applications or alter the terms governing use of their applications in an adverse manner. Such changes could functionally limit or terminate our ability to use these third-party technologies in conjunction with our platform and applications, which could negatively impact our solutions and harm our business. If we fail to integrate our solutions with new third-party applications that our customers use, we may not be able to offer the functionality that our customers need, which would negatively impact our ability to generate revenue and adversely impact our business.

***Changes in the mix of sizes or types of businesses or government agencies that purchase our platform and applications purchased or used by our customers could affect our operating results.***

We have sold and will continue to sell to enterprises of all sizes, municipal and regional governmental agencies, non-profit organizations, educational institutions and healthcare organizations. Sales to larger organizations may entail longer sales cycles and more significant selling efforts. Selling to small businesses may involve greater credit risk and uncertainty. Changes in the sizes or types of businesses that purchase our applications could cause our operating results to be adversely affected.

***If our, our customers' or our third-party providers' security measures are compromised or unauthorized access to the data of our customers or their employees, customers or constituents is otherwise obtained, our platform may be perceived as not being secure, our customers may be harmed and may curtail or cease their use of our applications, our reputation may be damaged and we may incur significant liabilities.***

Our operations involve the storage and transmission of data of our customers and their employees, customers and constituents, including personally identifiable information such as contact information and physical location. Security incidents, whether as a result of third-party action, employee or customer error, technology impairment or failure, malfeasance or criminal activity, could result in unauthorized access to, or loss or unauthorized disclosure of, this information, litigation, indemnity obligations and other possible liabilities, as well as negative publicity, which could damage our reputation, impair our sales and harm our customers and our business. Cyber incidents and malicious internet-based activity continue to increase generally, and providers of cloud-based services have been targeted. If third parties with whom we work, such as vendors or developers, violate applicable laws or our security policies, such violations may also put our customers' information at risk and could in turn have an adverse effect on our business. We may be unable to anticipate or prevent techniques used to obtain unauthorized access or to sabotage systems because they change frequently and often are not detected until after an incident has occurred. As we increase our customer base and our brand becomes more widely known and recognized, third parties may increasingly seek to compromise our security controls or gain unauthorized access to our sensitive corporate information or customers' data. Further, because of the nature of the services that we provide to our customers during public safety threats and critical business events, we may be a unique target for attacks.

Many governments have enacted laws requiring companies to notify individuals of data security incidents or unauthorized transfers involving certain types of personal data. In addition, some of our customers contractually require notification of any data security incident. Accordingly, security incidents experienced by our competitors, by our customers or by us may lead to public disclosures, which may lead to widespread negative publicity. Any security compromise in our industry, whether actual or perceived, could harm our reputation, erode customer confidence in the effectiveness of our security measures, negatively impact our ability to attract new customers, cause existing customers to elect not to renew their subscriptions or subject us to third-party lawsuits, regulatory fines or other action or liability, which could materially and adversely affect our business and operating results. Further, the costs of compliance with notification laws and contractual obligations may be significant and any requirement that we provide such notifications as a result of an actual or alleged compromise could have a material and adverse effect on our business.

While we maintain general liability insurance coverage and coverage for errors or omissions, we cannot assure you that such coverage would be adequate or would otherwise protect us from liabilities or damages with respect to claims alleging compromises of personal data or that such coverage will continue to be available on acceptable terms or at all.

***If our computer systems are or become vulnerable to security breaches or we are unable to comply with our security obligations, we may face reputational damage and lose clients and revenue.***

The services we provide are often critical to our clients' businesses. Certain of our client contracts may require us to comply with security obligations, which could include maintaining network security and backup data, ensuring our network is virus-free, maintaining business continuity planning procedures, and verifying the integrity of employees that work with our clients by conducting background checks. Any failure in our systems or breach of security relating to the services we provide to the client could damage our reputation or result in a claim for substantial damages against us. Our liability for breaches of data security requirements, for which we may be required to indemnify our clients, may be extensive. Any significant failure of our equipment or systems, or any major disruption to basic infrastructure like power and telecommunications in the locations in which we operate, could impede our ability to provide services to our clients, have a negative impact on our reputation, cause us to lose clients, and adversely affect our results of operations.

In addition, we often have access to or are required to collect and store confidential client and customer data. If any person, including any of our employees or former employees, penetrates our network security, accidentally exposes our data or code, or misappropriates data or code that belongs to us, our clients, or our clients' customers, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client and customer data, whether through breach of our computer systems, systems failure, loss or theft of confidential information or intellectual property belonging to our clients or our clients' customers, or otherwise, could damage our reputation, cause us to lose clients and revenues, and result in financial and other potential losses by us.

***If our applications fail to function in a manner that allows our customers to operate in compliance with regulations and/or industry standards, our revenue and operating results could be harmed.***

Certain of our customers require applications that ensure secure processing, communication and storage of sensitive information given the nature of the content being distributed and associated applicable regulatory requirements. In particular, our healthcare customers rely on our applications to communicate in a manner that is designed to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996, the 2009 Health Information Technology for Economic and Clinical Health Act, the Final Omnibus Rule of January 25, 2013, which are collectively referred to as HIPAA, and which impose privacy and data security standards that protect individually identifiable health information by limiting the uses and disclosures of individually identifiable health information and requiring that certain data security standards be implemented to protect this information. As a "business associate" to "covered entities" that are subject to HIPAA, we also have our own compliance obligations directly under HIPAA and pursuant to the business associate agreements that we are required to enter into with our customers that are HIPAA-covered entities.

Governments and industry organizations 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 applications. If we are unable to adapt our applications to changing legal and regulatory standards or other requirements in a timely manner, or if our applications fail to allow our customers to communicate in compliance with applicable laws and regulations, our customers may lose confidence in our applications and could switch to products offered by our competitors, or threaten or bring legal actions against us.

In addition, governmental and other customers may require our applications to comply with certain privacy, security or other certifications and standards. For instance, with regard to transfers of personal data, the EU-US Safe Harbor program, which provided a valid legal basis for transfers of personal data from Europe to the United States, was invalidated in October 2015, which has a significant impact on the transfer of data from the European Union to U.S. companies, including us. We are certified under the EU-US Privacy Shield, the successor regime to the EU-US Safe Harbor. While we now have Privacy Shield certification and other legally recognized mechanisms in place that we

believe allow for the lawful transfer of EU customer and employee information to the United States, it is possible that these mechanisms may also be challenged or evolve to include new legal requirements that could have an impact on how we move this data. If our applications fail to maintain compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our applications to such customers, or may otherwise be at a competitive disadvantage, either of which would harm our business, results of operations and financial condition. If our policies and practices are, or are perceived to be, insufficient or if our customers have concerns regarding the transfer of data from the European Union to the United States, we could be subject to enforcement actions or investigations by EU Data Protection Authorities or lawsuits by private parties, and our business could be negatively impacted.

***If we fail to offer high-quality customer support, our business and reputation may suffer.***

We offer our customers implementation services and 24/7 support through our customer support centers as well as education, professional development and certification through Everbridge University as well as a range of consulting services. Consulting service offerings include onsite implementation packages, Certified Emergency Management professional operational reviews, dedicated client care representatives, custom web-based training, and development of client-specific communications materials to increase internal awareness of system value.

Providing this education, training and support requires that our personnel who manage our training resources or provide customer support have specific experience, knowledge and expertise, making it more difficult for us to hire qualified personnel and to scale up our support operations. The importance of high-quality customer support will increase as we expand our business and pursue new customers and larger organizations. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services or scale our services if our business grows. We also may be unable to modify the format of our support services or change our pricing to compete with changes in support services provided by our competitors. Increased customer demand for these services, without corresponding revenue, could increase our costs and harm our operating results. If we do not help our customers use applications within our platform and provide effective ongoing support, our ability to sell additional applications to, or to retain, existing customers may suffer and our reputation with existing or potential customers may be harmed.

***Our strategy includes pursuing acquisitions, and our potential inability to successfully integrate newly-acquired technologies, assets or businesses may harm our financial results. Future acquisitions of technologies, assets or businesses, which are paid for partially or entirely through the issuance of stock or stock rights, could dilute the ownership of our existing stockholders.***

We may evaluate and consider potential strategic transactions, including acquisitions of, or investments in, businesses, technologies, services, products and other assets in the future. We also may enter into relationships with other businesses to expand our platform and applications, which could involve preferred or exclusive licenses, additional channels of distribution, discount pricing or investments in other companies.

We have acquired businesses and technology in the past. For example, we acquired Vocal Limited in March 2014, the assets of Nixle, LLC in December 2014, technology from Tapestry Telemed LLC in December 2014, Svensk Krisledning AB in December 2016 and IDV Solutions LLC in January 2017. We commenced a tender offer to acquire Unified Messaging Systems ASA in March 2018, however, we cannot be certain that we will be able to complete the tender offer and close the transaction. We believe that part of our continued growth will be driven by acquisitions of other companies or their technologies, assets, businesses and teams. Any acquisitions we complete will give rise to risks, including:

- incurring higher than anticipated capital expenditures and operating expenses;
- failing to assimilate the operations and personnel or failing to retain the key personnel of the acquired company or business;
- failing to integrate the acquired technologies, or incurring significant expense to integrate acquired technologies, into our platform and applications;
- disrupting our ongoing business;

- diverting our management’s attention and other company resources;
- failing to maintain uniform standards, controls and policies;
- incurring significant accounting charges;
- impairing relationships with our customers and employees;
- finding that the acquired technology, asset or business does not further our business strategy, that we overpaid for the technology, asset or business or that we may be required to write off acquired assets or investments partially or entirely;
- failing to realize the expected synergies of the transaction;
- being exposed to unforeseen liabilities and contingencies that were not identified prior to acquiring the company; and
- being unable to generate sufficient revenue and profits from acquisitions to offset the associated acquisition costs.

Fully integrating an acquired technology, asset or business into our operations may take a significant amount of time. We may not be successful in overcoming these risks or any other problems encountered with acquisitions. To the extent that we do not successfully avoid or overcome the risks or problems related to any such acquisitions, our results of operations and financial condition could be harmed. Acquisitions also could impact our financial position and capital requirements, or could cause fluctuations in our quarterly and annual results of operations. Acquisitions could include significant goodwill and intangible assets, which may result in future impairment charges that would reduce our stated earnings. In addition, failure to maintain effective financial controls and reporting systems and procedures during and after integration of an acquired business could also impact our ability to produce timely and accurate financial statements. We may incur significant costs in our efforts to engage in strategic transactions and these expenditures may not result in successful acquisitions.

We expect that the consideration we might pay for any future acquisitions of technologies, assets, businesses or teams could include stock, rights to purchase stock, cash or some combination of the foregoing. If we issue stock or rights to purchase stock in connection with future acquisitions, net income per share and then-existing holders of our common stock may experience dilution.

***We rely on the performance of our senior management and highly skilled personnel, and if we are unable to attract, retain and motivate well-qualified employees, our business and results of operations could be harmed.***

We believe our success has depended, and continues to depend, on the efforts and talents of senior management and key personnel, including Jaime Ellertson, our Chief Executive Officer and Chairman of our board of directors, Kenneth S. Goldman, our Senior Vice President and Chief Financial Officer, Bob Hughes, our President, and Imad Mouline, our Senior Vice President and Chief Technology Officer. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. In addition, the loss of any of our senior management or key personnel could interrupt our ability to execute our business plan, as such individuals may be difficult to replace. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business and results of operations could be harmed.

***Uncertain or weakened global economic conditions may adversely affect our industry, business and results of operations.***

Our overall performance depends on domestic and worldwide economic conditions, which may remain challenging for the foreseeable future. Financial developments seemingly unrelated to us or to our industry may adversely affect us and our planned international expansion. The U.S. economy and other key international economies have been impacted by threatened sovereign defaults and ratings downgrades, falling demand for a variety of goods and services, restricted credit, threats to major multinational companies, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty. These conditions



affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our applications and services, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, any of which could adversely affect our operating results. We cannot predict the timing, strength or duration of the economic recovery or any subsequent economic slowdown worldwide, in the United States, or in our industry.

***Any future litigation against us could be costly and time-consuming to defend.***

We have in the past and may in the future become subject, from time to time, to legal proceedings and claims that arise in the ordinary course of business such as claims brought by our customers in connection with commercial disputes or employment claims made by our current or former employees. Litigation might result in substantial costs and may divert management's attention and resources, which might seriously harm our business, overall financial condition and operating results. Insurance might not cover such claims, might not provide sufficient payments to cover all the costs to resolve one or more such claims and might not continue to be available on terms acceptable to us. A claim brought against us that is uninsured or underinsured could result in unanticipated costs, thereby reducing our operating results and leading analysts or potential investors to reduce their expectations of our performance, which could reduce the trading price of our stock.

***Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.***

A component of our growth strategy involves the further expansion of our operations and customer base internationally. We opened our first international office in Beijing, China in April 2012 and subsequently opened an office in Windsor, England in September 2012 as part of our geographic expansion. In March 2014, we acquired Vocal Limited, a mass notification company based in Colchester, England. In December 2016, we acquired Svensk Krisledning AB, a SaaS mobile crisis management company based in Norsborg, Sweden. In March 2018, we commenced a tender offer to acquire Unified Messaging Systems ASA. For each of the years ended December 31, 2017 and 2016, approximately 10% of our revenue was derived from customers located outside of the United States. We intend to further expand our local presence in regions such as Europe, the Middle East and Asia. Our current international operations and future initiatives will involve a variety of risks, including:

- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- economic or political instability in foreign markets;
- greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods;
- more stringent regulations relating to technology, including with respect to privacy, data security and the unauthorized use of, access to, or deletion of commercial and personal information, particularly in the European Union;
- difficulties in maintaining our company culture with a dispersed and distant workforce;
- unexpected changes in regulatory requirements, taxes or trade laws;
- differing labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;

- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- likelihood of potential or actual violations of domestic and international anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, or of U.S. and international export control and sanctions regulations, which likelihood may increase with an increase of sales or operations in foreign jurisdictions and operations in certain industries; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake will not be successful. If we invest substantial time and resources to expand our international operations and are unable to do so successfully and in a timely manner, our business and operating results will suffer. We continue to implement policies and procedures to facilitate our compliance with U.S. laws and regulations applicable to or arising from our international business. Inadequacies in our past or current compliance practices may increase the risk of inadvertent violations of such laws and regulations, which could lead to financial and other penalties that could damage our reputation and impose costs on us.

***If we cannot maintain our company culture as we grow, our success and our business may be harmed.***

We believe our culture has been a key contributor to our success to-date and that the critical nature of the solutions that we provide promotes a sense of greater purpose and fulfillment in our employees. We have invested in building a strong corporate culture and believe it is one of our most important and sustainable sources of competitive advantage. Any failure to preserve our culture could negatively affect our ability to retain and recruit personnel and to effectively focus on and pursue our corporate objectives. As we grow and develop the infrastructure of a public company, we may find it difficult to maintain these important aspects of our company culture. If we fail to maintain our company culture, our business may be adversely impacted.

***We may be subject to additional obligations to collect and remit sales tax and other taxes, and we may be subject to tax liability for past sales, which could harm our business.***

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value added and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. Further, these jurisdictions' rules regarding tax nexus are complex and vary significantly. If one or more jurisdictions were to assert that we have failed to collect taxes for sales of applications that leverage our platform, we could face the possibility of tax assessments and audits. A successful assertion that we should be collecting additional sales, use, value added or other taxes in those jurisdictions where we have not historically done so and do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales or otherwise harm our business and operating results.

***We face exposure to foreign currency exchange rate fluctuations.***

As our international operations expand, our exposure to the effects of fluctuations in currency exchange rates grows. While we have primarily transacted with customers and vendors in U.S. dollars historically, we expect to continue to expand the number of transactions with our customers that are denominated in foreign currencies in the future. Fluctuations in the value of the U.S. dollar and foreign currencies may make our subscriptions more expensive for international customers, which could harm our business. Additionally, we incur expenses for employee compensation and other operating expenses at our non-U.S. locations in the local currency for such locations. Fluctuations in the exchange rates between the U.S. dollar and other currencies could result in an increase to the U.S. dollar equivalent of such expenses. These fluctuations could cause our results of operations to differ from our expectations or the expectations of our investors. Additionally, such foreign currency exchange rate fluctuations could make it more difficult to detect underlying trends in our business and results of operations.

We do not currently maintain a program to hedge transactional exposures in foreign currencies. However, in the future, we may use derivative instruments, such as foreign currency forward and option contracts, to hedge certain exposures to fluctuations in foreign currency exchange rates. The use of such hedging activities may not offset any or more than a portion of the adverse financial effects of unfavorable movements in foreign exchange rates over the limited time the hedges are in place. Moreover, the use of hedging instruments may introduce additional risks if we are unable to structure effective hedges with such instruments.

***Our ability to raise capital in the future may be limited, and our failure to raise capital when needed could prevent us from growing.***

Our business and operations may consume resources faster than we anticipate. In the future, we may need to raise additional funds to invest in future growth opportunities. Additional financing may not be available on favorable terms, if at all. If adequate funds are not available on acceptable terms, we may be unable to invest in future growth opportunities, which could seriously harm our business and operating results. If we incur debt, the debt holders would have rights senior to common stockholders to make claims on our assets, and the terms of any debt could restrict our operations, including our ability to pay dividends on our common stock. Furthermore, if we issue equity securities, stockholders will experience dilution, and the new equity securities could have rights senior to those of our common stock. Because our decision to issue securities in any future offering will depend on market conditions and other factors beyond our control, we cannot predict or estimate the amount, timing or nature of our future offerings. As a result, our stockholders bear the risk of our future securities offerings reducing the market price of our common stock and diluting their interest.

***We issued convertible notes that have rights senior to our common stock.***

In November 2017, we issued \$115 million aggregate principal amount of 1.50% convertible senior notes due November 1, 2022, unless earlier repurchased by us or converted by the holder pursuant to their terms, or the Notes. The Notes rank senior in right of payment to our common stock and any of our indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to any of our liabilities that are not so subordinated; effectively junior in right of payment to any of our secured indebtedness, including any indebtedness under our credit facility, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the Notes will be available to pay obligations on the Notes only after the secured debt has been repaid in full from these assets, and our assets will be available to pay common stockholders only after all debt obligations have been repaid. There may not be sufficient assets remaining to pay amounts due on any or all of the Notes then outstanding or any or all shares of our common stock then outstanding.

***Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.***

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the Notes and any future borrowings under our credit facility, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring 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.

As of December 31, 2017, we had \$115.0 million (undiscounted) principal amount of indebtedness under the Notes. We also have a credit facility under which we can borrow up to \$15.0 million, or the Credit Agreement. As of December 31, 2017, the total amount available to be borrowed by us under the Credit Agreement was \$15.0 million and we had no outstanding balance. 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.

In addition, the Credit Agreement does, and any future indebtedness that we may incur may, contain financial and other restrictive covenants that limit our ability to operate our business, raise capital 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. If we default under the Credit Agreement, any then outstanding borrowings thereunder could become immediately due and payable, the Credit Agreement lender could refuse to permit additional borrowings under the facility, or it could lead to defaults under agreements governing our current or future indebtedness, including the indenture governing the Notes. If we default under the Notes, they could become immediately due and payable and it could lead to defaults under the Credit Agreement.

***The accounting method for convertible debt securities that may be settled in cash, such as the Notes, could have a material effect on our reported financial results.***

In May 2008, the Financial Accounting Standards Board, or FASB, issued FASB Staff Position No. APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement), which has subsequently been codified as Accounting Standards Codification 470-20, Debt with Conversion and Other Options, or ASC 470-20. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer's economic interest cost. The effect of ASC 470-20 on the accounting for the Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders' equity on our consolidated balance sheet, and the value of the equity component would be treated as original issue discount for purposes of accounting for the debt component of the Notes. As a result, we will be required to record a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the Notes to their face amount over the term of the Notes. We will report lower net income in our financial results because ASC 470-20 will require interest to include both the current period's amortization of the debt discount and the instrument's coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the Notes.

In addition, under certain circumstances, convertible debt instruments (such as the Notes) that may be settled entirely or partly in cash are currently accounted for utilizing the treasury stock method, the effect of which is that the shares issuable upon conversion of the Notes are not included in the calculation of diluted earnings per share except to the extent that the conversion value of the Notes exceeds their principal amount. Under the treasury stock method, for diluted earnings per share purposes, the transaction is accounted for as if the number of shares of common stock that would be necessary to settle such excess, if we elected to settle such excess in shares, are issued. We cannot be sure that the accounting standards in the future will continue to permit the use of the treasury stock method. If we are unable to use the treasury stock method in accounting for the shares issuable upon conversion of the Notes, then our diluted earnings per share would be adversely affected.

***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 Notes will be entitled to convert the 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 through the payment of cash, which could adversely affect our liquidity. In addition, even if holders 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.

***Our sales cycle can be unpredictable, time-consuming and costly, which could harm our business and operating results.***

Our sales process involves educating prospective customers and existing customers about the use, technical capabilities and benefits of our platform and applications. Prospective customers, especially larger organizations, often undertake a prolonged evaluation process, which typically involves not only our solutions, but also those of our competitors and lasts from four to nine months or longer. We may spend substantial time, effort and money on our sales and marketing efforts without any assurance that our efforts will produce any sales.

Events affecting our customers' businesses may occur during the sales cycle that could affect the size or timing of a purchase, contributing to more unpredictability in our business and operating results. As a result of these factors, we may face greater costs, longer sales cycles and less predictability in the future.

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

As of December 31, 2017, we had federal and state net operating loss carryforwards, or NOLs, of \$52.4 million and \$45.6 million, respectively, due to prior period losses, which expire in various years beginning in 2028 if not utilized. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. We have not completed a Section 382 study at this time; however should a study be completed, certain NOLs may be subject to such limitations. Any future annual limitation may result in the expiration of NOLs before utilization. Additionally, state NOLs generated in one state cannot be used to offset income generated in another state. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

***Changes in our effective tax rate or tax liability may have an adverse effect on our results of operations***

Our effective tax rate could be adversely impacted by several factors, including:

- Changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- Changes in tax laws, tax treaties and regulations or the interpretation of them, including the recent Tax Cuts and Jobs Act, or the 2017 Tax Act, passed by the U.S. Congress and signed into law on December 22, 2017;
- Changes to our assessment about the realizability of our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;

- The outcome of current and future tax audits, examinations or administrative appeals;
- Changes in generally accepted accounting principles that affect the accounting for taxes; and
- Limitations or adverse findings regarding our ability to do business in some jurisdictions.

***We may have additional tax liabilities***

We are subject to income taxes in the U.S. and many foreign jurisdictions and are commonly audited by various tax authorities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. Significant judgment is required in determining our worldwide provision for income taxes. Although we believe our tax estimates are reasonable, the final determination of tax audits and any related litigation could be materially different from our historical income tax provisions and accruals. The results of an audit or litigation could have a material effect on our financial statements in the period or periods for which that determination is made.

The recent 2017 Tax Act could significantly impact how U.S. global corporations are taxed. We are in the process of evaluating the impact of this new legislation and certain changes could have a material adverse impact on our tax expense and cash flow. Among other things, the 2017 Tax Act requires companies to pay a one-time mandatory tax on unrepatriated earnings of certain foreign subsidiaries that were previously tax deferred or the toll charge, and creates new taxes on certain foreign sourced earnings. The toll charge did not result in a change to our provisional tax expense.

***The recently passed comprehensive tax reform bill could adversely affect our business and financial condition.***

On December 22, 2017, President Trump signed into law new legislation that significantly revises the Internal Revenue Code of 1986, as amended. The newly enacted federal income tax law, among other things, contains significant changes to corporate taxation, including reduction of the corporate tax rate from a top marginal rate of 35% to a flat rate of 21%, limitation of the tax deduction for interest expense to 30% of adjusted earnings (except for certain small businesses), limitation of the deduction for net operating losses to 80% of current year taxable income and elimination of net operating loss carrybacks, one time taxation of offshore earnings at reduced rates regardless of whether they are repatriated, immediate deductions for certain new investments instead of deductions for depreciation expense over time, and modifying or repealing many business deductions and credits. Notwithstanding the reduction in the corporate income tax rate, the overall impact of the new federal tax law is uncertain and our business and financial condition could be adversely affected. In addition, it is uncertain if and to what extent various states will conform to the newly enacted federal tax law. The impact of this tax reform on holders of our common stock is also uncertain and could be adverse. We urge our stockholders to consult with their legal and tax advisors with respect to this legislation and the potential tax consequences of investing in or holding our common stock.

***Tax laws or regulations could be enacted or changed and existing tax laws or regulations could be applied to us or to our customers in a manner that could increase the costs of our software solutions and adversely impact our operating results.***

The application of federal, state, local and foreign tax laws to services provided electronically is continuously evolving. New income, sales, use or other tax laws, statutes, rules, regulations or ordinances could be enacted or amended at any time, possibly with retroactive effect, and could be applied solely or disproportionately to services provided over the Internet. These enactments or amendments could adversely affect our sales activity due to the inherent cost increase the taxes would represent and could ultimately result in a negative impact on our operating results.

In addition, existing tax laws, statutes, rules, regulations or ordinances could be interpreted, modified or applied adversely to us, possibly with retroactive effect, which could require us or our customers to pay additional tax amounts, as well as require us or our customers to pay fines or penalties, as well as interest on past amounts. If we are unsuccessful in collecting such taxes due from our customers, we could be held liable for such costs, thereby adversely impacting our operating results.

***Our business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as cyber incidents or terrorism.***

Our business and operations are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war, human errors, break-ins and similar events affecting us or third-party vendors we rely on, any of which could have a material adverse impact on our business, operating results and financial condition. Acts of terrorism, which may be targeted at metropolitan areas that have higher population density than rural areas, could cause disruptions in our or our customers' businesses or the economy as a whole. Our servers and those of our third-party vendors may also be vulnerable to cyber incidents, break-ins and similar disruptions from unauthorized tampering with our computer systems, which could lead to interruptions, delays, loss of critical data or the unauthorized disclosure of confidential customer data. We or our customers may not have sufficient protection or recovery plans in place, and our business interruption insurance may be insufficient to compensate us for losses that may occur. As we rely heavily on our servers, computer and communications systems, that of third parties and the Internet to conduct our business and provide high quality customer service, such disruptions could have an adverse effect on our business, operating results and financial condition.

***Legislative actions and new accounting pronouncements are likely to impact our future financial position or results of operations.***

Future changes in financial accounting standards may cause adverse, unexpected revenue fluctuations and affect our financial position or results of operations. New pronouncements and varying interpretations of pronouncements have occurred with frequency in the past and are expected to occur again in the future and as a result we may be required to make changes in our accounting policies. Those changes could adversely affect our reported revenues and expenses, future profitability or financial position. Compliance with new regulations regarding corporate governance and public disclosure may result in additional expenses.

For example, in May 2014, the FASB, issued ASU 2014-09, Revenue from Contracts with Customers which replaced previous revenue recognition guidance under U.S. GAAP when it became effective for us on January 1, 2018. We do not expect that the new standard will generally change the way in which we recognize revenue. However, we expect that sales-based commissions will be recorded over the expected customer life and life of the technology sold, rather than recording them over a one-year period.

The application of existing or future financial accounting standards, particularly those relating to the way we account for revenues and costs, could have a significant impact on our reported results. In addition, compliance with new regulations regarding corporate governance and public disclosure may result in additional expenses. As a result, we intend to invest all reasonably necessary resources to comply with evolving standards, and this investment may result in increased general and administrative expenses and a diversion of management time and attention from business activities to compliance activities.

***Impairment of goodwill and other intangible assets would result in a decrease in our earnings.***

Current accounting rules provide that goodwill and other intangible assets with indefinite useful lives may not be amortized but instead must be tested for impairment at least annually. These rules also require that intangible assets with definite useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. We have substantial goodwill and other intangible assets, and we would be required to record a significant charge to earnings in our consolidated financial statements during the period in which any impairment of our goodwill or intangible assets is determined. Any impairment charges or changes to the estimated amortization periods would result in a decrease in our earnings.

## **Risks Related to Our Intellectual Property**

*If we fail to protect our intellectual property and proprietary rights adequately, our business could be harmed.*

Our future 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, some of which afford only limited protection.

We have numerous issued patents and patent applications pending. 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. In addition, we have registered the “Everbridge” and “Nixle” names in the United States, and have registered the “Everbridge” name in the European Union. We have registrations and/or pending applications for additional marks in the United States; 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.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, 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. Effective trade secret protection may not be available in every country in which our services are available or where we have employees or independent contractors. The loss of trade secret protection could make it easier for third parties to compete with our solutions by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and employment laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

In addition, to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Failure to adequately enforce our intellectual property rights could also result in the impairment or loss of those rights. 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. Patent, copyright, trademark and trade secret laws offer us only limited protection and the laws of many of the countries in which we sell our services do not protect proprietary rights to the same extent as the United States and Europe. Accordingly, defense of our trademarks and proprietary technology may become an increasingly important issue as we continue to expand our operations and solution development into countries that provide a lower level of intellectual property protection than the United States or Europe. Policing unauthorized use of our intellectual property and technology is difficult and the steps we take may not prevent misappropriation of the intellectual property or technology on which we rely. For example, in the event of inadvertent or malicious disclosure of our proprietary technology, trade secret laws may no longer afford protection to our intellectual property rights in the areas not otherwise covered by patents or copyrights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

We may elect to initiate litigation in the future to enforce or protect our proprietary rights or to determine the validity and scope of the rights of others. That litigation may not be ultimately successful and could result in substantial costs to us, the reduction or loss in intellectual property protection for our technology, the diversion of our management’s attention and harm to our reputation, any of which could materially and adversely affect our business and results of operations.



Our failure or inability to adequately protect our intellectual property and proprietary rights could harm our business, financial condition and results of operations.

***An assertion by a third party that we are infringing its intellectual property could subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.***

Patent and other intellectual property disputes are common in our industry and we have been involved in such disputes from time to time 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. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers whom we typically indemnify against claims that our solution infringes, misappropriates or otherwise violates 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.

As we seek to extend our platform and applications, we could be constrained by the intellectual property rights of others and it may also be more likely that competitors or other third parties will claim that our solutions infringe their proprietary rights. We might not prevail in any intellectual property infringement litigation given the complex technical issues and inherent uncertainties in such litigation. Defending such claims, regardless of their merit, could be time-consuming and distracting to management, result in costly litigation or settlement, cause development delays or require us to enter into royalty or licensing agreements. In addition, we currently have a limited portfolio of issued patents compared to our larger competitors, and therefore may not be able to effectively utilize our intellectual property portfolio to assert defenses or counterclaims in response to patent infringement claims or litigation brought against us by third parties. Further, litigation may involve patent holding companies or other adverse patent owners who have no relevant applications or revenue and against which our potential patents provide no deterrence, and many other potential litigants have the capability to dedicate substantially greater resources to enforce their intellectual property rights and to defend claims that may be brought against them. If our platform or any of our applications exceed the scope of in-bound licenses or violate any third-party proprietary rights, we could be required to withdraw those applications from the market, re-develop those applications or seek to obtain licenses from third parties, which might not be available on reasonable terms or at all. Any efforts to re-develop our platform and our applications, obtain licenses from third parties on favorable terms or license a substitute technology might not be successful and, in any case, might substantially increase our costs and harm our business, financial condition and results of operations. If we were compelled to withdraw any of our applications from the market, our business, financial condition and results of operations could be harmed.

***We have indemnity obligations to our customers and certain of our channel partners for certain expenses and liabilities resulting from intellectual property infringement claims regarding our platform and our applications, which could force us to incur substantial costs.***

We have indemnity obligations to our customers and certain of our channel partners for intellectual property infringement claims regarding our platform and our applications. As a result, in the case of infringement claims against these customers and channel partners, we could be required to indemnify them for losses resulting from such claims or to refund amounts they have paid to us. We also expect that some of our channel partners with whom we do not have express contractual obligations to indemnify for intellectual property infringement claims may seek indemnification from us in connection with infringement claims brought against them. We may elect to indemnify these channel partners where we have no contractual obligation to indemnify them and we will evaluate each such request on a case-by-case basis. If a channel partner elects to invest resources in enforcing a claim for indemnification against us, we could incur significant costs disputing it. If we do not succeed in disputing it, we could face substantial liability.

***We may be subject to damages resulting from claims that our employees or contractors have wrongfully used or disclosed alleged trade secrets of their former employers or other parties.***

We have in the past and may in the future be subject to claims that employees or contractors, or we, have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of our competitors or other parties. Litigation may be necessary to defend against these claims. If we fail in defending against such claims, a court could order us to pay substantial damages and prohibit us from using technologies or features that are essential to our solutions, if such technologies or features are found to incorporate or be derived from the trade secrets or other proprietary information of these parties. In addition, we may lose valuable intellectual property rights or personnel. A loss of key personnel or their work product could hamper or prevent our ability to develop, market and support potential solutions or enhancements, which could severely harm our business. Even if we are successful in defending against these claims, such litigation could result in substantial costs and be a distraction to management.

***The use of open source software in our platform and applications may expose us to additional risks and harm our intellectual property.***

Our platform and some of our applications use or incorporate software that is subject to one or more open source licenses and we may incorporate open source software in the future. Open source software is typically freely accessible, usable and modifiable; however, certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any modifications or derivative works of the open source code available to others on potentially unfavorable terms or at no cost. 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.

The terms of many open source licenses to which we are subject have not been interpreted by U.S. or foreign courts, and accordingly there is a risk that those licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our platform and applications. In that event, we could be required to seek licenses from third parties in order to continue offering our platform and applications, to re-develop our platform and applications, to discontinue sales of our platform and applications or to release our proprietary software code in source code form under the terms of an open source license, any of which could harm our business. Further, given the nature of open source software, it may be more likely that third parties might assert copyright and other intellectual property infringement claims against us based on our use of these open source software programs. Litigation could be costly for us to defend, have a negative effect on our operating results and financial condition or require us to devote additional research and development resources to change our applications.

Although we are not aware of any use of open source software in our platform and applications that would require us to disclose all or a portion of the source code underlying our core applications, it is possible that such use may have inadvertently occurred in deploying our platform and applications, or that persons or entities may claim such disclosure to be required. 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. Any of these events could have a material adverse effect on our business, operating results and financial condition. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third party for our platform and applications without our knowledge, we could, under certain circumstances, be required to disclose the source code to our platform and applications. This could harm our intellectual property position and our business, results of operations and financial condition.

## **Risks Related to Government Regulation**

### ***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. For example, the Telephone Consumer Protection Act of 1991, or TCPA, restricts telemarketing and the use of automatic text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, 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.

### ***A portion of our revenue is generated by subscriptions sold to governmental entities and heavily regulated organizations, which are subject to a number of challenges and risks.***

A portion of our revenue is generated by subscriptions sold to government entities. Additionally, many of our current and prospective customers, such as those in the financial services, and healthcare and life sciences industries, are highly regulated and may be required to comply with more stringent regulations in connection with subscribing to and implementing our applications. Selling subscriptions to these entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will successfully complete a sale.

Furthermore, engaging in sales activities to foreign governments introduces additional compliance risks specific to the Foreign Corrupt Practices Act, the U.K. Bribery Act and other similar statutory requirements prohibiting bribery and corruption in the jurisdictions in which we operate. Governmental and highly regulated entities often require contract terms that differ from our standard arrangements. For example, the federal government provides grants to certain state and local governments for our applications and if such governmental entities do not continue to receive these grants, they have the ability to terminate their contracts without penalty. Governmental and highly regulated entities impose compliance requirements that are complicated, require preferential pricing or "most favored nation" terms and conditions, or are otherwise time consuming and expensive to satisfy. If we undertake to meet special standards or requirements and do not meet them, we could be subject to increased liability from our customers or regulators. Even if we do meet these special standards or requirements, the additional costs associated with providing our applications to government and highly regulated customers could harm our margins. Moreover, changes in the underlying regulatory conditions that affect these types of customers could harm our ability to efficiently provide our applications to them and to grow or maintain our customer base.

Governmental demand and payment for our applications may also be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our solutions.

### ***We are subject to governmental regulation and other legal obligations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business. Compliance with such laws could also impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.***

Our handling and storage of data is subject to a variety of laws and regulations, including regulation by various government agencies, including the U.S. Federal Trade Commission, or FTC, and various state, local and foreign agencies. We collect personally identifiable information and other data directly from our customers and through our channel partners. We also process or otherwise handle personally identifiable information about our customers' employees, customers and constituents in certain circumstances. We use this information to provide applications to our customers and to support, expand and improve our business. We may also share customers' personally identifiable information with third parties as described in our privacy policy and/or as otherwise authorized by our customers.

The U.S. federal and various state and foreign governments have adopted or proposed legislation that regulates the collection, distribution, use and storage of personal information of individuals and that mandates security requirements with respect to certain personally identifiable information. In the United States, the FTC and numerous state attorneys general are imposing standards for the online collection, distribution, use and storage of data by applying federal and state consumer protection laws. The lack of a clear and universal standard for protecting such information means, however, that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other requirements or our practices. Any failure or perceived failure by us to comply with privacy or security laws, policies, legal obligations or industry standards or any security incident that results in the unauthorized release or transfer of sensitive corporate information, personally identifiable information or other customer data may result in governmental enforcement actions, litigation, fines and penalties and/or adverse publicity, and could cause our customers to lose trust in us, which could have an adverse effect on our reputation and business.

Some proposed laws or regulations concerning privacy, data protection and information security are in their early stages, and we cannot yet determine how these laws and regulations may be interpreted nor can we determine the impact these proposed laws and regulations, may have on our business. Such proposed laws and regulations may require companies to implement privacy and security policies, permit users to access, correct and delete personal information stored or maintained by such companies, inform individuals of security breaches that affect their personal information, and, in some cases, obtain individuals' consent to use personal information for certain purposes. In addition, a foreign government could require that any personal information collected in a country not be disseminated outside of that country, and we may not be currently equipped to comply with such a requirement. Our failure to comply with federal, state and international data privacy laws and regulators could harm our ability to successfully operate our business and pursue our business goals.

In addition, several foreign countries and governmental bodies, including the European Union and Canada, have regulations governing the collection and use of personal information obtained from their residents, which are often more restrictive than those in the United States. Laws and regulations in these jurisdictions apply broadly to the collection, use, storage, disclosure and security of personal information that identifies or may be used to identify an individual, such as names, email addresses and in some jurisdictions, Internet Protocol, or IP, addresses. Such regulations and laws may be modified and new laws may be enacted in the future.

Within the European Union, legislators recently adopted the General Data Protection Regulation, or GDPR, which, when effective in May 2018 will replace the 1995 European Union Data Protection Directive and supersede applicable European Union member state legislation. The GDPR includes more stringent operational requirements on entities that process personal data (as compared to existing EU law), including significant penalties for non-compliance, more robust obligations on data processors and data controllers, greater rights for data subjects (potentially requiring significant changes to both our technology and operations), and heavier documentation requirements for data protection compliance programs. Specifically, the GDPR introduces numerous privacy-related changes for companies operating in the EU, including greater control over personal data by data subjects (e.g., the "right to be forgotten"), increased data portability for EU consumers, data breach notification requirements and increased fines. Under the GDPR, fines of up to 20 million euros or up to 4% of the annual global revenue of the noncompliant company, whichever is greater, could be imposed for violations of certain GDPR requirements. The GDPR requirements apply not only to third-party transactions, but also to transfers of information between us and our subsidiaries, including employee information.

While we have taken steps to mitigate the impact of the GDPR on us, such as implementing standard contractual clauses and self-certifying under the EU-US Privacy Shield, the efficacy and longevity of these mechanisms remains uncertain. Potential or actual legal proceedings could lead to one or both of these mechanisms being declared invalid. Further, despite our ongoing efforts to bring practices into compliance before the effective date of the GDPR, we may not be successful either due to various factors within our control (such as limited financial or human resources) or outside our control (such as a lack of vendor cooperation). It's also possible that local data protection authorities (DPAs) may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU states.

Globally, governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering user privacy, data security, technologies such as cookies that are used to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with unique individual internet users.

New regulation or legislative actions (or new interpretations of existing laws, regulations or standards) regarding data privacy and security, together with applicable industry standards, may increase the costs of doing business and could have a material adverse impact on our operations. If our privacy or data security measures fail to comply with current or future laws and regulations, we may be subject to litigation, regulatory investigations, fines or other liabilities, as well as negative publicity and a potential loss of business, which could have a material adverse effect on our reputation and business. Moreover, if future laws and regulations limit our customers' ability to use and share personal information or our ability to store, process and share personal information, demand for our applications could decrease, our costs could increase, and our business, results of operations and financial condition could be harmed.

***Potential regulatory requirements placed on our applications and content could impose increased costs on us, delay or prevent our introduction of new applications, and impair the function or value of our existing applications.***

Certain of our existing applications, such as CareConverge, a tailored version of our Secure Messaging application that is designed to comply with HIPAA, are and are likely to continue to be subject to increasing regulatory requirements in a number of ways and as we continue to introduce new applications, we may be subject to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business. In addition, we market our applications and professional services in certain countries outside of the United States and plan to expand our local presence in regions such as Europe, the Middle East and Asia. If additional legal and/or regulatory requirements are implemented in the foreign countries in which we provide our services, the cost of developing or selling our applications may increase. As these requirements proliferate and as existing legal requirements become subject to new interpretations, we must change or adapt our applications and professional services to comply. Changing regulatory requirements might render certain of our applications obsolete or might block us from accomplishing our work or from developing new applications. This might in turn impose additional costs upon us to comply or to further develop our applications. It might also make introduction of new applications or service types more costly or more time-consuming than we currently anticipate. It might even prevent introduction by us of new applications or cause the continuation of our existing applications or professional services to become unprofitable or impossible.

**Risks Related to Ownership of Our Common Stock**

***Our stock price may be volatile and you may lose some or all of your investment.***

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. Our stock price has ranged from an intraday low of \$16.63 to an intraday high of \$30.20 for the year ended December 31, 2017. 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 the prices of our applications;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our platform and applications;
- announcements by us or our competitors of significant business developments, acquisitions or new applications;
- our involvement in any litigation;

- our sale of our common stock or other securities in the future;
- changes in senior management or key personnel;
- trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

Recently, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. 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.

***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 convertible Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the Notes. The Notes may become in the future convertible at the option of their holders prior to their scheduled terms under certain circumstances. 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.

***The capped call transactions entered into when we issued the convertible notes may affect the value of our common stock.***

In connection with the pricing of the Notes, we entered into capped call transactions with the option counterparties. The capped call transactions are expected generally to reduce the potential dilution upon conversion of the Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted Notes, as the case may be, with such reduction and/or offset subject to a cap. In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the Notes. The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding 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 Notes (and are likely to do so during any observation period related to a conversion of Notes). This activity could cause or avoid an increase or a decrease in the market price of our common stock.

***An active public trading market for our common stock may not be sustained.***

Prior to the completion of our initial public offering, or IPO in September 2016, no public market for our common stock existed. Although our common stock is listed on the NASDAQ Global Market, we cannot assure you that an active public trading market for our common stock will continue to develop or be sustained. If an active market for our common stock does not continue to develop or is not sustained, it may be difficult for investors in our common stock to sell shares without depressing the market price for the shares or to sell the shares at all. An inactive market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

***We are an emerging growth company, and we cannot be certain if the reduced reporting requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an emerging growth company, as defined in the Jumpstart Our Business Startups Act, or the JOBS Act, enacted in April 2012. For as long as we continue to be an emerging growth company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and exemptions from the requirements of holding nonbinding advisory votes on executive compensation and stockholder approval of any golden parachute payments not previously approved. We will remain an emerging growth company until the earlier of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of the IPO, (b) in which we have total annual gross revenue of at least \$1 billion or (c) in which we are deemed to be a large accelerated filer, which requires the market value of our common stock that is held by non-affiliates to exceed \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1 billion in non-convertible debt during the prior three-year period. We cannot predict if investors will find our common stock less attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***As a result of becoming a public company, we are obligated to maintain a system of effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may harm investor confidence in our company and, as a result, the value of our common stock.***

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. Commencing with this Annual Report, we are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. However, our auditors will not be required to formally attest to the effectiveness of our internal control over financial reporting pursuant to Section 404 until we are no longer an “emerging growth company” as defined in the JOBS Act if we take advantage of the exemptions available to us through the JOBS Act.

We will continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. As we transition to the requirements of reporting as a public company, we may need to add additional finance staff. 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. 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. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls when they are required to issue such opinion, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the Nasdaq Stock Market, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

***If securities or industry analysts do not publish research or reports about our business, or if they issue an adverse or misleading opinion regarding our stock, our stock price and trading volume could decline.***

The trading market for our common stock will be influenced by the research and reports that industry or securities analysts publish about us or our business. We do not have any control over these analysts. If any of the analysts who cover us issue an adverse or misleading opinion regarding us, our business model, our intellectual property or our stock performance, or if operating results fail to meet the expectations of analysts, our stock price would likely decline. If one or more of these analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

***We will incur increased costs as a result of operating as a public company and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.***

As a public company, and particularly after we are no longer an “emerging growth company,” we will incur significant legal, accounting and other expenses that we did not incur as a private company. The Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the listing requirements of the Nasdaq Stock Market and other applicable securities rules and regulations impose various requirements on public companies. Our management and other personnel will need to devote a substantial amount of time to compliance with these requirements. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly. We cannot predict or estimate the amount of additional costs we will incur as a public company or the timing of such costs. Such additional costs going forward could negatively affect our financial results.

***We do not anticipate paying any cash dividends in the foreseeable future, and accordingly, stockholders must rely on stock appreciation for any return on their investment.***

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends to holders of our common stock in the foreseeable future. In addition, our ability to pay cash dividends is currently prohibited by the terms of the Credit Agreement and may be prohibited by future credit agreements. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

***Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of 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 our amended and restated bylaws may have the effect of delaying or preventing a change in control or changes in our management. 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 our board of directors is divided into three classes, with directors in each class serving three-year staggered terms;



- require the approval of holders of two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or amend or repeal the provisions of our 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 the vote of 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, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, 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 price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your common stock in an acquisition.

***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.

***Future sales of our common stock in the public market could cause our share price to decline.***

Sales of a substantial number of shares of our common stock in the public market, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales, particularly sales by our directors, executive officers and significant stockholders, may have on the prevailing market price of our common stock. Additionally, the shares of common stock subject to outstanding options under our equity incentive plans and the shares reserved for future issuance under our equity incentive plans, as well as shares issuable upon vesting of restricted stock awards, will become eligible for sale in the public market in the future, subject to certain legal and contractual limitations.

Additionally, certain holders of our common stock have the right, subject to various conditions and limitations, to request we include their shares of our common stock in registration statements we may file relating to our securities.

In addition, in the future, we may issue common stock or other securities if we need to raise additional capital. The number of new shares of our common stock issued in connection with raising additional capital could constitute a material portion of our then-outstanding shares of our common stock.

**Item 1B. Unresolved Staff Comments.**

None

**Item 2. Properties.**

Our principal executive offices are located in Burlington, Massachusetts, where we occupy an approximately 45,000 square-foot facility under a lease expiring on May 31, 2022, and in Pasadena, California, where we occupy an approximately 19,000 square-foot facility under a lease expiring on June 30, 2018. We also have offices in San Francisco, California; Lansing, Michigan; Orlando, Florida; Maidenhead, England; Colchester, England; Beijing, China; and Norsborg, Sweden.

We believe that our current facilities are suitable and adequate to meet our current needs. We intend to add new facilities or expand existing facilities as we add employees, and we believe that suitable additional or substitute space will be available as needed to accommodate any such expansion of our operations.

**Item 3. Legal Proceedings.**

From time to time we may become involved in legal proceedings or be subject to claims arising in the ordinary course of our business. We are not presently a party to any legal proceedings that, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

**Item 4. Mine Safety Disclosures.**

Not applicable

## PART II

### Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information

Our common stock, has been listed on The Nasdaq Global Market under the symbol "EVBG" since September 16, 2016. Prior to that date, there was no public trading market for our common stock.

The following table sets forth the reported high and low sales prices of our common stock for the periods indicated, as quoted on The NASDAQ Global Market:

	<u>High</u>	<u>Low</u>
<b>Year ended December 31, 2017:</b>		
First Quarter	\$ 21.25	\$ 16.63
Second Quarter	\$ 26.87	\$ 19.45
Third Quarter	\$ 26.52	\$ 21.56
Fourth Quarter	\$ 30.20	\$ 23.87
	<u>High</u>	<u>Low</u>
<b>Year Ended December 31, 2016</b>		
Third Quarter (commencing September 16, 2016)	\$ 18.73	\$ 11.76
Fourth Quarter	\$ 20.66	\$ 12.92

As of December 31, 2017, there were 497 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

#### Dividends

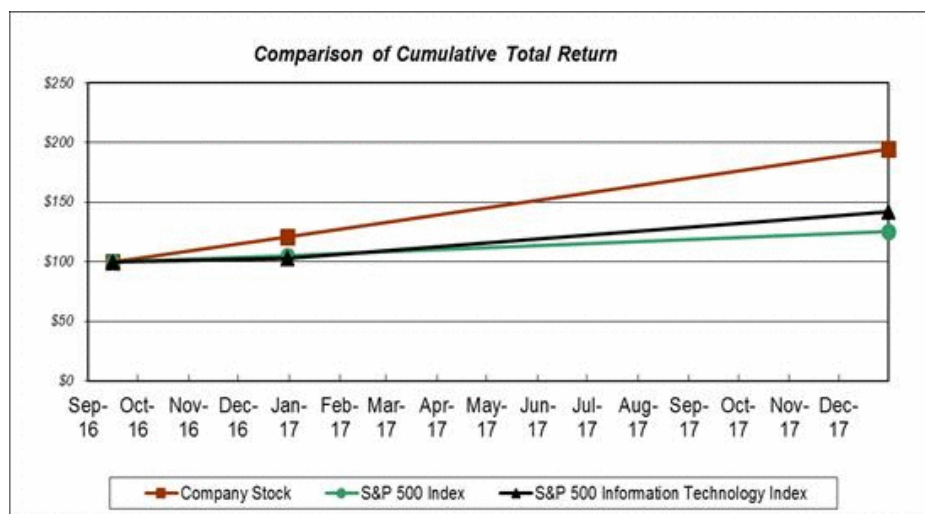
We have never declared or paid, and do not anticipate declaring or paying in the foreseeable future, any cash dividends on our common stock. Any future determination as to the declaration and payment of dividends, if any, will be at the discretion of our board of directors, subject to applicable laws, and will depend on then existing conditions, including our financial condition, operating results, contractual restrictions, capital requirements, business prospects, and other factors our board of directors may deem relevant.

#### Stock Performance Graph

This section is not "soliciting material," is not deemed "filed" with the SEC and shall not be deemed incorporated by reference into any of our other filings under the Securities Exchange Act of 1934, as amended, or the Securities Act of 1933, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing

The following graph compares the cumulative total return for an investment of \$100 in our common stock, the S&P 500 Stock Index and the S&P 500 Information Technology Index. Data for the S&P 500 Stock Index and the S&P 500 Information Technology Index assume reinvestment of dividends.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.



	September 16, 2016	December 31, 2016	December 31, 2017
Everbridge, Inc.	\$ 100.00	\$ 121.00	\$ 195.00
S&P 500 Stock Index	\$ 100.00	\$ 105.00	\$ 125.00
S&P 500 Information Technology Index	\$ 100.00	\$ 102.00	\$ 142.00

#### Recent Sale of Unregistered Securities

None

#### Use of Proceeds from Public Offering of Common Stock

Our initial public offering of common stock was effected through a Registration Statement on Form S-1 (File No. 333-213217), which was declared or became effective on September 16, 2016. There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC pursuant to Rule 424(b) and other periodic reports previously filed with the SEC. Consistent with such prior disclosures, we used \$23.5 million in cash to acquire Svensk Krisledning AB and IDV Solutions, LLC.

#### Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

#### Securities Authorized for Issuance Under Equity Compensation Plans

Information about securities authorized for issuance under our equity compensation plan is incorporated herein by reference to Item 12 of Part III of this Annual Report on Form 10-K.

**Item 6. Selected Financial Data.**

**SELECTED CONSOLIDATED FINANCIAL DATA**

The following selected historical financial data should be read in conjunction with Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and our consolidated financial statements and the related notes appearing in Item 8, “Financial Statements and Supplementary Data,” of this Annual Report on Form 10-K to fully understand the factors that may affect the comparability of the information presented below.

The selected consolidated financial data in this section are not intended to replace the consolidated financial statements and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

The following selected consolidated statements of operations data for the years ended December 31, 2017, 2016 and 2015, and the consolidated balance sheet data as of December 31, 2017 and 2016, have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for the year ended December 31, 2014 and 2013 and the consolidated balance sheet data as of December 31, 2015, 2014 and 2013 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K.

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands, except shares and per share data)				
Revenue	\$ 104,352	\$ 76,846	\$ 58,720	\$ 42,421	\$ 30,040
Cost of revenue <sup>(1)</sup>	31,503	23,767	19,789	12,089	8,699
Gross profit	72,849	53,079	38,931	30,332	21,341
Operating expenses:					
Sales and marketing <sup>(1)</sup>	\$ 46,998	\$ 34,847	\$ 25,925	\$ 15,818	\$ 11,695
Research and development <sup>(1)</sup>	22,241	14,765	11,521	7,365	5,697
General and administrative <sup>(1)</sup>	22,895	14,293	12,272	7,435	4,352
Total operating expenses	92,134	63,905	49,718	30,618	21,744
Operating loss	(19,285)	(10,826)	(10,787)	(286)	(403)
Other expenses, net	(302)	(484)	(599)	(426)	(368)
Loss before income taxes	(19,587)	(11,310)	(11,386)	(712)	(771)
(Provision for) benefit from income taxes	(47)	24	562	89	(118)
Net loss	\$ (19,634)	\$ (11,286)	\$ (10,824)	\$ (623)	\$ (889)
Net loss attributable to common shareholders	\$ (19,634)	\$ (11,286)	\$ (10,824)	\$ (623)	\$ (889)
Net loss per share attributable to common shareholders - basic	\$ (0.70)	\$ (0.68)	\$ (0.88)	\$ (0.05)	\$ (0.08)
Net loss per share attributable to common shareholders - diluted	\$ (0.70)	\$ (0.68)	\$ (0.88)	\$ (0.05)	\$ (0.08)
Weighted average shares outstanding - basic	27,862,375	16,659,561	12,257,413	11,788,883	11,040,428
Weighted average shares outstanding - diluted	27,862,375	16,659,561	12,257,413	11,788,883	11,040,428

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

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
<b>Stock-based compensation expense:</b>					
Cost of revenue	\$ 578	\$ 180	\$ 150	\$ 82	\$ 48
Sales and marketing	2,419	725	315	120	82
Research and development	1,514	348	297	147	28
General and administrative	4,788	1,848	760	27	18
Total	<u>\$ 9,299</u>	<u>\$ 3,101</u>	<u>\$ 1,522</u>	<u>\$ 376</u>	<u>\$ 176</u>

	Year Ended December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
<b>Depreciation and amortization expense:</b>					
Cost of revenue	\$ 7,263	\$ 6,247	\$ 4,457	\$ 1,615	\$ 2,374
Sales and marketing	304	208	227	101	46
Research and development	203	265	134	31	16
General and administrative	2,437	1,022	1,158	765	19
Total	<u>\$ 10,207</u>	<u>\$ 7,742</u>	<u>\$ 5,976</u>	<u>\$ 2,512</u>	<u>\$ 2,455</u>

(2) See notes (2) and (14) to our consolidated financial statements for further details on the calculation of basic and diluted net loss per share attributable to common stockholders.

	As of December 31,				
	2017	2016	2015	2014	2013
	(in thousands)				
<b>Consolidated Balance Sheet Data:</b>					
Cash and cash equivalents	\$ 102,754	\$ 60,765	\$ 8,578	\$ 4,412	\$ 3,040
Working capital, excluding deferred revenue	166,589	70,488	15,160	1,760	3,317
Total assets	236,413	108,322	53,509	40,066	18,101
Total deferred revenue	73,072	52,634	40,467	28,844	20,614
Total debt	89,481	—	16,970	6,863	3,366
Total liabilities	180,422	65,970	69,560	45,393	30,189
Total stockholders' equity (deficit)	55,991	42,352	(16,051)	(5,327)	(12,088)

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical financial information, the following discussion contains forward-looking statements that reflect our plans, estimates and beliefs. Our actual results could differ materially from those contained in or implied by any forward-looking statements. Factors that could cause or contribute to these differences include those under "Risk Factors" included in Part I, Item 1A or in other parts of this Annual Report on Form 10-K.*

### Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and businesses running. During public safety threats such as active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, our SaaS-based platform enables our customers to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds or millions of recipients, across multiple communications modalities such as voice, SMS and e-mail. Our applications enable the delivery of messages in near real-time to more than 100 different communication devices, in over 200 countries and territories, in 15 languages and dialects – all simultaneously. We delivered 2.0 billion communications in 2017. We automate the process of sending contextual notifications to multiple constituencies and receiving return information on a person's or operation's status so that organizations can act quickly and precisely. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Crisis Commander, Community Engagement and Secure Messaging. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

Our customer base has grown from 867 customers at the end of 2011 to more than 3,700 customers as of December 31, 2017. As of December 31, 2017, our customers were based in 38 countries and included nine of the 10 largest U.S. cities, eight of the 10 largest U.S.-based investment banks, 25 of the 25 busiest North American airports, six of the 10 largest global consulting firms, six of the 10 largest global auto makers, all four of the largest global accounting firms, four of the 10 largest U.S.-based health care providers and four of the 10 largest U.S.-based health insurers. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We sell all of our critical communications applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 2.2 years as of December 31, 2017, and generally bill and collect payment annually in advance. We derive most of our revenue from subscriptions to applications. Over 90% of the revenue that we recognized in each of the eight most recently completed quarters was generated from contracts entered into in prior quarters or renewals of those contracts; the balance of the revenue that we recognized in each such quarter was generated from contracts entered into with new customers or new contracts, other than renewals, entered into with existing customers in such quarter. Historically, we derived more than 74% of our revenue in each of the last three fiscal years from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

We generated revenue of \$104.4 million in 2017, \$76.8 million in 2016, \$58.7 million in 2015 and \$42.4 million in 2014, representing year-over-year increases of 36% in 2017, 31% in 2016 and 38% in 2015. We had net losses of \$19.3 million, \$11.3 million, \$10.8 million and \$0.6 million in 2017, 2016, 2015 and 2014, respectively.

As of December 31, 2017 and 2016, 16% and 14% of our customers, respectively, were located outside of the United States and these customers generated 10% of our total revenue for the years ended December 31, 2017 and 2016, respectively.

We have focused on rapidly growing our business and believe that the future growth of our business is dependent on many factors, including our ability to increase the functionality of our platform and applications, expand our customer base, accelerate adoption of our applications beyond Mass Notification within our existing customer base and expand our international presence. Our future growth will also depend on the growth in the market for critical communications solutions and our ability to effectively compete. In order to further penetrate the market for critical communications solutions and capitalize on what we believe to be a significant opportunity, we intend to continue to invest in research and development, build-out our data center infrastructure and services capabilities and hire additional sales representatives, both domestically and internationally, to drive sales to new customers and incremental sales of new applications to existing customers. Nevertheless, we expect to continue to incur losses in the near term and, if we are unable to achieve our growth objectives, we may not be able to achieve profitability. The complete details of the offer, including all terms and conditions, are included in an offer document complying with the requirements of the Norwegian Securities Trading Act and which has been distributed to UMS shareholders. This Annual Report does not in itself constitute an offer. The offer will only be made on the basis of the offer document and can only be accepted pursuant to the terms of such document.

### **Recent Developments**

In December 2016, we acquired 100% of the shares of Svensk Krisledning AB, or Crisis Commander. We acquired Crisis Commander for cash consideration of approximately \$2.3 million with additional time and performance-based milestones that could result in additional payments of \$0.4 million. Crisis Commander is a SaaS mobile crisis management company operating out of Sweden.

In January 2017, we acquired 100% of the shares of IDV Solutions, LLC, or IDV. We acquired IDV for cash consideration of approximately \$21.3 million, with additional time and performance-based milestones that could result in additional payments of \$6.2 million. IDV is a provider of threat assessment and operational visualization software located in Lansing, Michigan.

In April 2017, we completed a follow-on public offering in which we sold 553,825 shares of our common stock, which included 26,825 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares, at a public offering price of \$19.85 per share. In addition, 3,162,164 shares of our common stock were sold by selling stockholders, which included 73,000 shares sold pursuant to the exercise of employee stock options by certain selling stockholders. We received net proceeds of \$9.9 million, after deducting underwriting discounts and commissions and offering expenses paid. We did not receive any proceeds from the sales by the selling stockholders.

In November 2017, we completed a public offering of \$115.0 million aggregate principal amount of 1.5% convertible senior notes due 2022, or the Notes, including \$15.0 million in principal amount of Notes issued upon exercise in full by the underwriters of an option to purchase additional Notes. Also in November 2017, Jaime Ellertson, our Chief Executive Officer, completed a secondary public offering of 747,500 shares of our common at a public offering price of \$26.97 per share, including 97,500 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares. We did not receive any proceeds from the sales by Mr. Ellertson.



In February 2018, we entered into a transaction agreement with Unified Messaging Systems ASA, or UMS, and our wholly-owned subsidiary Everbridge Holdings Limited, or Holdings, pursuant to which Holdings has commenced a tender offer to purchase all of the issued and outstanding shares of capital stock of UMS at a price of 1.37 Norwegian kroner per share, or the Offer Price. Based on the offer price, the aggregate price for the UMS shares would be approximately 268 million Norwegian kroner, or approximately \$33.6 million. Holders of approximately 67.3% of the Shares have entered into pre-acceptances with Holdings, pursuant to which such holders have pre-accepted the offer for all shares they own. In addition, Holdings has entered into conditional purchase agreements with holders of options to purchase 2,285,000 shares of capital stock of UMS, whereby Holdings will purchase such options at a price equal to the difference between the Offer Price and the exercise price for the options, subject to the closing of the offer. The aggregate purchase price for the options is 1,066,700 Norwegian kroner. These pre-acceptances with respect to UMS shares and commitments to sell options may be withdrawn by the shareholders and the option holders in the event a superior competing offer is launched and the Board of Directors of UMS decides to recommend such competing offer. The closing of the tender offer for UMS shares is subject to satisfaction or waiver of customary closing conditions, including a minimum acceptance of at least 90% on a fully diluted basis or such lower percentage (not being less than 50%) of the UMS shares as we and Holdings determine. As a result, we cannot be certain that we will be able to complete the tender offer and close the transaction.

### Presentation of Financial Statements

Our consolidated financial statements include the accounts of our wholly-owned subsidiaries. Business acquisitions are included in our consolidated financial statements from the date of the acquisition. Our purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates. All intercompany balances and transactions have been eliminated in consolidation.

We report our financial results as one operating segment. Our operating results are regularly reviewed on a consolidated basis by our chief executive officer, who is our chief operating decision maker, principally to make strategic decisions regarding how we allocate our resources and to assess our consolidated operating performance.

### Other Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our other business metrics may be calculated in a manner different than similar other business metrics used by other companies.

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Adjusted EBITDA	\$ 135	\$ 5	\$ (3,351)
Adjusted gross margin	\$ 75,041	\$ 55,577	\$ 41,084
Free cash flow	\$ (2,964)	\$ 3,039	\$ (2,953)

- Adjusted EBITDA.** Adjusted EBITDA represents our net loss before interest income and interest expense, income tax expense and benefit, depreciation and amortization expense and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the capitalized software that is

amortized will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (2) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (3) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (4) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (5) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our other GAAP-based financial performance measures, net loss and our other GAAP financial results. The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net loss	\$ (19,634)	\$ (11,286)	\$ (10,824)
Interest expense, net	216	472	537
Provision for (benefit from) income taxes	47	(24)	(562)
Depreciation and amortization	10,207	7,742	5,976
Stock-based compensation	9,299	3,101	1,522
Adjusted EBITDA	<u>\$ 135</u>	<u>\$ 5</u>	<u>\$ (3,351)</u>

- Adjusted Gross Margin.** Adjusted gross margin represents gross profit plus stock-based compensation and amortization of acquired intangibles. Adjusted gross margin is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. The exclusion of stock-based compensation expense and amortization of acquired intangibles facilitates comparisons of our operating performance on a period-to-period basis. In the near term, we expect these expenses to continue to negatively impact our gross profit. Adjusted gross margin is not a measure calculated in accordance with GAAP. We believe that adjusted gross margin provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, our use of adjusted gross margin has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. You should consider adjusted gross margin alongside our other GAAP-based financial performance measures, gross profit and our other GAAP financial results. The following table presents a reconciliation of adjusted gross margin to gross profit, the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Gross profit	\$ 72,849	\$ 53,079	\$ 38,931
Amortization of acquired intangibles	1,614	2,318	2,003
Stock-based compensation	578	180	150
Adjusted gross margin	<u>\$ 75,041</u>	<u>\$ 55,577</u>	<u>\$ 41,084</u>

- Free Cash Flow.** Free cash flow represents net cash provided by operating activities minus capital expenditures and capitalized software development costs. Free cash flow is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans. The exclusion of capital expenditures and amounts capitalized for internally-developed software facilitates comparisons of our operating performance on a period-to-period basis and excludes items that we do not consider to be indicative of our core operating performance. Free cash flow is not a measure calculated in accordance with GAAP. We believe that free cash flow provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, our use of free cash flow has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. You should consider free cash flow alongside our other GAAP-based financial performance measures, net cash provided by operating activities, and our other GAAP financial results. The following table presents a reconciliation of free cash flow to net cash for operating activities, the most directly comparable GAAP measure, for each of the periods indicated:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Net cash provided by operating activities	\$ 4,863	\$ 9,503	\$ 4,451
Capital expenditures	(1,667)	(970)	(2,502)
Capitalized software development costs	(6,160)	(5,494)	(4,902)
Free cash flow	<u>\$ (2,964)</u>	<u>\$ 3,039</u>	<u>\$ (2,953)</u>

#### Additional Supplemental Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain additional supplemental non-GAAP financial measures, including non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP total operating expenses, non-GAAP operating loss and non-GAAP net loss, which we collectively refer to as non-GAAP financial measures. These non-GAAP financial measures exclude all or a combination of the following (as reflected in the following reconciliation tables): stock-based compensation expense and amortization of acquired intangibles. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision making. While our non-GAAP financial measures are an important tool for financial and operational decision making and for evaluating our own operating results over different periods of time, you should consider our non-GAAP financial measures alongside our GAAP financial results.

We exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for more meaningful comparisons between our operating results from period to period. We believe that excluding the impact of amortization of acquired intangibles allows for more meaningful comparisons between operating results from period to period as the intangibles are valued at the time of acquisition and are amortized over a period of several years after the acquisition. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility of the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry.

There are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP, may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact upon our reported financial results. Further, stock-based compensation expense has been and will continue to be for the foreseeable future a significant recurring expense in our business and an important part of the compensation provided to our employees.

The following table reconciles our GAAP to non-GAAP financial measures for the years ended 2017, 2016 and 2015:

	Year Ended December 31,		
	2017	2016	2015
	(dollars in thousands)		
Cost of revenue	\$ 31,503	\$ 23,767	\$ 19,789
Amortization of acquired intangibles	(1,614)	(2,318)	(2,003)
Stock-based compensation expense	(578)	(180)	(150)
Non-GAAP cost of revenue	29,311	21,269	17,636
Gross profit	72,849	53,079	38,931
Amortization of acquired intangibles	1,614	2,318	2,003
Stock-based compensation expense	578	180	150
Non-GAAP gross profit	75,041	55,577	41,084
Non-GAAP gross margin	71.91%	72.32%	69.97%
Sales and marketing expense	46,998	34,847	25,925
Stock-based compensation expense	(2,419)	(725)	(315)
Non-GAAP sales and marketing	44,579	34,122	25,610
Research and development expense	22,241	14,765	11,521
Stock-based compensation expense	(1,514)	(348)	(297)
Non-GAAP research and development	20,727	14,417	11,224
General and administrative expense	22,895	14,293	12,272
Amortization of acquired intangibles	(2,123)	(916)	(1,088)
Stock-based compensation expense	(4,788)	(1,848)	(760)
Non-GAAP general and administrative	15,984	11,529	10,424
Total operating expenses	92,134	63,905	49,718
Amortization of acquired intangibles	(2,123)	(916)	(1,088)
Stock-based compensation expense	(8,721)	(2,921)	(1,372)
Non-GAAP total operating expenses	\$ 81,290	\$ 60,068	\$ 47,258
Operating loss	\$ (19,285)	\$ (10,826)	\$ (10,787)
Amortization of acquired intangibles	3,737	3,234	3,091
Stock-based compensation expense	9,299	3,101	1,522
Non-GAAP operating loss	\$ (6,249)	\$ (4,491)	\$ (6,174)
Net loss	\$ (19,634)	\$ (11,286)	\$ (10,824)
Amortization of acquired intangibles	3,737	3,234	3,091
Stock-based compensation expense	9,299	3,101	1,522
Non-GAAP net loss	\$ (6,598)	\$ (4,951)	\$ (6,211)

## **Components of Results of Operations**

### ***Revenue***

We derive substantially all of our revenue from the sale of subscriptions to our critical communications and enterprise safety applications.

We generally bill and collect payment for our subscriptions annually in advance. All revenue billed in advance of services being delivered is recorded in deferred revenue. The initial subscription period typically ranges from one to three years. We offer varying levels of customer support based on customer needs and the complexity of their businesses, including the level of usage by a customer in terms of minutes or the amount of data used to transmit the notifications. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of premium features and applications that our customers subscribe to and the number of contacts connected to our platform.

We generate an immaterial amount of revenue from set-up fees, which consist of participant process mapping, configuration, customer data migration and integration. We also sell professional services, which have been immaterial to date.

### ***Cost of Revenue***

Cost of revenue includes expenses related to the fulfillment of our subscription services, consisting primarily of employee-related expenses for data center operations and customer support, including salaries, bonuses, benefits and stock-based compensation expense. Cost of revenue also includes hosting costs, messaging costs and depreciation and amortization. As we add data center capacity and support personnel in advance of anticipated growth, our cost of revenue will increase and, if anticipated revenue growth does not occur, our gross profit will be adversely affected.

### ***Operating Expenses***

Operating expenses consist of sales and marketing, research and development and general and administrative expenses. Salaries, bonuses, stock-based compensation expense and other personnel costs are the most significant components of each of these expense categories. We include stock-based compensation expense incurred in connection with the grant of stock options within the applicable operating expense category based on the equity award recipient's functional area.

### ***Sales and Marketing***

Sales and marketing expense primarily consists of employee-related expenses for sales, marketing and public relations employees, including salaries, bonuses, commissions, benefits and stock-based compensation expense. Sales and marketing expense also includes trade show, market research, advertising and other related external marketing expense as well as office and software related costs to support sales. We defer certain sales commissions related to acquiring new customers and amortize these expenses ratably over the term of the corresponding subscription agreement. We plan to continue to expand our sales and marketing functions to grow our customer base and increase sales to existing customers. This growth will include adding sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. In the near term, we expect our sales and marketing expense to increase on an absolute dollar basis as we hire new sales representatives in the United States and worldwide and grow our marketing staff.

### **Research and Development**

Research and development expense primarily consists of employee-related expenses for research and development staff, including salaries, bonuses, benefits and stock-based compensation expense. Research and development expense also includes the cost of certain third-party services, office related costs to support research and development activities, software subscriptions and hosting costs. We capitalize certain software development costs that are attributable to developing new applications and adding incremental functionality to our platform and amortize these costs over the estimated life of the new application or incremental functionality, which is generally three years. We focus our research and development efforts on improving our applications, developing new applications and delivering new functionality. In the near term, we expect our research and development expense to increase on an absolute dollar basis as we continue to increase the functionality of our platform and applications.

### **General and Administrative**

General and administrative expense primarily consists of employee-related expenses for administrative, legal, finance and human resource personnel, including salaries, bonuses, benefits and stock-based compensation expense. General and administrative expense also includes professional fees, insurance premiums, corporate expenses, transaction-related costs, office-related expenses, facility costs, depreciation and amortization and software license costs. In the near term, we expect our general and administrative expense to increase on an absolute dollar basis as we incur the costs associated with being a publicly traded company.

### **Interest Income**

Interest income consists of interest earned on our cash and investment balances held at financial institutions.

### **Interest Expense**

Interest expense consists of interest on our outstanding debt obligations.

### **Other Expenses, Net**

Other expenses, net consists primarily of realized foreign currency gains and losses.

### **Results of Operations**

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The period-to-period comparison of our historical results is not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Revenue	\$ 104,352	\$ 76,846	\$ 58,720
Cost of revenue <sup>(1)</sup>	31,503	23,767	19,789
Gross profit	72,849	53,079	38,931
Operating expenses:			
Sales and marketing <sup>(1)</sup>	46,998	34,847	25,925
Research and development <sup>(1)</sup>	22,241	14,765	11,521
General and administrative <sup>(1)</sup>	22,895	14,293	12,272
Total operating expenses	92,134	63,905	49,718
Operating loss	(19,285)	(10,826)	(10,787)
Other expenses, net	(302)	(484)	(599)
Loss before income taxes	(19,587)	(11,310)	(11,386)
(Provision for) benefit from income taxes	(47)	24	562
Net loss	\$ (19,634)	\$ (11,286)	\$ (10,824)

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

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Stock-based compensation expense:			
Cost of revenue	\$ 578	\$ 180	\$ 150
Sales and marketing	2,419	725	315
Research and development	1,514	348	297
General and administrative	4,788	1,848	760
Total	\$ 9,299	\$ 3,101	\$ 1,522

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Depreciation and amortization expense:			
Cost of revenue	\$ 7,263	\$ 6,247	\$ 4,457
Sales and marketing	304	208	227
Research and development	203	265	134
General and administrative	2,437	1,022	1,158
Total	\$ 10,207	\$ 7,742	\$ 5,976

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
<b>Consolidated Statements of Operations, as a percentage of revenue(1)</b>			
Revenue	100%	100%	100%
Cost of revenue	30%	31%	34%
Gross profit	70%	69%	66%
Operating expenses:			
Sales and marketing	45%	45%	44%
Research and development	21%	19%	20%
General and administrative	22%	19%	21%
Total operating expenses	88%	83%	85%
Operating loss	(18)%	(14)%	(18)%
Other expenses, net	(0)%	(1)%	(1)%
Loss before income taxes	(19)%	(15)%	(19)%
(Provision for) benefit from income taxes	*	*	1%
Net loss	(19)%	(15)%	(18)%

(1) Columns may not add up to 100% due to rounding.

\* Represents less than 0.5% of revenue.

#### Year Ended December 31, 2017 Compared to the Year Ended December 31, 2016

##### Revenue

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
Revenue	\$ 104,352	\$ 76,846	\$ 27,506	35.8%

Revenue increased by \$27.5 million in 2017 compared to 2016. The increase was primarily due to a \$27.5 million increase in sales of our solutions driven by expansion of our customer base from 3,205 customers as of December 31, 2016 to 3,711 as of December 31, 2017, including increased sales to larger organizations with greater numbers of contacts and locations.

### Cost of Revenue

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
Cost of revenue	\$ 31,503	\$ 23,767	\$ 7,736	32.5%
Gross margin %	70%	69%		

Cost of revenue increased by \$7.7 million in 2017 compared to 2016. The increase was primarily due to a \$4.3 million increase in employee-related costs associated with our increased headcount from 97 employees as of December 31, 2017 to 128 employees as of December 31, 2017. The remaining increase was principally the result of a \$1.0 million increase in depreciation and amortization expense attributable to our acquired intangible assets, a \$2.1 million increase in hosting, software and messaging costs and a \$0.3 million increase attributed to office related expenses to support revenue generating activities.

Gross margin percentage increased due to our continued investment in personnel to support our growth in revenue, which was greater than our growth in expenses.

### Operating Expenses

#### Sales and Marketing Expense

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
Sales and marketing	\$ 46,998	\$ 34,847	\$ 12,151	34.9%
% of revenue	45%	45%		

Sales and marketing expense increased by \$12.2 million in 2017 compared to 2016. The increase was primarily due to a \$10.3 million increase in employee-related costs associated with our increased headcount from 180 employees as of December 31, 2016 to 215 employees as of December 31, 2017. The remaining increase was principally the result of a \$1.0 million increase in trade show and advertising costs and a \$0.8 million increase attributed to office related expenses to support the sales team.

#### Research and Development Expense

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
Research and development	\$ 22,241	\$ 14,765	\$ 7,476	50.6%
% of revenue	21%	19%		

Research and development expense increased by \$7.5 million in 2017 compared to 2016. The increase was primarily due to a \$7.2 million increase in employee-related costs associated with our increased headcount from 121 employees as of December 31, 2016 to 159 employees as of December 31, 2017. The remaining increase was principally the result of a \$0.7 million increase in hosting and software related cost to support research and development activities and a \$0.4 million increase in office related expenses to support R&D activities. A total of \$6.3 million of internally-developed software costs during 2017 and \$5.5 million of internally-developed software costs during 2016 were capitalized, resulting in a decrease of the expense by \$0.8 million in 2017.



*General and Administrative Expense*

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
General and administrative	\$ 22,895	\$ 14,293	\$ 8,602	60.2%
% of revenue	22%	19%		

General and administrative expense increased by \$8.6 million in 2017 compared to 2016. The increase was primarily due to a \$7.0 million increase in employee-related costs associated with our increased headcount from 62 employees as of December 31, 2016 to 79 employees as of December 31, 2017. There was an additional increase of \$0.4 million to support compliance as a public company, \$0.5 million in office related expenses to support the administrative team and a \$1.4 million increase in depreciation and amortization. These increases were offset by a \$0.7 million decrease in other expenses primarily as result of the gain recognized on the fair value adjustment for the contingent consideration attributed to the acquisition of IDV Solutions, LLC.

*Other Expense, Net*

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
Other expense, net	\$ 302	\$ 484	\$ (182)	(37.6)%
% of revenue	0%	1%		

Other expense, net decreased by \$0.2 million in 2017 compared to 2016 as a result of an increase in interest expense of \$0.2 million related to interest expense due under our convertible senior notes in 2017 compared to interest under our term loan and revolving line of credit in 2016, which were paid off in September 2016 with the proceeds of our initial public offering, or IPO. This increase was offset by an increase of \$0.4 million of interest income earned on our short term investments.

*Income Taxes*

	Year Ended December 31,		Change	
	2017	2016	\$	%
	(dollars in thousands)			
Provision for (benefit from) income taxes	\$ 47	\$ (24)	\$ 71	295.8%
% of revenue	0%	(0)%		

Income tax expense increased by \$0.1 million in 2017 compared to 2016. There were no material items driving the change.

**Year Ended December 31, 2016 Compared to the Year Ended December 31, 2015**

*Revenue*

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Revenue	\$ 76,846	\$ 58,720	\$ 18,126	30.9%

Revenue increased by \$18.1 million in 2016 compared to 2015. The increase was primarily due to an \$18.1 million increase in sales of our solutions driven by expansion of our customer base from 2,662 customers as of December 31, 2015 to 3,205 as of December 31, 2016, including increased sales to larger organizations with greater numbers of contacts and locations.

### *Cost of Revenue*

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Cost of revenue	\$ 23,767	\$ 19,789	\$ 3,978	20.1%
Gross margin %	69%	66%		

Cost of revenue increased by \$4.0 million in 2016 compared to 2015. The increase was primarily due to a \$1.5 million increase in employee-related costs associated with our increased headcount from 90 employees as of December 31, 2015 to 98 employees as of December 31, 2016. The remaining increase was principally the result of a \$1.8 million increase in depreciation and amortization expense attributable to our acquired intangible assets, a \$0.9 million increase in hosting and messaging costs, offset by a \$0.2 million decrease in office related expenses.

Gross margin percentage increased due to our continued investment in personnel to support our growth in revenue, which was greater than our growth in expenses.

### *Operating Expenses*

#### *Sales and Marketing Expense*

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Sales and marketing	\$ 34,847	\$ 25,925	\$ 8,922	34.4%
% of revenue	45%	44%		

Sales and marketing expense increased by \$8.9 million in 2016 compared to 2015. The increase was primarily due to an \$8.2 million increase in employee-related costs associated with our increased headcount from 157 employees as of December 31, 2015 to 182 employees as of December 31, 2016. The remaining increase was principally the result of a \$0.5 million increase in trade show and advertising costs and a \$0.2 million increase in software costs to support our sales organization.

#### *Research and Development Expense*

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Research and development	\$ 14,765	\$ 11,521	\$ 3,244	28.2%
% of revenue	19%	20%		

Research and development expense increased by \$3.2 million in 2016 compared to 2015. The increase was primarily due to a \$2.7 million increase in employee-related costs associated with our increased headcount from 109 employees as of December 31, 2015 to 123 employees as of December 31, 2016. The remaining increase was principally the result of a \$0.6 million increase for the use of outside consultants and a \$0.5 million increase in hosting and software related cost to support research and development activities. A total of \$5.5 million of internally-developed software costs during 2016 and \$4.8 million of internally-developed software costs during 2015 were capitalized, resulting in a decrease of the expense by \$0.7 million in 2016.

### General and Administrative Expense

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
General and administrative	\$ 14,293	\$ 12,272	\$ 2,021	16.5%
% of revenue	19%	21%		

General and administrative expense increased by \$2.0 million in 2016 compared to 2015. The increase was primarily due to a \$2.0 million increase in employee-related costs associated with our increased headcount from 62 employees as of December 31, 2015 to 64 employees as of December 31, 2016. There was an additional increase of \$0.5 million to support our operations and our preparations to become a public company. These increases were offset by a \$0.6 million decrease in professional fees due to a decrease in legal, accounting and audit services in 2016.

### Other Expense, Net

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Other expense, net	\$ 484	\$ 599	\$ (115)	(19.2)%
% of revenue	1%	1%		

Other expense, net decreased by \$0.1 million in 2016 compared to 2015 as a result of a decrease in interest expense related to interest expense due under our term loan and revolving line of credit, which were paid off in September 2016 with the proceeds of our IPO.

### Income Taxes

	Year Ended December 31,		Change	
	2016	2015	\$	%
	(dollars in thousands)			
Benefit from income taxes	\$ (24)	\$ (562)	\$ 538	(95.7)%
% of revenue	(0)%	(1)%		

Benefit from income taxes decreased by \$0.5 million in 2016 compared to 2015 due to the placement of a full valuation allowance on our foreign deferred taxes.

### Liquidity and Capital Resources

To date, we have financed our operations primarily through cash from operating activities, along with equity issuances and debt financing arrangements. Our principal source of liquidity is cash and cash equivalents totaling \$102.8 million as of December 31, 2017, which includes the remaining net proceeds from our follow-on public offering completed in September 2016. We received net proceeds of \$9.9 million, after deducting underwriting discounts and offering expenses paid. We also received \$98.2 million as a result of our convertible debt offering after deducting debt issuance cost and the cost for the capped call transactions entered into in connection with the debt offering. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future.

We believe that our cash and cash equivalent balances, our available borrowings under our revolving line of credit and the cash flows generated by our operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this Annual Report on Form 10-K titled “Risk Factors.” We cannot assure you that we will be able to raise additional capital on acceptable terms or at all. In addition, if we fail to meet our operating plan during the next 12 months, our liquidity could be adversely affected.

### ***Cash Flows***

The following table shows a summary of our cash flows for the years ended December 31, 2017, 2016 and 2015:

	<b>Year Ended December 31,</b>		
	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(dollars in thousands)</b>		
Cash and cash equivalents at beginning of period	\$ 60,765	\$ 8,578	\$ 4,412
Cash provided by operating activities	4,863	9,503	4,451
Cash used in investing activities	(71,266)	(9,020)	(7,404)
Cash provided by financing activities	108,475	51,470	7,219
Effects of exchange rates on cash and cash equivalents	(83)	234	(100)
Cash and cash equivalents at end of period	<u>\$ 102,754</u>	<u>\$ 60,765</u>	<u>\$ 8,578</u>

At December 31, 2017, \$2.3 million of the \$102.8 million of cash and cash equivalents was held by foreign subsidiaries. Our intention is to indefinitely reinvest foreign earnings in our foreign subsidiaries. If these earnings were used to fund domestic operations, they would be subject to additional income taxes upon repatriation.

### ***Sources of Funds***

#### ***Initial and Follow-On Public Offering***

On September 21, 2016, we closed our initial public offering in which we issued and sold 6,250,000 shares of common stock at a public offering price of \$12.00 per share for net proceeds of approximately \$66.1 million, after deducting underwriting discounts and offering expenses paid or payable by us.

In April 2017, we completed a follow-on public offering in which we sold 553,825 shares of our common stock, which included 26,825 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares, at a public offering price of \$19.85 per share. We received net proceeds of \$9.9 million, after deducting underwriting discounts and commissions and offering expenses paid by us.

### ***Credit Facility***

In June 2015, we entered into a loan and security agreement with Western Alliance Bank (formerly known as Bridge Bank) to provide a secured revolving line of credit that allows us to borrow up to \$10.0 million for working capital and general business requirements. In February 2016, we entered into an amendment of our loan and security agreement with Western Alliance Bank to (1) increase the capacity of our revolving line of credit by \$5.0 million to \$15.0 million and (2) set the minimum prime rate based on which interest due is calculated at 3.25%. No other changes were made to the loan and security agreement. The loan and security agreement, as amended, allows us to borrow up to \$15.0 million for working capital and general business requirements. Amounts outstanding under the line of credit bear interest at the prime rate plus 0.75% with accrued interest payable on a monthly basis and outstanding and unpaid principal due upon maturity of the credit facility in June 2018. As of December 31, 2017, the total amount available to be borrowed by us was \$15.0 million and we had no outstanding balance on the revolving line of credit.

Western Alliance Bank maintains a security interest in substantially all of our tangible and intangible assets, excluding intellectual property, to secure any outstanding amounts under the loan agreement. The loan agreement contains customary events of default, conditions to borrowing and covenants, including restrictions on our ability to dispose of assets, make acquisitions, incur debt, incur liens and make distributions and dividends to stockholders. The loan agreement also includes a financial covenant related to our recurring revenue renewal rate. During the continuance of an event of default, Western Alliance Bank may accelerate amounts outstanding, terminate the credit facility and foreclose on the collateral.

### ***Convertible Senior Notes***

In November 2017, we completed a public offering of \$115.0 million aggregate principal amount of 1.5% convertible senior notes due 2022, or the Notes, including \$15.0 million in principal amount of Notes issued upon exercise in full by the underwriters of an option to purchase additional Notes.

The Notes have an initial conversion rate of 29.6626 shares of common stock per \$1,000 principal amount of Notes. This represents an initial effective conversion price of approximately \$33.71 per share of common stock and approximately 3.4 million shares issuable upon conversion. Throughout the term of the Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to the holder upon conversion of a Note.

In connection with the issuance of the Notes, we purchased capped call options that in the aggregate relate to the total number of shares of our common stock underlying the Notes, with an initial strike price of approximately \$33.71 per share, which corresponds to the initial conversion price of the Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Notes, and have a cap price of approximately \$47.20. The cost of the purchased capped calls was \$12.9 million.

### ***Uses of Funds***

Our historical uses of cash have primarily consisted of cash used for operating activities, such as expansion of our sales and marketing operations, research and development activities and other working capital needs.

#### *Operating Activities*

Our net loss and cash flows provided by operating activities are significantly influenced by our investments in headcount and infrastructure to support our growth, marketing and sponsorship expenses, and our ability to bill and collect in a timely manner. Our net loss has been significantly greater than our use of cash for operating activities due to the inclusion of non-cash expenses and charges.

Operating activities provided \$4.9 million in 2017, primarily from \$5.2 million in cash provided as a result of changes in operating assets and liabilities, which was increased by \$19.3 million of non-cash operating expenses and partially offset by our net loss of \$19.6 million. Specifically, we recognized non-cash charges aggregating \$10.2 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$9.2 million for stock-based compensation expense, \$0.6 million for the increase in our accounts receivable provision and \$0.5 million related to non-cash interest, offset by a \$0.2 million decrease in our non-cash investment income. The change in operating assets and liabilities reflected a \$16.4 million increase in deferred revenue and a \$3.6 million increase in accrued employee-related expenses due to timing of payments. These increases were partially offset by a \$13.1 million increase in accounts receivable, a \$0.6 million increase in prepaid expenses, a \$0.8 million increase in other assets due to timing of payments made for deferred IPO cost and commissions, a \$0.1 million decrease in accounts payable due to the timing of payments made, \$0.1 million increase in accrued expenses due to timing of payments made to vendors and a \$0.2 million decrease in other liabilities.

Operating activities provided \$9.5 million in 2016, primarily from \$9.6 million in cash provided as a result of changes in operating assets and liabilities, which was increased by \$11.2 million of non-cash operating expenses and partially offset by our net loss of \$11.3 million. Specifically, we recognized non-cash charges aggregating \$7.7 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$3.1 million for stock-based compensation expense, \$0.4 million for the increase in our accounts receivable provision and \$0.1 million related to non-cash interest on notes payable, offset by a \$0.1 million decrease in our deferred income taxes. The change in operating assets and liabilities reflected a \$12.0 million increase in deferred revenue, a \$1.3 million increase in accrued employee-related expenses due to timing of payments, and a \$0.5 million increase in accrued expenses due to timing of payments made to vendors. These increases were partially offset by a \$2.3 million increase in accounts receivable, a \$1.1 million increase in other assets due to timing of payments made for deferred IPO costs and commissions, a \$0.4 million decrease in accounts payable due to the timing of payments made and a \$0.3 million increase in prepaid expenses as a result of the increase in upfront payments made for insurance services.

#### *Investing Activities*

Our investing activities consist primarily of capital expenditures for capitalized software development costs and property and equipment purchases, payments for acquisitions, and purchases of investments. Cash provided by investing activities consist of maturities of investments and monies received from entering into sale leaseback arrangements.

Investing activities used \$71.3 million in 2016, primarily from our purchase of IDV for \$21.2 million, our investment in software development of \$6.2 million, our purchase of property and equipment of \$1.7 million, a \$0.3 million change in restricted cash and \$60.8 million in purchases of short-term investments. This was offset by cash provided of \$0.8 million attributed to landlord reimbursements for tenant improvements in our Burlington, Massachusetts office lease and maturities of our short-term investments of \$18.0 million.

Investing activities used \$9.0 million in 2016, primarily from net cash paid in acquisitions of \$2.3 million, and our investment in software development of \$5.5 million and our investment in property and equipment of \$1.0 million.

#### *Financing Activities*

Cash generated by financing activities includes proceeds from our initial and follow-on public offerings, borrowings under the Notes, term loan and credit facilities and proceeds from the issuance of common stock upon the exercise of employee stock options and sales of shares through our employee stock purchase plan. Cash used in financing activities includes deferred initial public offering costs, debt issuance cost and payments on capital leases, notes payable and repayments of debt under our credit facilities.

Financing activities provided \$108.5 million of cash in 2017, which reflects proceeds of \$111.2 million from our offering of the Notes, net of underwriter's commissions and discounts, proceeds of \$9.9 million from our follow-on offering, net of underwriter's discount and commissions, \$2.9 million from the exercise of stock options and proceeds of \$1.5 million from sales of shares under our employee stock purchase plan. These amounts were offset by a \$12.9 million payment on a capped call hedge taken on the Notes, a \$3.8 million payment of contingent consideration related to our Crisis Commander and IDV acquisitions and \$3.0 million payment for offering cost related to the IPO which occurred in 2016 but weren't paid until 2017.

Financing activities provided \$51.5 million of cash in 2016, which reflects proceeds of \$67.8 million from our initial public offering, net of underwriter's discount and commissions, \$0.8 million from the exercise of stock options and proceeds from our line of credit of \$9.5 million. These amounts were offset by a \$19.5 million payment on our line of credit, a \$5.0 million payment on our term loan and a \$2.0 million payment on notes payable related to the Vocal Limited acquisition.

## Contractual Obligations and Commitments

The following table summarizes our commitments to settle contractual obligations as of December 31, 2017:

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(in thousands)				
Debt obligations (1)	\$ —	\$ —	\$ 115,000	\$ —	\$ 115,000
Operating leases (2)	2,716	4,027	3,192	19	9,954
	<u>\$ 2,716</u>	<u>\$ 4,027</u>	<u>\$ 118,192</u>	<u>\$ 19</u>	<u>\$ 124,954</u>

(1) Debt obligations include the principal amount of the Notes, as well as interest payments to be made under the Notes. Although the Notes mature in 2022, they can be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayments of the principal amounts sooner than the scheduled repayments as indicated in the table. Please see Note 11 of the notes to our consolidated financial statements for more information of the terms of the Notes. The debt obligation balance excludes \$25.5 million of debt discount on our balance sheet and shown net of our debt obligations.

(2) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements as described in note 18 of our consolidated financial statements included in this Annual Report on Form 10-K.

The above table does not include any payments we may have to make under the contingent consideration obligations related to the Crisis Commander and IDV acquisitions. Please see Note 6 of the notes to our consolidated financial statements for more information.

The commitment amounts in the table above are associated with contracts that are enforceable and legally binding and that specify all significant terms, including fixed or minimum services to be used, fixed, minimum or variable price provisions and the approximate timing of the actions under the contracts. The table does not include obligations under agreements that we can cancel without a significant penalty.

## Backlog

We sell all of our critical communications applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 2.2 years as of December 31, 2017, and generally bill and collect payment annually in advance. Since we bill many of our customers at the beginning of each contract year, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenue, deferred revenue or elsewhere in our consolidated financial statements. We expect that the amount of backlog relative to the total value of our subscription agreements will change from year to year for several reasons, including the specific timing and duration of customer agreements, varying invoicing cycles of agreements, the specific timing of customer renewals and changes in customer financial circumstances. In addition, because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as contracts that are renewed and new customer contracts that are entered into during the period, backlog at the beginning of any period is not necessarily indicative of future performance. Our presentation of backlog may also differ from that of other companies in our industry. Due to these factors, as well as variances in billing arrangements with customers, we do not utilize backlog as a key management metric internally.

## Off-Balance Sheet Arrangements

We do not have any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. We do not engage in off-balance sheet financing arrangements. In addition, we do not engage in trading activities involving non-exchange traded contracts.

## **Critical Accounting Policies**

Our consolidated financial statements are prepared in accordance with GAAP. The preparation of our consolidated financial statements require us to make estimates, assumptions and judgments that affect the reported amounts of revenue, assets, liabilities, costs and expenses. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates. Our most critical accounting policies are summarized below.

### ***Revenue Recognition***

We derive substantially all of our revenue from contract subscription fees for use of our applications.

We recognize revenue in accordance with ASC Topic 605, *Revenue Recognition*, with respect to a transaction when all of the following conditions have been satisfied:

- persuasive evidence of an agreement exists;
- the service has been provided to the customer;
- fees are fixed or determinable; and
- the collection of the fees is reasonably assured and acceptance criteria, if any, have been met.

If any of these criteria are not met, revenue recognition is deferred until such time that all of the criteria are met.

Our subscription arrangements do not provide customers with the right to take possession of our software at any time.

#### *Subscription Revenue*

We recognize subscription revenue ratably over the initial subscription period committed by the customer commencing when the customer's environment has been created in our hosted environment. The initial subscription period is typically one to three years and the level of service provided each customer varies based on the level of service required by the complexity of a customer's business.

#### *Other Revenue*

We recognize revenue for set-up fees, which historically have not been material to our financial statements. We have concluded that set-up fees do not meet the criteria for separation from our primary service as they do not have stand-alone value as we have historically not sold set-up fees separately. We charge set-up fees for substantially all new applications and services. These set-up fees are recognized ratably over the contractual period, which approximates the life of the application. We also sell professional services, which have been immaterial to date.

### ***Business Combinations***

The results of businesses acquired in a business combination are included in our consolidated financial statements from the date of the acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the fair value of assets acquired and liabilities assumed is recognized as goodwill.

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination and allocate the purchase price to the tangible and intangible assets acquired and liabilities assumed based on our best estimate of fair value. We determine the appropriate useful life of intangible assets by performing an analysis of cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives based on the pattern in which the economic benefits associated with the asset are expected to be consumed, which to date has approximated the straight-line method of amortization.



Transaction costs associated with business combinations are expensed as incurred and are included in general and administrative expense in our consolidated statements of operations and comprehensive loss.

### **Recent Accounting Pronouncements**

For information regarding recent accounting pronouncements, refer to Note 2 of our consolidated financial statements included in this Annual Report on Form 10-K.

### **Item 7A. Quantitative and Qualitative Disclosures About Market Risk.**

Market risk represents the risk of loss that may impact our financial position due to adverse changes in financial market prices and rates. Our market risk exposure is primarily the result of fluctuations in interest rates and foreign exchange rates as well as, to a lesser extent, inflation.

#### ***Interest Rate Risk***

Our investment portfolio is exposed to market risk from changes in interest rates. The fair market value of fixed rate securities may be adversely impacted by fluctuations in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities. We have historically maintained a relatively short average maturity for our investment portfolio, and we believe a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would change the fair value of our interest sensitive financial instruments by approximately \$0.5 million. In addition, if a 100 basis point change in overall interest rates were to occur in 2017, our interest income would not change significantly in relation to amounts we would expect to earn, based on our cash, cash equivalents, and investments as of December 31, 2017.

Changes in interest rates may also impact gains or losses from the conversion of our outstanding convertible senior notes. In November 2017, we issued \$115 million in aggregate principal amount of our 1.50% convertible senior notes due 2022, or the Notes. At our election, the Notes are convertible into cash, shares of our common stock, or a combination of cash and shares of our common stock in each case under certain circumstances, including trading price conditions related to our common stock. If the trading price of our common stock reaches a price for a sustained period at 130% above the conversion price of \$33.71, the Notes will become convertible. Upon conversion, we are required to record a gain or loss for the difference between the fair value of the debt to be extinguished and its corresponding net carrying value. The fair value of the debt to be extinguished depends on our then-current incremental borrowing rate. If our incremental borrowing rate at the time of conversion is higher or lower than the implied interest rate of the Notes, we will record a gain or loss in our consolidated statement of operations during the period in which the Notes are converted. The implicit interest rate for the notes is 6.93%. An incremental borrowing rate that is a hypothetical 100 basis points lower than the implicit interest rate upon conversion of \$115 million aggregate principal amount of the Notes would result in a loss of approximately \$1.2 million.

We are exposed to interest rate risk in the ordinary course of our business. Our cash, cash equivalents and investments includes cash in readily available checking and money market accounts and marketable securities. These securities are not dependent on interest rate fluctuations that may cause the principal amount of these assets to fluctuate.

We had cash and cash equivalents of \$102.8 million as of December 31, 2017, which consisted of bank deposits and money market funds. To date, fluctuations in interest income have not been significant. We have no outstanding debt subject to interest rate risk as of December 31, 2017. Amounts outstanding under our revolving line of credit carry a variable interest rate of the prime rate, but in no event less than 3.25%, plus 0.75%. As of December 31, 2017, the applicable prime rate was 4.5%. We monitor our cost of borrowing under our revolving line of credit, if any, taking into account our funding requirements, and our expectation for short-term rates in the future.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Although our credit facility and term loan have variable interest rates, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

#### ***Foreign Currency Exchange Risk***

We have foreign currency risks related to our revenue and operating expenses denominated in currencies other than our functional currency, the U.S. dollar, principally British pounds and Swedish Krona. Movements in foreign currencies in which we transact business could significantly affect future net earnings. We do not currently engage in any hedging activity to reduce our potential exposure to currency fluctuations, although we may choose to do so in the future. A hypothetical 10% change in foreign exchange rates during any of the periods presented would not have had a material impact on our consolidated financial statements. As our international operations grow, we will continue to reassess our approach to manage our risk relating to fluctuations in foreign currency rate.

#### ***Inflation Risk***

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

#### **JOBS Act Transition Period**

In April 2012, the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, was enacted. Section 107 of the JOBS Act provides that an “emerging growth company” can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have irrevocably elected not to avail ourselves of this extended transition period and, as a result, we will adopt new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies.

We are relying on other exemptions and reduced reporting requirements provided by the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor’s attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier to occur of (1) the last day of the fiscal year (a) following the fifth anniversary of the completion of our initial public offering, (b) in which we have total annual gross revenues of at least \$1.07 billion or (c) in which we are deemed to be a “large accelerated filer” under the rules of the U.S. Securities and Exchange Commission, which means the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the prior June 30th, and (2) the date on which we have issued more than \$1.0 billion in non-convertible debt during the prior three-year period.

#### **Item 8. Financial Statements and Supplementary Data.**

##### **Financial Statements**

The financial statements required to be filed pursuant to this Item 8 are appended to this report. An index of those financial statements is found in Item 15.

## Supplementary Data

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended December 31, 2017. We have prepared the quarterly financial data on the same basis as the audited consolidated financial statements included in this Annual Report on Form 10-K. In our opinion, the quarterly financial data reflects all adjustments, consisting only of normal recurring adjustment that we consider necessary for a fair presentation of this data. This quarterly financial data should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future.

	Three Months Ended							
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
	(in thousands)							
<b>Consolidated Statements of Operations Data:</b>								
Revenue	\$ 17,069	\$ 18,565	\$ 19,932	\$ 21,280	\$ 22,844	\$ 25,021	\$ 27,312	\$ 29,175
Cost of revenue	5,475	5,676	6,173	6,443	7,654	7,239	8,076	8,534
Gross Profit	11,594	12,889	13,759	14,837	15,190	17,782	19,236	20,641
<b>Operating expenses:</b>								
Sales and marketing	8,205	8,849	8,605	9,188	10,906	11,057	11,626	13,409
Research and development	3,180	3,463	3,917	4,205	5,277	5,179	5,626	6,159
General and administrative	3,458	3,128	3,666	4,041	5,200	5,065	6,375	6,255
Total operating expense	14,843	15,440	16,188	17,434	21,383	21,301	23,627	25,823
Operating loss	(3,249)	(2,551)	(2,429)	(2,597)	(6,193)	(3,519)	(4,391)	(5,182)
Other income (expense), net	(131)	(208)	(165)	20	18	69	81	(470)
Loss before (provision for) benefit from income taxes	(3,380)	(2,759)	(2,594)	(2,577)	(6,175)	(3,450)	(4,310)	(5,652)
(Provision for) benefit from income taxes	155	(45)	(35)	(51)	(27)	13	79	(112)
Net loss	\$ (3,225)	\$ (2,804)	\$ (2,629)	\$ (2,628)	\$ (6,202)	\$ (3,437)	\$ (4,231)	\$ (5,764)
<b>Other Metrics:</b>								
Adjusted EBITDA <sup>(1)</sup>	\$ (779)	\$ 58	\$ 334	\$ 392	\$ (2,324)	\$ (129)	\$ 807	\$ 1,781

- (1) Adjusted EBITDA represents our net loss before interest income and interest expense, income tax expense and benefit, depreciation and amortization expense and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP. The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated. See "Management's Discussion & Analysis of Financial Conditions and Results of Operations—Other Metrics" for a discussion of the limitations of adjusted EBITDA.

	Three Months Ended							
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017
	(in thousands)							
Net loss	\$ (3,225)	\$ (2,804)	\$ (2,629)	\$ (2,628)	\$ (6,202)	\$ (3,437)	\$ (4,231)	\$ (5,764)
Interest expense (income), net	137	174	195	(34)	(50)	(75)	(104)	445
Provision for (benefit from) income taxes	(155)	45	35	51	27	(13)	(79)	112
Depreciation and amortization expense	1,793	1,908	1,974	2,067	2,933	2,295	2,418	2,561
Stock-based compensation expense	671	735	759	936	968	1,101	2,803	4,427
Total net adjustments	\$ 2,446	\$ 2,862	\$ 2,963	\$ 3,020	\$ 3,878	\$ 3,308	\$ 5,038	\$ 7,545
Adjusted EBITDA	\$ (779)	\$ 58	\$ 334	\$ 392	\$ (2,324)	\$ (129)	\$ 807	\$ 1,781

### **Quarterly Trends in Revenue and Gross Margin**

The sequential increases in our quarterly revenue was due primarily to increases in our number of new customers as well as increased revenue from existing customers as they expanded their use of our solutions.

Our gross profit has increased sequentially for the periods presented due primarily to greater growth in revenue than expenses, which expenses are primarily related to our increase in headcount as we invest in the growth of our business. The increase in revenue was partially offset by increases in amortization expense attributed to our acquisitions and capitalized software development costs.

### **Quarterly Trends in Operating Expenses**

Our operating expenses generally have increased sequentially for the periods presented due primarily to increases in headcount and other office and infrastructure related expenses to support our growth and becoming a public company. We anticipate our operating expenses will continue to increase in absolute dollar terms as we invest in the long-term growth of our business.

### **Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None

### **Item 9A. Controls and Procedures.**

#### **Evaluation of Disclosure Controls and Procedures**

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

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2017.

### **Management's Annual Report on Internal Control Over Financial Reporting**

We are responsible for establishing and maintaining internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act).

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting is effective as of December 31, 2017.

This Annual Report does not include an attestation report regarding our internal control over financial reporting by our registered public accounting firm due to an exemption established by rules of the Securities and Exchange Commission for emerging growth companies.

### **Inherent Limitations on Effectiveness of Controls**

Our management, including our principal executive officer and principal financial officer, does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

### **Changes in Internal Control over Financial Reporting**

Throughout 2017, in order to facilitate our adoption of the new revenue recognition accounting standard on January 1, 2018, we implemented internal controls to help ensure we properly evaluated our customer contracts and assessed the impact to our consolidated financial statements. We expect to continue to implement additional internal controls related to the adoption of this standard in the first quarter of 2018.

There were no other changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13(a)-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

### **Item 9B. Other Information.**

None

### PART III

#### **Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item is incorporated by reference to our Proxy Statement for our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017.

As part of our system of corporate governance, our board of directors has adopted a code of business conduct and ethics. The code applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions), agents and representatives, including our independent directors and consultants, who are not employees of ours, with regard to their Company-related activities. Our code of business conduct and ethics is available on our website at [www.Everbridge.com](http://www.Everbridge.com). We intend to post on this section of our website any amendment to our code of business conduct and ethics, as well as any waivers of our code of business conduct and ethics, that are required to be disclosed by the rules of the SEC or the Nasdaq Stock Market.

#### **Item 11. Executive Compensation.**

The information required by this item is incorporated by reference to our Proxy Statement for our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017.

#### **Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this item is incorporated by reference to our Proxy Statement for our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017.

#### **Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item is incorporated by reference to our Proxy Statement for our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017.

#### **Item 14. Principal Accounting Fees and Services.**

The information required by this item is incorporated by reference to our Proxy Statement for our 2018 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2017.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

1. Financial Statements. The financial statements as set forth under Item 8 of this Annual Report on Form 10-K are incorporated herein.
2. Financial Statement Schedules. All financial statement schedules have been omitted because they are not applicable, not required, or the information is shown in the financial statements or related notes.
3. Exhibits. See (b) below.

(b)Exhibits:

#### Exhibit Index

Exhibit Number	Description
3.1(1)	<a href="#"><u>Fifth Amended and Restated Certificate of Incorporation of Everbridge, Inc.</u></a>
3.2(2)	<a href="#"><u>Amended and Restated Bylaws of Everbridge, Inc.</u></a>
4.1(3)	<a href="#"><u>Form of common stock certificate of Everbridge, Inc.</u></a>
4.2(4)	<a href="#"><u>Third Amended and Restated Investors' Rights Agreement by and among Everbridge, Inc. and certain of its stockholders, dated September 9, 2011 as amended and as currently in effect.</u></a>
4.3*	<a href="#"><u>Amendment to Third Amended and Restated Investors' Rights Agreement by and among Everbridge, Inc. and certain of its stockholders, dated November 20, 2017.</u></a>
4.4(5)	<a href="#"><u>Base Indenture, dated November 20, 2017, between the Company and U.S. Bank National Association, as Trustee.</u></a>
4.5(6)	<a href="#"><u>First Supplemental Indenture, Dated November 20, 2017, between the Company and U.S. Bank, National Association, as Trustee (including the form of 1.5% convertible senior notes due 2022).</u></a>
10.1(7)	<a href="#"><u>Sublease Agreement, dated as of March 30, 2016, by and between Everbridge, Inc. and Jacobs Engineering Group Inc.</u></a>
10.2+(8)	<a href="#"><u>2008 Equity Incentive Plan, as amended and as currently in effect, and Forms of Stock Option Agreement and Notice of Exercise thereunder.</u></a>
10.3+(9)	<a href="#"><u>2016 Equity Incentive Plan and Forms of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.</u></a>
10.4+(10)	<a href="#"><u>Form of Restricted Stock Unit Award Agreement under the Everbridge, Inc. 2016 Equity Incentive Plan, as amended.</u></a>
10.5+(11)	<a href="#"><u>2016 Employee Stock Purchase Plan.</u></a>
10.6+(12)	<a href="#"><u>Non-Employee Director Compensation Plan.</u></a>
10.7+(13)	<a href="#"><u>Form of Indemnification Agreement by and between Everbridge, Inc. and each of its directors and executive officers.</u></a>
10.8+(14)	<a href="#"><u>Employment Agreement, dated as of July 26, 2012, by and between Everbridge, Inc. and Jaime Ellertson.</u></a>
10.9+(15)	<a href="#"><u>Employment Agreement, dated as of April 13, 2015, by and between Everbridge, Inc. and Kenneth S. Goldman.</u></a>
10.10+(16)	<a href="#"><u>Employment Agreement, dated as of December 1, 2014, by and between Everbridge, Inc. and Nicholas Hawkins.</u></a>

Exhibit Number	Description
10.11+(17)	<a href="#">Employment Agreement, dated as of October 6, 2013, by and between Everbridge, Inc. and Scott Burnett.</a>
10.12+(18)	<a href="#">Employment Agreement, dated as of July 27, 2012, by and between Everbridge, Inc. and Gary Phillips.</a>
10.13+(19)	<a href="#">Employment Agreement, dated as of July 27, 2012, by and between Everbridge, Inc. and Imad Mouline.</a>
10.14+(20)	<a href="#">Employment Agreement, dated as of July 26, 2012, by and between Everbridge, Inc. and Yuan Cheng.</a>
10.15+(21)	<a href="#">Employment Agreement, dated as of November 3, 2015, by and between Everbridge, Inc. and Elliot J. Mark.</a>
10.16+(22)	<a href="#">Employment Agreement, dated as of January 26, 2016, by and between Everbridge, Inc. and Joel Rosen.</a>
10.17+(23)	<a href="#">Employment Agreement, dated as of October 28, 2016, by and between Everbridge, Inc. and Claudia Dent.</a>
10.18+(24)	<a href="#">Employment Agreement, dated as of June 22, 2017, by and between Everbridge, Inc. and Javier Colado.</a>
10.21(25)	<a href="#">Loan and Security Agreement, dated as of June 30, 2015, by and between Everbridge, Inc. and Western Alliance Bank, as amended.</a>
10.22+(26)	<a href="#">2016 Bonus Plan of Everbridge, Inc.</a>
10.23+(27)	<a href="#">2017 Bonus Plan of Everbridge, Inc.</a>
10.24(28)	<a href="#">Lease, dated as of December 16, 2016, by and between Everbridge, Inc. and Burlington Centre Owner, LLC.</a>
21.1*	<a href="#">Subsidiaries of Everbridge, Inc.</a>
23.1*	<a href="#">Consent of KPMG, LLP.</a>
31.1*	<a href="#">Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	<a href="#">Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1**	<a href="#">Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2**	<a href="#">Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document



- (1) Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange Commission on September 21, 2016, and incorporated herein by reference.
- (2) Previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange Commission on September 21, 2016, and incorporated herein by reference.
- (3) Previously filed as Exhibit 4.1 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (4) Previously filed as Exhibit 4.2 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (5) Previously filed as Exhibit 4.1 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 20, 2017, and incorporated herein by reference.
- (6) Previously filed as Exhibit 4.2 to the Registrant's Current Report on Form 8-K, filed with the Securities and Exchange Commission on November 20, 2017, and incorporated herein by reference.
- (7) Previously filed as Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (8) Previously filed as Exhibit 10.3 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (9) Previously filed as Exhibit 10.4 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (10) Previously filed as Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on June 14, 2017, and incorporated herein by reference.
- (11) Previously filed as Exhibit 10.5 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (12) Previously filed as Exhibit 10.6 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (13) Previously filed as Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (14) Previously filed as Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (15) Previously filed as Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (16) Previously filed as Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (17) Previously filed as Exhibit 10.13 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (18) Previously filed as Exhibit 10.14 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (19) Previously filed as Exhibit 10.15 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (20) Previously filed as Exhibit 10.16 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.

- (21) Previously filed as Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (22) Previously filed as Exhibit 10.18 to the Registrant's Registration Statement on Form S-1/A (File No. 333-213217), filed with the Securities and Exchange Commission on September 6, 2016, and incorporated herein by reference.
- (23) Previously filed as Exhibit 10.17 to the Registrant's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 23, 2017, and incorporated herein by reference.
- (24) Previously filed as Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on June 14, 2017, and incorporated herein by reference.
- (25) Previously filed as Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (26) Previously filed as Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (File No. 333-213217), filed with the Securities and Exchange Commission on August 19, 2016, and incorporated herein by reference.
- (27) Previously filed as Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q, filed with the Securities and Exchange Commission on June 14, 2017, and incorporated herein by reference.
- (28) Previously filed as Exhibit 10.20 to the Registrant's Annual Report on Form 10-K, filed with the Securities and Exchange Commission on March 23, 2017, and incorporated herein by reference.
- \* Filed herewith.
- \*\* This certification is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended.
- + Indicates management contract or compensatory plan.

**Item 16. Form 10-K Summary.**

None.

**SIGNATURES**

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

**Everbridge, Inc.**

Date: March 12, 2018

By: /s/ Jaime Ellertson  
Jaime Ellertson  
*Chief Executive Officer and Chairman of the Board of Directors*

Date: March 12, 2018

By: /s/ Kenneth S. Goldman  
Kenneth S. Goldman  
*Senior Vice President and Chief Financial Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Jaime Ellertson</u> Jaime Ellertson	Chief Executive Officer and Chairman of the Board of Directors <i>(Principal Executive Officer)</i>	March 12, 2018
<u>/s/ Kenneth S. Goldman</u> Kenneth S. Goldman	Senior Vice President and Chief Financial Officer <i>(Principal Financial Officer and Principal Accounting Officer)</i>	March 12, 2018
<u>/s/ Richard D'Amore</u> Richard D'Amore	Director	March 12, 2018
<u>/s/ Bruns Grayson</u> Bruns Grayson	Director	March 12, 2018
<u>/s/ David Henshall</u> David Henshall	Director	March 12, 2018
<u>/s/ Kent Mathy</u> Kent Mathy	Director	March 12, 2018

EVERBRIDGE, INC. AND SUBSIDIARIES

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## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
Everbridge, Inc.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Everbridge, Inc. and subsidiaries (the Company) as of December 31, 2017 and 2016, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the three year period ended December 31, 2017, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2017 and 2016, and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2017, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

Los Angeles, California  
March 12, 2018

**EVERBRIDGE, INC. AND SUBSIDIARIES**  
**Consolidated Balance Sheets**  
(in thousands, except share and per share amounts)

	As of December 31, 2017	As of December 31, 2016
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 102,754	\$ 60,765
Restricted cash	297	—
Investments	42,908	—
Accounts receivable, net	31,699	17,812
Prepaid expenses	2,563	1,770
Other current assets	3,240	2,536
Total current assets	<u>183,461</u>	<u>82,883</u>
Property and equipment, net	2,796	2,923
Capitalized software development costs, net	10,005	8,792
Goodwill	31,328	9,676
Intangible assets, net	8,634	3,940
Other assets	189	108
Total assets	<u>\$ 236,413</u>	<u>\$ 108,322</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 2,446	\$ 2,434
Accrued payroll and employee related liabilities	11,111	7,456
Accrued expenses	1,825	1,957
Deferred revenue	70,090	51,388
Contingent consideration liabilities	682	—
Other current liabilities	808	548
Total current liabilities	<u>86,962</u>	<u>63,783</u>
Long-term liabilities:		
Deferred revenue, noncurrent	2,982	1,246
Convertible senior notes	89,481	—
Deferred tax liabilities	482	494
Other long term liabilities	515	447
Total liabilities	<u>180,422</u>	<u>65,970</u>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.001, 10,000,000 shares authorized, no shares issued or outstanding as of December 31, 2017 and December 31, 2016, respectively	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized, 28,330,460 and 27,150,674 shares issued and outstanding as of December 31, 2017 and December 31, 2016, respectively	28	27
Additional paid-in capital	164,995	132,246
Accumulated deficit	(109,252)	(89,618)
Accumulated other comprehensive loss	220	(303)
Total stockholders' equity	<u>55,991</u>	<u>42,352</u>
Total liabilities and stockholders' equity	<u>\$ 236,413</u>	<u>\$ 108,322</u>

See accompanying notes to consolidated financial statements.

**EVERBRIDGE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Operations and Comprehensive Loss**  
(In thousands, except share and per share amounts)

	Year Ended December 31,		
	2017	2016	2015
Revenue	\$ 104,352	\$ 76,846	\$ 58,720
Cost of revenue	31,503	23,767	19,789
Gross profit	<u>72,849</u>	<u>53,079</u>	<u>38,931</u>
Operating expenses:			
Sales and marketing	46,998	34,847	25,925
Research and development	22,241	14,765	11,521
General and administrative	22,895	14,293	12,272
Total operating expenses	<u>92,134</u>	<u>63,905</u>	<u>49,718</u>
Operating loss	<u>(19,285)</u>	<u>(10,826)</u>	<u>(10,787)</u>
Other income (expense), net:			
Interest income	475	34	1
Interest expense	(691)	(506)	(538)
Other expenses, net	(86)	(12)	(62)
Total other expense, net	<u>(302)</u>	<u>(484)</u>	<u>(599)</u>
Loss before income taxes	(19,587)	(11,310)	(11,386)
(Provision for) benefit from income taxes	(47)	24	562
Net loss	<u>\$ (19,634)</u>	<u>\$ (11,286)</u>	<u>\$ (10,824)</u>
Net loss per share attributable to common stockholders:			
Basic	<u>\$ (0.70)</u>	<u>\$ (0.68)</u>	<u>\$ (0.88)</u>
Diluted	<u>\$ (0.70)</u>	<u>\$ (0.68)</u>	<u>\$ (0.88)</u>
Weighted-average common shares outstanding:			
Basic	27,862,375	16,659,561	12,257,413
Diluted	27,862,375	16,659,561	12,257,413
Other comprehensive (loss) income:			
Foreign currency translation adjustment, net of taxes	523	(290)	29
Total other comprehensive (loss) income	<u>523</u>	<u>(290)</u>	<u>29</u>
Total comprehensive loss	<u>\$ (19,111)</u>	<u>\$ (11,576)</u>	<u>\$ (10,795)</u>

See accompanying notes to consolidated financial statements.

**EVERBRIDGE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Stockholders' Equity (Deficit)**  
(in thousands, except share amounts)

	Series A preferred stock		Series A-1 preferred stock		Common stock		Class A common stock		Additional paid-in capital	Accumulated deficit	Accumulated—other comprehensive income (loss)	Total
	Shares	Par value	Shares	Par value	Shares	Par value	Shares	Par value				
Balance at December 31, 2014	3,129,084	\$ 3	5,225,879	\$ 5	11,237,257	\$ 11	1,164,105	\$ 1	\$ 62,203	\$ (67,508)	\$ (42)	\$ (5,327)
Stock-based compensation	—	—	—	—	6,023	—	—	—	1,522	—	—	1,522
Repurchase of common stock	—	—	—	—	(173,913)	—	—	—	(1,500)	—	—	(1,500)
Exercise of stock options	—	—	—	—	37,559	—	—	—	49	—	—	49
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	29	29
Net loss	—	—	—	—	—	—	—	—	—	(10,824)	—	(10,824)
Balance at December 31, 2015	3,129,084	\$ 3	5,225,879	\$ 5	11,106,926	\$ 11	1,164,105	\$ 1	\$ 62,274	\$ (78,332)	\$ (13)	\$ (16,051)
Stock-based compensation	—	—	—	—	—	—	—	—	3,101	—	—	3,101
Issuance of common stock in initial public offering, net of issuance costs	—	—	—	—	6,250,000	6	—	—	66,097	—	—	66,103
Conversion of convertible preferred stock and Class A common stock into common stock	(3,129,084)	(3)	(5,225,879)	(5)	9,519,068	9	(1,164,105)	(1)	—	—	—	—
Cashless exercise of common stock warrant	—	—	—	—	100,683	—	—	—	—	—	—	—
Exercise of stock options	—	—	—	—	163,968	1	—	—	749	—	—	750
Exercise of common stock warrant	—	—	—	—	10,029	—	—	—	25	—	—	25
Other comprehensive loss	—	—	—	—	—	—	—	—	—	—	(290)	(290)
Net loss	—	—	—	—	—	—	—	—	—	(11,286)	—	(11,286)
Balance at December 31, 2016	—	\$ —	—	\$ —	27,150,674	\$ 27	—	\$ —	\$ 132,246	\$ (89,618)	\$ (303)	\$ 42,352
Stock-based compensation	—	—	—	—	—	—	—	—	9,299	—	—	9,299
Issuance of common stock in follow-on offering, net of issuance costs	—	—	—	—	553,825	1	—	—	9,869	—	—	9,870
Purchase of convertible note capped call hedge	—	—	—	—	—	—	—	—	(12,922)	—	—	(12,922)
Equity component of convertible notes	—	—	—	—	—	—	—	—	22,094	—	—	22,094
Exercise of stock options	—	—	—	—	497,175	—	—	—	2,869	—	—	2,869
Issuance of shares under employee stock purchase plan	—	—	—	—	128,786	—	—	—	1,540	—	—	1,540
Other comprehensive income	—	—	—	—	—	—	—	—	—	—	523	523
Net loss	—	—	—	—	—	—	—	—	—	(19,634)	—	(19,634)
Balance at December 31, 2017	—	\$ —	—	\$ —	28,330,460	\$ 28	—	\$ —	\$ 164,995	\$ (109,252)	\$ 220	\$ 55,991

See accompanying notes to consolidated financial statements.



**EVERBRIDGE, INC. AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
(In thousands)

	Year Ended December 31,		
	2017	2016	2015
<b>Cash flows from operating activities:</b>			
Net loss	\$ (19,634)	\$ (11,286)	\$ (10,824)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	10,207	7,742	5,976
Loss on disposal of assets	15	74	—
Deferred income taxes	(47)	(138)	(431)
Accretion of interest on debt	493	—	130
Non-cash interest expense on line of credit and term loan	—	67	11
Non-cash investment income	(204)	—	—
Provision for doubtful accounts and sales return reserve	637	387	366
Stock-based compensation	9,218	3,056	1,488
Change in fair value of contingent consideration obligation	(1,020)	—	—
Increase (decrease) in operating assets and liabilities:			
Accounts receivable	(13,067)	(2,295)	(4,813)
Prepaid expenses	(551)	(348)	(656)
Other assets	(785)	(1,096)	(408)
Accounts payable	(90)	(423)	866
Accrued payroll and employee related liabilities	3,596	1,312	1,181
Accrued expenses	(132)	539	(171)
Deferred revenue	16,378	11,982	11,623
Other liabilities	(151)	(70)	113
Net cash provided by operating activities	<u>4,863</u>	<u>9,503</u>	<u>4,451</u>
<b>Cash flows from investing activities:</b>			
Capital expenditures	(1,667)	(970)	(2,502)
Proceeds from sale leaseback transaction	794	—	—
Payments for acquisition of business, net of acquired cash	(21,235)	(2,306)	—
Additions to capitalized software development costs	(6,160)	(5,494)	(4,902)
Change in restricted cash	(294)	—	—
Purchase of short-term investments	(60,764)	—	—
Maturities of short-term investments	18,060	—	—
Purchase of intangibles	—	(250)	—
Net cash used in investing activities	<u>(71,266)</u>	<u>(9,020)</u>	<u>(7,404)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from line of credit	—	9,500	12,000
Payments on line of credit	—	(19,500)	(5,000)
Payments of issuance costs relating to line of credit and term loan	—	(19)	(59)
Principal payments on capital leases	—	(58)	(101)
Proceeds from public offering, net of underwriters discounts and commissions	10,444	69,750	—
Payments of public offering costs	(872)	(1,960)	(1,391)
Payments on notes payable	—	(2,018)	(1,779)
(Payments) proceeds from term loan	—	(5,000)	5,000
Proceeds from issuance of convertible notes	115,000	—	—
Payments of debt issuance costs	(3,834)	—	—
Purchase of convertible note capped call hedge	(12,922)	—	—
Payments of contingent consideration obligation	(3,750)	—	—
Proceeds from employee stock purchase plan	1,540	—	—
Proceeds from warrant exercises	—	25	—
Proceeds from option exercises	2,869	750	49
Repurchase of common stock	—	—	(1,500)
Net cash provided by financing activities	<u>108,475</u>	<u>51,470</u>	<u>7,219</u>
Effect of exchange rates on cash and cash equivalents	(83)	234	(100)
Net increase in cash and cash equivalents	41,989	52,187	4,166
Cash and cash equivalents—beginning of year	60,765	8,578	4,412
Cash and cash equivalents—end of year	<u>\$ 102,754</u>	<u>\$ 60,765</u>	<u>\$ 8,578</u>
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid during the year for:			
Interest	\$ —	\$ 495	\$ 369
Taxes, net of (refunds)	\$ 28	\$ (117)	\$ 124
<b>Supplemental disclosure of non-cash activities</b>			
Capitalized assets included in accounts payable and accrued expenses	\$ 73	\$ 104	\$ 63
Deferred offering costs in accounts payable and accrued expenses	\$ —	\$ 298	\$ 1,175
Stock-based compensation capitalized for software development	\$ 81	\$ 45	\$ 34
Debt issuance costs included in accounts payable and accrued expenses	\$ 84	\$ —	\$ —

See accompanying notes to consolidated financial statements.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements**

**(1) Business and Nature of Operations**

Everbridge, Inc., a Delaware corporation (together with its wholly-owned subsidiaries, referred to as “Everbridge” or the “Company”), is a global software company that provides critical communications and enterprise safety applications that enable customers to automate and accelerate the process of keeping people safe and businesses running during critical events. The Company’s SaaS-based platform enables the Company’s customers to quickly and reliably deliver messaging to a large group of people during critical situations. The Company’s enterprise applications, such as Mass Notification, Incident Management, IT Alerting, Safety Connection, Community Engagement, Secure Messaging, Crisis Commander and Visual Command Center, automate numerous critical communications processes. The Company generates revenue primarily from subscription fees to the Company’s enterprise applications. The Company has operations in the United States, Sweden, England and China.

***Initial and Follow-On Public Offering***

On September 21, 2016, the Company completed an initial public offering, or IPO, in which the Company sold 6,250,000 shares of its common stock at the public offering price of \$12.00 per share. The Company received net proceeds of \$66.1 million, after deducting underwriting discounts and commissions and offering expenses paid and payable by the Company, from sales of its shares in the IPO. In connection with the closing of the IPO, all shares of Class A common stock then outstanding were converted into 1,164,105 shares of common stock and all shares of convertible preferred stock then outstanding were converted into 8,354,963 shares of common stock, in each case on a one-to-one basis.

In April 2017, the Company completed a follow-on public offering in which the Company sold 553,825 shares of its common stock, which included 26,825 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares, at a public offering price of \$19.85 per share. In addition, 3,162,164 shares of the Company’s common stock were sold by selling stockholders of the Company, which included 73,000 shares sold pursuant to the exercise of employee stock options by certain selling stockholders. The Company received net proceeds of \$9.9 million, after deducting underwriting discounts and commissions and offering expenses paid and payable by the Company. The Company did not receive any proceeds from the sales by the selling stockholders.

**(2) Summary of Significant Accounting Policies**

***Basis of Presentation***

The accompanying consolidated financial statements include the Company’s results of operations and those of its wholly-owned subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. The Company’s accounting and financial reporting policies conform to generally accepted accounting principles in the United States of America, or U.S. GAAP.

***Principles of Consolidation***

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. Business acquisitions are included in the Company’s consolidated financial statements from the date of the acquisition. The Company’s purchase accounting resulted in all assets and liabilities of acquired businesses being recorded at their estimated fair values on the acquisition dates.

***Use of Estimates***

The preparation of consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

Assets and liabilities which are subject to judgment and use of estimates include allowances for doubtful accounts, the fair value of assets acquired and liabilities assumed in business combinations, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, contingencies, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities.

***Recently Adopted Accounting Pronouncements***

Under the Jumpstart our Business Startups Act, or the JOBS Act, we meet the definition of an emerging growth company. We have irrevocably elected to opt out of the extended transition period for complying with new or revised accounting standards pursuant to Section 107(b) of the JOBS Act.

In March 2016, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, No. 2016-09, Compensation - Stock Compensation (Topic 781), *Improvements to Employee Share-Based Payment Accounting*, or ASU 2016-09, which amends and simplifies the accounting for share-based payment awards in three areas: (i) income tax consequences, (ii) classification of awards as either equity or liabilities, and (iii) classification on the statement of cash flows. ASU 2016-09 also provides an accounting policy election to account for forfeitures as they occur. We adopted this guidance on January 1, 2017. The impact on the Company's consolidated financial statements was not material due to the full valuation allowance on our deferred tax assets. We have elected to continue to estimate forfeitures expected to occur to determine the amount of compensation cost to be recognized each period.

In January 2017, the FASB issued ASU 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This guidance eliminates Step 2 from the goodwill impairment test, instead requiring an entity to recognize a goodwill impairment charge for the amount by which the goodwill carrying amount exceeds the reporting unit's fair value. This guidance is effective for interim and annual goodwill impairment tests in fiscal years beginning after December 15, 2019, and early adoption is permitted. This guidance must be applied on a prospective basis. The Company adopted this guidance for interim and annual goodwill impairment tests performed on testing dates after January 1, 2017. The impact on the Company's consolidated financial statements was not material impact on its financial position, results of operations or cash flows.

***Recent Accounting Pronouncements Not Yet Adopted***

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*, as amended, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers, or the new revenue standard. The new revenue standard also includes Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, which discusses the deferral of incremental costs of obtaining a contract with a customer. The new revenue standard will be effective on January 1, 2018. The standard permits the use of either a full retrospective or modified retrospective transition method.

The Company will adopt the new revenue standard as of January 1, 2018, using the modified retrospective transition method applied to those contracts which were not completed as of that date. Upon adoption, we will recognize the cumulative effect of adopting this guidance as an adjustment to our opening balance of accumulated deficit. Prior periods will not be retrospectively adjusted.

We do not expect the new revenue standard to have a material impact on our revenue upon adoption. The primary impact of adopting the new revenue standard relates to the deferral of incremental costs of obtaining contracts. We have substantially completed our assessment of the impacts of the new revenue standard on incremental costs of obtaining contracts and we expect to record an adjustment to decrease accumulated deficit as of January 1, 2018 by approximately \$7.5 to \$9.0 million related to the accounting for the cost of sales commissions. Historically, sales commissions and other incremental costs to obtain contracts are deferred over a one year period. Under the new revenue standard, such costs will be deferred and recognized over the period of benefit which we have determined to be four years. The Company is in the process of implementing the necessary changes to its accounting policies, processes, internal controls and information systems that will be required to meet the new revenue standard's reporting and disclosure requirements.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

In May 2017, the FASB issued ASU 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*, or ASU 2017-09. ASU 2017-09 clarifies when changes to the terms or conditions of a share-based payment award must be accounted for as modifications. The new guidance will reduce diversity in practice and result in fewer changes to the terms of an award being accounted for as modifications. Under ASU 2017-09, an entity will not apply modification accounting to a share-based payment award if the award's fair value, vesting conditions and classification as an equity or liability instrument are the same immediately before and after the change. ASU 2017-09 will be applied prospectively to awards modified on or after the adoption date. The guidance is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. Early adoption is permitted. We do not expect the adoption of this guidance to have a material impact on our financial condition, results of operations, cash flows or disclosures.

In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business*. This guidance narrows the definition of a business. This standard provides guidance to assist entities with evaluating when a set of transferred assets and activities is a business. This guidance is effective for interim and annual reporting periods beginning after December 15, 2017, and early adoption is permitted. This guidance must be applied prospectively to transactions occurring within the period of adoption. The Company expects to adopt this guidance effective January 1, 2018. The Company does not expect the adoption of this guidance to have a material impact on its financial position, results of operations or cash flows.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and restricted cash. As a result, restricted cash will be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted, and the new guidance is to be applied retrospectively. The Company does not expect the adoption of this guidance to have a material impact on its cash flows.

In September 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This guidance clarifies the presentation requirements of eight specific issues within the statement of cash flows. The new guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. Early adoption is permitted. The adoption of this guidance is not expected to have a significant impact on the Company's financial statements, as the Company's treatment of the relevant affected items within its consolidated statement of cash flows is consistent with the requirements of this guidance.

In February 2016, the FASB issued ASU 2016-02, *Leases*. The standard will affect all entities that lease assets and will require lessees to recognize a lease liability and a right-of-use asset for all leases (except for short-term leases that have a duration of less than one year) as of the date on which the lessor makes the underlying asset available to the lessee. For public companies, the new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. Early adoption is permitted. For leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements, lessees and lessors must apply a modified retrospective transition approach. The Company is still evaluating the effect that this guidance will have on its consolidated financial statements and related disclosures.

***Fair Value Measurements***

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. Accounting standards describe a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

Level 1—Quoted prices in active markets for identical assets or liabilities or funds.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

***Contingent Consideration Liability***

The Company recorded a contingent consideration liability upon the acquisition of Svensk Krisledning AB, or Crisis Commander, on December 30, 2016 and IDV Solutions LLC on January 27, 2017 (See Note 6). Contingent consideration is measured at fair value and is based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The valuation of contingent consideration uses assumptions the Company believes would be made by a market participant. The Company assesses these estimates on an on-going basis as additional data impacting the assumptions is obtained. Changes in the fair value of contingent consideration related to updated assumptions and estimates are recognized within the consolidated statements of operations and comprehensive loss. The Company determined the fair value of the contingent consideration using the probability adjusted discounted cash flow method. The significant unobservable inputs used in the fair value measurement of contingent consideration are the probabilities of achieving sales milestones, the period in which these milestones are expected to be achieved, and discount rates. At December 31, 2017 and 2016, it was determined to be probable that the Company would achieve certain sales and operational milestones as included in the Crisis Commander and IDV Solutions LLC purchase agreement. This resulted in the recognition of an obligation of \$0.7 million and \$0.4 million at December 31, 2017 and 2016, respectively. As of December 31, 2016 the contingent consideration attributed to Crisis Commander was classified under other long term liabilities.

Significant increases or decreases in the probabilities of achieving the milestones would result in a significantly higher or lower fair value measurement, respectively. Significant increases or decreases in the period in which milestones will be achieved would result in a significantly lower or higher fair value measurement, respectively. The Company expects to pay the contingent consideration in March 2018.

***Concentrations of Credit and Business Risk***

Financial instruments that potentially subject the Company to a concentration of credit risk consist of cash, cash equivalents and accounts receivable.

The Company maintains cash and cash equivalent balances at several banks. Accounts located in the United States are insured by the Federal Deposit Insurance Corporation, or FDIC, up to \$250,000. From time to time, balances may exceed amounts insured by the FDIC. The Company has not experienced any losses in such amounts.

The Company's accounts receivable are generally unsecured and are derived from revenue earned from customers located in the United States and the United Kingdom and are generally denominated in U.S. dollars or British pounds. Each reporting period, the Company reevaluates each customer's ability to satisfy credit obligations and maintains an allowance for doubtful accounts based on the evaluations. No single customer comprised more than 10% of the Company's total revenue for the years ended December 31, 2017 and 2016. No single customer comprised more than 10% of the Company's accounts receivable balance at December 31, 2017 and 2016.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

***Cash and Cash Equivalents***

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash equivalents consist of funds deposited into money market funds. Cash and cash equivalents are stated at cost which approximates fair value.

***Short-Term Investments***

Short-term investments consist of highly liquid investments, primarily commercial paper, U.S. Treasury and U.S. agency securities, with maturities over three months from the date of purchase. Debt securities, money market funds and U.S. agency bonds that the Company has the ability and positive intent to hold to maturity are carried at amortized cost, which approximates fair value. Short-term investments of \$42.9 million and none at December 31, 2017 and 2016, respectively, were classified as held-to-maturity and primarily comprised of U.S. treasury and U.S. government and agency securities. All held-to-maturity securities at December 31, 2017 have maturity dates within one year. Short-term investments are stated at cost which approximates fair value.

***Accounts Receivable***

Accounts receivable includes trade accounts receivables from the Company's customers, net of an allowance for doubtful accounts. Accounts receivable are recorded at the invoiced amount and do not bear interest. Allowance for doubtful accounts is established based on various factors including credit profiles of the Company's customers, historical payments and current economic trends. The Company reviews its allowance by assessing individual accounts receivable over a specific aging and amount and all other balances are pooled based on historical collection experience. Accounts receivable are written-off on a case by case basis, net of any amounts that may be collected.

***Deferred Commissions***

The Company capitalizes commission costs earned by sales personnel that are incremental and directly related to the acquisition of customer contracts. Commission costs are accrued and capitalized upon execution of the sales contract by the customer. Payments to sales personnel are made shortly after the receipt of the related customer payment. Commissions are earned based on annual billings and are not earned on multi-year contracts until the annual billing is renewed. Deferred commissions are amortized over the commissionable portion of the contract which is subject to clawback should the customer cancel, which generally can only occur if the Company materially fails to perform under the contract. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying consolidated statements of operations and comprehensive loss. Deferred commissions, net of amortization, are included in other assets in the accompanying consolidated balance sheet.

***Deferred Offering Costs***

Deferred offering costs consist primarily of direct incremental costs related to the Company's proposed IPO of its common stock. Upon the completion of the Company's IPO in September 2016, \$3.6 million was offset against the proceeds of the offering. Upon completion of the Company's follow-on offering in April 2017, \$0.6 million was offset against the proceeds of the offering.

***Property and Equipment, Net***

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, which is generally three years for computer software, office computers and system software, five years for system hardware and furniture and equipment, and over the shorter of lease term or useful life of the assets for leasehold improvements. Maintenance and repairs are expensed as incurred. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in the Company's results of operations.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

Assets held under capital lease are recorded at the net present value of the minimum lease payments of the leased asset at the inception of the lease. Depreciation expense is computed using the straight-line method over the shorter of the estimated useful lives of the asset or the period of the related lease for leasehold improvements.

***Capitalized Software Development Costs***

The Company capitalizes the costs of software developed or obtained for internal use in accordance with ASC Topic 350-40, *Internal Use Software*. Capitalized software development costs consist of costs incurred during the application development stage and include purchased software licenses, implementation costs, consulting costs, and payroll-related costs for projects that qualify for capitalization. These costs relate to major new functionality. All other costs, primarily related to maintenance and minor software fixes, are expensed as incurred.

The Company amortizes the capitalized software development costs on a straight-line basis over the estimated useful life of the software, which is generally three years, beginning when the asset is substantially ready for use. The amortization of capitalized software development costs is reflected in cost of revenue.

***Business Combinations***

The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of acquisition. Purchase accounting results in assets and liabilities of an acquired business being recorded at their estimated fair values on the acquisition date. Any excess consideration over the value of the assets acquired and liabilities assumed is recognized as goodwill.

The Company performs valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination, and allocates the purchase price to the tangible and intangible assets acquired and liabilities assumed based on its best estimate of fair value. Acquired intangible assets include: tradenames, customer relationships, and developed technology. The Company determines the appropriate useful life of intangible assets by performing an analysis of cash flows based on historical experience of the acquired businesses. Intangible assets are amortized over their estimated useful lives based on the pattern in which the economic benefits associated with the asset are expected to be consumed, which to date has approximated the straight-line method of amortization. The estimated useful lives for tradenames, customer relationships, and technology are generally, two to seven years, five years, and two to seven years, respectively.

***Long Lived Assets***

The Company evaluates the recoverability of its long lived assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. The Company performs impairment testing at the asset group level that represents the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. If events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable and the expected undiscounted future cash flows attributable to the asset group are less than the carrying amount of the asset group, an impairment loss equal to the excess of the asset's carrying value over its fair value is recorded. Fair value is determined based upon estimated discounted future cash flows, if any.

***Goodwill***

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of our use of the acquired assets or the strategy for our overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required. The Company tests for goodwill impairment annually on November 30.

The Company performed a qualitative goodwill assessment at November 30, 2017 and concluded there was no impairment based on consideration of a number of factors, including the improvement in the Company's key operating metrics over the prior year, improvement in the strength of the general economy and the Company's continued execution against its overall strategic objectives.

Based on the foregoing, the Company determined that it was not more likely than not that the fair value of its reporting unit is less than its carrying amount and therefore that no further impairment testing was required.

***Debt Issuance Costs***

Debt issuance costs related to the convertible senior notes have been recorded as a reduction of the carrying amount of the debt and are amortized to interest expense using the effective interest method.

***Revenue Recognition***

The Company derives substantially all of its revenue from contract subscription fees for use of its applications. The Company recognizes revenues in accordance with ASC 605, and accordingly revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, collectability is reasonably assured and acceptance criteria, if any, have been met. If any of these criteria are not met, revenue recognition is deferred until such time that all of the criteria are met. The Company's subscription arrangements do not provide customers with the right to take possession of the software at any time.

***Subscription Revenue***

Subscription revenue is recognized ratably over the initial subscription period committed by the customer commencing when the customer's environment has been created in the Company's hosted environment. The initial subscription period is typically one to three years and the level of service provided each customer varies based on the level of service required by the complexity of a customer's business. The level of service also specifies the level of usage by the customer in terms of minutes or data used to transmit the notifications. In the event actual usage exceeds the level purchased, overages are invoiced and are recorded as revenue during the service period. The subscription services are noncancelable, although customers have the right to terminate their contracts if the Company materially fails to perform. The Company generally invoices the Company's customers in advance in annual installments for the subscription fees, including the set-up fees on the first annual invoice.

***Other Revenue***

The Company recognizes revenue for set-up fees, which historically have not been material to the Company's financial statements. The Company has concluded that set-up fees do not meet the criteria for separation from the Company's primary service as they do not have stand-alone value as the Company has historically not sold set-up fees separately. Since set-up fees are charged for substantially all new applications and services, they are recognized ratably over the contractual period, which approximates the life of the application. The Company also sells professional services, which have been immaterial to date.

***Deferred Revenue***

Deferred revenue includes amounts collected or billed in excess of recognizable revenue. Such amounts are recognized by the Company over the life of the contract upon meeting the revenue recognition criteria. Deferred revenue that will be recognized during the succeeding 12-month period is recorded as current deferred revenue and the remaining portion is recorded as non-current deferred revenue.



**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

***Cost of Revenue***

Cost of revenue includes expenses related to the fulfillment of the Company's subscription services, consisting primarily of employee-related expenses for data center operations and customer support, including salaries, bonuses, benefits and stock-based compensation expense. Cost of revenue also includes hosting costs, messaging costs and depreciation and amortization.

***Advertising Expenses***

Advertising expenses to promote the Company's services are expensed as incurred. Advertising expenses included in sales and marketing expense were \$1.2 million, \$1.1 million and \$0.8 million for the years ended December 31, 2017, 2016 and 2015, respectively.

***Research and Development***

Research and development expenses primarily consist of employee-related costs for research and development staff, including salaries, bonuses, benefits and stock-based compensation and the cost of certain third-party service providers related to the development of the Company's solutions that do not meet the criteria to be capitalized under ASC Topic 350-40, *Internal Use Software*.

***Stock-Based Compensation***

Stock-based compensation expense is comprised of stock options, which are issued under the Company's 2008 and 2016 equity incentive plans, and restricted stock units, or RSUs, and employee stock purchase plan awards.

Stock-based compensation related to stock options and RSUs is measured at the grant date based on the fair value of the award and is recognized straight-line as expense, net of estimated forfeitures, over the requisite service period, which is generally the vesting period of the respective award. The Company utilizes the Black-Scholes pricing model for determining the estimated fair value of the stock options and RSUs. The Black-Scholes pricing model requires the use of subjective assumptions including the option's expected term, the volatility of the underlying stock, the fair value of the stock and the expected forfeiture rate.

***Income Taxes***

The Company accounts for income taxes using the asset and liability method of accounting for income taxes in which deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized as income in the period that includes the enactment date. A valuation allowance is established if it is more likely than not that all or a portion of the deferred tax asset will not be realized.

The calculation of the Company's tax liabilities involves dealing with uncertainties of the application of complex tax regulations. The Company recognizes liabilities for uncertain tax positions based on a two-step approach. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates it is more likely than not, that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount, which is more than 50% likely of being realized upon ultimate settlement. The Company considers many factors when evaluating and estimating its tax positions and tax benefits, which may require periodic adjustments.

On December 22, 2017, "H.R.1," known as the "2017 Tax Act," was signed into law. The primary impact of H.R.1 on the Company's consolidated results from operations for the year ended December 31, 2017 and consolidated balance sheet as of December 31, 2017 was the revaluation of deferred taxes by \$7.2 million resulting from the reduction in the U.S. federal corporate income tax rate from 35% to 21%, effective January 1, 2018. Given cumulative overseas deficits, no liability for foreign earnings and profits has been established.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**Foreign Currency Translation**

The functional currency for the Company's foreign subsidiaries is the local currency. For those subsidiaries, the assets and liabilities are translated into U.S. dollars at the exchange rate method at the balance sheet date. Income and expenses are translated at the average exchange rates for the period. Foreign currency exchange gain and losses are recorded in other expenses.

**Other Comprehensive Income (Loss)**

For all periods presented, the Company's other comprehensive income (loss) is comprised of foreign currency translation adjustments related to the Company's foreign subsidiaries.

**Net Loss Per Share Attributable to Common Stockholders**

Basic net loss per share attributable to common stockholders is computed by dividing the Company's net loss attributable to common stockholders by the weighted-average number of common shares used in the loss per share calculation during the period. Diluted net loss per share attributable to common stockholders is computed by giving effect to all potentially dilutive securities, including stock options, restricted stock awards and warrants. Basic and diluted net loss per share attributable to common stockholders was the same for all periods presented as the inclusion of all potentially dilutive securities outstanding was anti-dilutive.

**(3) Accounts Receivable, Net**

Accounts receivable, net, is as follows (in thousands):

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Accounts receivable	\$ 32,662	\$ 18,231
Allowance for doubtful accounts and sales return reserve	(963)	(419)
Net accounts receivable	<u>\$ 31,699</u>	<u>\$ 17,812</u>

Bad debt expense for the years ended December 31, 2017, 2016 and 2015 was \$0.6 million, \$0.4 million and \$0.2 million, respectively.

The following table summarizes the changes in the allowance for doubtful accounts (in thousands):

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Allowance, at beginning of period	\$ (374)	\$ (381)
Charged to bad debt expense	(558)	(387)
Write-offs, net of recoveries	69	394
Allowance, at end of period	<u>\$ (863)</u>	<u>\$ (374)</u>

The following table summarizes the changes in the sales reserve (in thousands):

	<b>As of December 31,</b>	
	<b>2017</b>	<b>2016</b>
Balance, beginning of period	\$ (45)	\$ (45)
Additions	(79)	—
Write-offs	24	—
Balance, end of period	<u>\$ (100)</u>	<u>\$ (45)</u>

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**(4) Property and Equipment**

Property and equipment consists of the following at December 31, 2017 and 2016 (in thousands):

	Useful life in years	As of December 31,	
		2017	2016
Furniture and equipment	5	\$ 1,854	\$ 928
System hardware	5	1,623	3,320
Office computers	3	2,586	1,777
Computer and system software	3	1,193	1,478
		<u>7,256</u>	<u>7,503</u>
Less accumulated depreciation and amortization		(4,460)	(4,580)
Property and equipment, net		<u>\$ 2,796</u>	<u>\$ 2,923</u>

Depreciation and amortization expense for the years ended December 31, 2017, 2016 and 2015 was \$1.9 million, \$1.7 million and \$1.4 million, respectively.

**(5) Capitalized Software Development Costs**

Capitalized software development costs consisted of the following at December 31, 2017 and 2016 (in thousands):

	Gross carrying amount	Amortization period	As of December 31, 2017	
			Accumulated amortization	Net carrying amount
Capitalized software development costs	\$ 36,899	3 years	\$ (26,894)	\$ 10,005
Total capitalized software development costs	<u>\$ 36,899</u>		<u>\$ (26,894)</u>	<u>\$ 10,005</u>

	Gross carrying amount	Amortization period	As of December 31, 2016	
			Accumulated amortization	Net carrying amount
Capitalized software development costs	\$ 30,658	3 years	\$ (21,866)	\$ 8,792
Total capitalized software development costs	<u>\$ 30,658</u>		<u>\$ (21,866)</u>	<u>\$ 8,792</u>

The Company capitalized software development costs of \$6.2 million and \$5.5 million during the years ended December 31, 2017 and 2016, respectively.

The total amortization expense related to capitalized software development costs for the years ended December 31, 2017, 2016 and 2015 was \$5.0 million, \$4.9 million and \$3.0 million, respectively. Amortization of capitalized software development costs is classified within cost of revenue in the consolidated statements of operations and comprehensive loss.

The expected amortization, as of December 31, 2016, for each of the next three years is as follows:

Year ending December 31:

	(in thousands)
2018	\$ 5,076
2019	3,433
2020	1,496
	<u>\$ 10,005</u>

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**(6) Business Combinations**

The Company accounted for the IDV Solutions LLC, or IDV and Crisis Commander acquisitions using the purchase method of accounting for business combinations under ASC 805, Business Combinations. The total purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact our results of operations. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates.

*IDV Acquisition*

On January 27, 2017, the Company acquired IDV, in exchange for current cash consideration of \$21.2 million, net of cash acquired and the fair value of contingent future consideration. At the date of acquisition, \$2.5 million was deposited in an escrow account for fifteen months. The escrow fund is available to provide security to the Company to compensate it for losses it may incur as a result of any inaccuracy in the representations or warranties of IDV or the sellers contained in the IDV purchase agreement, any failure to comply with any covenant contained in the IDV purchase agreement or any liabilities or obligations related to the operation of IDV's business prior to the closing of the acquisition.

In addition, in order to earn any future contingent consideration, IDV is required to meet certain billings thresholds at June 30, 2017 and December 31, 2017. At the date of the acquisition, the Company assessed the probabilities of IDV meeting the future sales and billing thresholds and determined them to be probable. Therefore, contingent consideration was recorded as part of the purchase price allocation and the fair value of the contingent consideration was determined to be \$5.0 million. Based on sales and billings thresholds met as of June 30, 2017, the Company paid \$3.8 million of the contingent consideration as of December 31, 2017. IDV is a provider of threat assessment and operational visualization software located in Lansing, Michigan. The Company acquired IDV for its customer base and to complement some of the existing facets of its business with the Company's existing customers.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

The following table summarizes the allocation of the purchase consideration and the estimated fair value of the assets acquired and the liabilities assumed for the acquisition of IDV made by the Company. The following table also summarizes the aggregate consideration for IDV as of December 31, 2017 (in thousands):

<b>Assets acquired</b>	<b>IDV</b>
Accounts receivable	\$ 1,462
Other assets	242
Property and equipment	174
Trade names	1,590
Acquired technology	2,490
Customer relationships	3,400
Non-compete arrangement	240
Goodwill	21,196
<b>Total assets acquired</b>	<b>\$ 30,794</b>
<b>Liabilities assumed</b>	
Accounts payable and accrued expenses	\$ 347
Deferred revenue	4,060
Other liabilities	132
<b>Net assets acquired</b>	<b>\$ 26,255</b>
<b>Consideration paid</b>	
Cash paid, net of cash acquired	\$ 21,235
Acquisition date fair value of contingent consideration	5,020
<b>Total</b>	<b>\$ 26,255</b>

The weighted average useful life of all identified acquired intangible assets is 4.26 years. The weighted average useful lives for acquired technologies, customer relationships, non-compete arrangements and trade names are 3.0 years, 5.0 years, 2.0 years and 5.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of two to five years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

As a result of the acquisition, the Company recorded \$21.2 million of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of IDV's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of IDV support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the IDV acquisition is deductible for income tax purposes.

For the year ended December 31, 2017, the Company incurred transaction costs of \$0.1 million in connection with the IDV acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

***Unaudited Pro Forma Financial Information***

The following tables reflect the unaudited pro forma combined results of operations for the year ended December 31, 2017 and 2016 as if the acquisition of IDV had taken place on January 1, 2016. The unaudited pro forma financial information includes the effects of certain adjustments, including the amortization of acquired intangible assets and the associated tax effect and the elimination of the Company's and the acquiree's non-recurring acquisition related expenses:

	<u>Revenue</u>	<u>Net loss</u>
Results of acquired business included in our twelve months ended (in thousands):		
For the year ended December 31, 2017 pro forma	\$ 104,889	\$ (19,779)
For the year ended December 31, 2016 pro forma	\$ 87,092	\$ (12,533)
	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Basic and diluted earnings per share pro forma	\$ (0.71)	\$ (0.75)

The unaudited pro forma information presented does not purport to be indicative of the results that would have been achieved had the acquisition been consummated at January 1, 2016 nor of the results which may occur in the future. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable.

***Crisis Commander Acquisition***

On December 30, 2016, the Company completed the acquisition of Crisis Commander, a privately held SaaS mobile crisis management company based out of Norsborg, Sweden. The acquisition was consummated pursuant to a purchase agreement for a purchase price of \$2.7 million, subject to earn out payments contingent on meeting certain revenue thresholds which are expected to be paid in March 2018.

The excess of purchase consideration over the fair value of net tangible liabilities assumed and identifiable intangible assets acquired was recorded as goodwill. The fair values assigned to tangible and identifiable intangible assets acquired and liabilities assumed are based on management's estimates and assumptions. The estimated fair values of assets acquired and liabilities assumed may be subject to change as additional information is received. Thus, the provisional measurements of fair value have been recorded.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Crisis Commander's platform with the Company's other solutions. The goodwill balance is not deductible for U.S. income tax purposes.

The assets and results of operations of Crisis Commander were not significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not presented.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**(7) Goodwill and Intangible Assets**

Goodwill was \$31.3 million and \$9.7 million as of December 31, 2017 and 2016, respectively. There were no impairments recorded against goodwill in 2017, 2016 or 2015. The following table displays the changes in the gross carrying amount of goodwill (in thousands):

	<u>Amount</u>
Balance at December 31, 2015	\$ 7,839
Crisis Commander acquisition	1,837
Balance at December 31, 2016	<u>9,676</u>
IDV acquisition	21,196
Foreign currency translation	456
Balance at December 31, 2017	<u>\$ 31,328</u>

Intangible assets consisted of the following finite lived intangible assets at December 31, 2017 and 2016 (in thousands):

	Gross carrying amount	Weighted- average life (years)	<u>As of December 31, 2017</u>	
			Accumulated amortization	Net carrying amount
<b>Amortizable intangible assets:</b>				
Developed technology	\$ 4,065	3.04	\$ (2,017)	\$ 2,048
Tradenames	2,495	5.18	(701)	1,794
Non-compete	240	2.00	(110)	130
Customer relationships	8,556	5.00	(3,894)	4,662
Total intangible assets	<u>\$ 15,356</u>		<u>\$ (6,722)</u>	<u>\$ 8,634</u>
	Gross carrying amount	Weighted- average life (years)	<u>As of December 31, 2016</u>	
			Accumulated amortization	Net carrying amount
<b>Amortizable intangible assets:</b>				
Developed technology	\$ 1,490	3.60	\$ (878)	\$ 612
Tradenames	883	6.08	(254)	629
Customer relationships	4,779	5.00	(2,080)	2,699
Total intangible assets	<u>\$ 7,152</u>		<u>\$ (3,212)</u>	<u>\$ 3,940</u>

Total amortization expense for the years ended December 31, 2017, 2016 and 2015 was \$3.3 million, \$1.2 million and \$1.5 million, respectively. Amortization expense of tradenames and customer relationships is included within general and administrative expenses, while amortization of developed technology is included in cost of revenue. The Company recorded amortization expense attributed to developed technology of \$1.1 million, \$0.2 million and \$0.4 million for the period ended December 31, 2017, 2016 and 2015, respectively.

The expected amortization of the intangible assets, as of December 31, 2017, for each of the next five years and thereafter is as follows:

	<u>(in thousands)</u>
2018	\$ 3,296
2019	2,587
2020	1,345
2021	1,274
2022 and thereafter	132
	<u>\$ 8,634</u>

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**(8) Fair Value Measurements**

The carrying amounts of cash and cash equivalents, short-term investments, accounts receivable, accounts payable and accrued liabilities approximate fair value because of the short maturity of these items.

Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the years ended December 31, 2017 and 2016, no impairments were identified of those assets requiring measurement at fair value on a non-recurring basis.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2017 and 2016 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement:

	At December 31, 2017			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
<b>Assets:</b>				
Cash equivalents:				
Money market funds	\$ 35,521	—	—	\$ 35,521
U.S. treasury securities	—	11,974		11,974
U.S. government and agency securities	—	50,352		50,352
Short-term investments:				
U.S. treasury securities	—	12,972		12,972
U.S. government and agency securities	—	29,936		29,936
<b>Total financial assets</b>	<b>\$ 35,521</b>	<b>\$ 105,234</b>	<b>\$ —</b>	<b>\$ 140,755</b>
<b>Liabilities:</b>				
Contingent consideration	—	—	\$ 682	\$ 682
<b>Total financial liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 682</b>	<b>\$ 682</b>

	As of December 31, 2016			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
<b>Assets:</b>				
Cash equivalents				
Money market funds	\$ 57,032	—	—	\$ 57,032
<b>Total financial assets</b>	<b>\$ 57,032</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 57,032</b>
<b>Liabilities:</b>				
Contingent consideration	—	—	\$ 388	\$ 388
<b>Total financial liabilities</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$ 388</b>	<b>\$ 388</b>



**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

The Company's assets that are measured by management at fair value on a recurring basis are generally classified within Level 1 or Level 2 of the fair value hierarchy. The Company did not have any transfers into and out of Level 1 or Level 2 during the year ended December 31, 2017 and 2016 respectively. The Company did not have any short-term investments as of December 31, 2016.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. The fair value of the Company's investments in certain money market funds is their face value and such instruments are classified as Level 1 and are included in cash and cash equivalents on the consolidated balance sheets. At December 31, 2017 the Company's Level 2 securities were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities.

The following table summarizes the changes in Level 3 financial instruments (in thousands).

	Amount
<b>Fair value at December 31, 2015</b>	\$ —
Contingent consideration from Crisis Commander acquisition	388
<b>Fair value at December 31, 2016</b>	<u>\$ 388</u>
Foreign currency translation	44
Contingent consideration from IDV acquisition	5,020
Change in fair value of contingent consideration obligation from IDV acquisition	(1,020)
Payments made during the year from IDV acquisition	(3,750)
<b>Fair value at December 31, 2017</b>	<u><u>\$ 682</u></u>

At December 31, 2016, the Company recorded the contingent consideration from the Crisis Commander acquisition under long-term other liabilities.

The Company estimates the fair value of the convertible senior notes based on their last actively traded prices (Level 1) or market-observable inputs (Level 2). As of December 31, 2017 the fair value of the convertible senior notes was determined to be \$126.9 million and the carrying value of the notes were \$89.5 million.

**(9) Income Taxes**

The components of loss before income taxes are as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Domestic	\$ (16,642)	\$ (8,572)	\$ (8,016)
Foreign	(2,945)	(2,738)	(3,370)
<b>Total</b>	<u><u>\$ (19,587)</u></u>	<u><u>\$ (11,310)</u></u>	<u><u>\$ (11,386)</u></u>

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

For purposes of reconciling the Company's provision for income taxes at the statutory rate and the Company's provision (benefit) for income taxes at the effective tax rate, a notional 34% tax rate was applied as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Income tax at federal statutory rate	\$ (6,659)	\$ (3,846)	\$ (3,871)
Increase/(decrease) in tax resulting from:			
State income tax expense, net of federal tax effect	(421)	(183)	(103)
Nondeductible permanent items	1,506	1,012	567
Foreign rate differential	599	662	474
Tax rate change	7,226	(13)	(74)
Adjustment to deferred taxes	37	(132)	(525)
Change in valuation allowance	(2,291)	2,351	2,921
Uncertain tax positions	76	83	50
Other	(26)	42	(1)
<b>Total</b>	<b>\$ 47</b>	<b>\$ (24)</b>	<b>\$ (562)</b>

The difference between the statutory federal income tax rate and the Company's effective tax rate in 2017, 2016 and 2015 is primarily attributable to the effect of state income taxes, difference between the U.S. and foreign tax rates, deferred tax state rate adjustment, share-based compensation and other non-deductible permanent items, and the change in valuation allowance. The Company's China, Sweden and U.K. subsidiaries were subject to 25%, 22% and 20% applicable statutory income tax rates, respectively, for the periods presented.

The provision for (benefit from) income taxes is as follows:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
<b>Current:</b>			
Federal	\$ (23)	\$ —	\$ (14)
State	51	31	4
Foreign	31	109	(101)
	<u>59</u>	<u>140</u>	<u>(111)</u>
<b>Deferred:</b>			
Federal	3,307	(1,823)	(2,536)
State	(669)	(396)	(315)
Foreign	(359)	(296)	(521)
	<u>2,279</u>	<u>(2,515)</u>	<u>(3,372)</u>
Change in valuation allowance	(2,291)	2,351	2,921
<b>Total</b>	<b>\$ 47</b>	<b>\$ (24)</b>	<b>\$ (562)</b>

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

The net deferred tax assets (liabilities) at December 31, 2017 and 2016 are comprised of the following:

	As of December 31,	
	2017	2016
	(in thousands)	
Deferred rent	\$ 133	\$ 47
AMT credit	9	31
Accrued expenses	1,474	1,091
Deferred revenue	292	441
Net operating loss carryforward	14,957	18,722
Other assets	1,643	423
Intangible assets	(2,210)	(2,173)
Property and equipment	(190)	(166)
Other liabilities	—	(28)
Valuation allowance	(16,590)	(18,882)
<b>Total non-current deferred income tax liabilities</b>	<b>\$ (482)</b>	<b>\$ (494)</b>

Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to use the existing deferred tax assets. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2017. Such objective evidence limits the ability to consider other subjective evidence such as its projections for future growth. On the basis of this evaluation, at December 31, 2017 and 2016, a valuation allowance of \$16.6 million and \$18.9 million, respectively, has been recorded since it is more likely than not that the deferred tax assets will not be realized.

At December 31, 2017, the Company has federal and state net operating loss carryforwards of \$52.4 million and \$45.6 million, respectively, which expire in varying amounts through 2036. At December 31, 2016, the Company has federal and state net operating loss carryforwards of \$46.2 million and \$40.5 million, respectively. Section 382 of the Internal Revenue Code, or Section 382, imposes limitations on a corporation's ability to utilize its Net Operating Losses, or NOLs, if it experiences an "ownership change." In general terms, an ownership change may result from transactions increasing the ownership percentage of certain stockholders in the stock of the corporation by more than 50% over a three year period. In the event of an ownership change, utilization of the NOLs would be subject to an annual limitation under Section 382 determined by multiplying the value of the Company's stock at the time of the ownership change by the applicable long-term tax exempt rate. The Company has not completed a Section 382 study at this time; however should a study be completed certain NOLs may be subject to such limitations. Any future annual limitation may result in the expiration of NOLs before utilization.

For the period ended December 31, 2017, 2016 and 2015, the Company has recorded income tax expense of \$76,000, \$83,000 and \$50,000 related to uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to unrecognized tax benefits associated with uncertain tax positions, if any, in the income tax provision. At December 31, 2017 and 2016, the Company had accrued \$11,000 and \$8,000 in interest and penalties related to uncertain tax positions.

The Company is subject to taxation in the United States and various states along with other foreign countries. Due to the presence of net operating loss carryforwards, all of the income tax years remain open for examination by the IRS and various state and foreign taxing authorities. The Company has not been notified that it is under audit by the IRS for any of the tax years currently open. The Company is not currently under audit from any state taxing authorities.

On December 22, 2017, the United States government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act, or the Tax Act. The Tax Act significantly revises the existing tax law by, among other things, lowering the United States corporate income tax rate from 35% to 21% beginning in 2018. The Company reviewed and incorporated the impact of the Tax Act in its tax calculations and disclosures. The primary impact on the Company stems from the re-measurement of its deferred taxes at the new corporate tax rate of 21%, which reduced the Company's net deferred tax assets, before valuation allowance, by \$7.2 million. Due to the full valuation allowance, the change in deferred taxes was fully offset by the change in valuation allowance, except for an immaterial amount that is reflected in income tax expense related to the rate re-measurement of the tax deductible goodwill. The Tax Act did not have a significant impact on the Company's Consolidated Financial Statements for the year ended December 31, 2017.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

The following changes occurred in the amount of unrecognized tax benefits during the years ended December 31, 2017, 2016, and 2015:

	Year Ended December 31,		
	2017	2016	2015
	(in thousands)		
Beginning balance of unrecognized tax benefits	\$ 250	\$ 167	\$ 117
Additions for current year tax positions	65	75	50
Ending balance (excluding interest and penalties)	315	242	167
Interest and penalties	11	8	—
Total	<u>\$ 326</u>	<u>\$ 250</u>	<u>\$ 167</u>

The amount of income taxes the Company pays is subject to ongoing audits by taxing jurisdictions around the world. The Company's estimate of the potential outcome of any uncertain tax position is subject to management's assessment of relevant risks, facts, and circumstances existing at that time. The Company believes that it has adequately provided for these matters. However, the Company's future results may include favorable or unfavorable adjustments to its estimates in the period the audits are resolved, which may impact the Company's effective tax rate. The Company does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months. As of December 31, 2017, the Company's tax filings are generally subject to examination in major tax jurisdictions for years ending on or after December 31, 2012.

Deferred income taxes have not been provided for undistributed earnings of the Company's consolidated foreign subsidiaries because of the Company's intent to reinvest such earnings indefinitely in active foreign operations. At December 31, 2017, the Company had \$0.2 million in unremitted earnings that were permanently reinvested related to its consolidated foreign subsidiaries.

**(10) Debt**

In June 2015, the Company entered into a loan and security agreement with Western Alliance Bank (formerly known as Bridge Bank) to provide a secured revolving line of credit that allows the Company to borrow up to \$10.0 million for working capital and general business requirements. Amounts outstanding under the line of credit bear interest at the prime rate plus 0.75% with accrued interest payable on a monthly basis and outstanding and unpaid principal due upon maturity of the credit facility in June 2018. In February 2016, the Company entered into an amendment of its loan and security agreement with Western Alliance Bank to (1) increase the capacity of its revolving line of credit by \$5.0 million to \$15.0 million and (2) set the minimum prime rate based on which interest due is calculated at 3.25%. No other changes were made to the loan and security agreement. The loan and security agreement, as amended, allows the Company to borrow up to \$15.0 million for working capital and general business requirements.

As of December 31, 2017 and 2016, \$0 and \$0 was outstanding under the line of credit, respectively. There was \$15.0 million and \$15.0 million of unused borrowing availability under the line of credit at December 31, 2017 and 2016, respectively.

In addition to the revolving line of credit, the loan and security agreement also provides for a \$5.0 million growth capital term loan.

On September 22, 2016, the Company repaid in full and terminated its term loan with Western Alliance Bank. The aggregate amount paid was \$5.1 million, which included the full principal amount of \$5.0 million and \$0.1 million of accrued interest. The Company also repaid \$5.8 million on its line of credit with Western Alliance Bank, which included \$0.1 million of interest. Upon the repayment and termination of the term loan, the Company recorded a \$0.1 million charge to interest expense for the unamortized portion of the debt discount.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

Western Alliance Bank maintains a security interest in substantially all of the Company's tangible and intangible assets, excluding intellectual property, to secure any outstanding amounts under the loan and security agreement. The loan and security agreement contains customary events of default, conditions to borrowing and covenants, including restrictions on the Company's ability to dispose of assets, make acquisitions, incur debt, incur liens and make distributions and dividends to stockholders. The loan and security agreement also includes a financial covenant related to the Company's recurring revenue renewal rate. During the continuance of an event of default, Western Alliance Bank may accelerate amounts outstanding, terminate the credit facility and foreclose on the collateral.

Interest cost incurred and charged to expense related to the term loan and line of credit was \$0 and \$0.5 million, respectively, for the year ended December 31, 2017 and 2016.

**(11) Convertible Senior Notes**

In November 2017, the Company issued \$115.0 million aggregate principal amount of 1.50% convertible senior notes, or the Notes, due November 1, 2022, unless earlier repurchased by the Company or converted by the holder pursuant to their terms. Interest is payable semiannually in arrears on May 1 and November 1 of each year, commencing on May 1, 2018.

The Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank, National Association, as trustee. The Notes are unsecured and rank: senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated; effectively subordinated in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election.

The Notes have an initial conversion rate of 29.6626 shares of common stock per \$1,000 principal amount of Notes. This represents an initial effective conversion price of approximately \$33.71 per share of common stock and approximately 3.4 million shares issuable upon conversion. Throughout the term of the Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a Note.

Prior to the close of business on the business day immediately preceding May 1, 2022, the Notes will be convertible at the option of holders during certain periods, only upon satisfaction of certain conditions set forth below. On or after May 1, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at the conversion rate at any time regardless of whether the conditions set forth below have been met.

Holders may convert all or a portion of their Notes prior to the close of business on the business day immediately preceding May 1, 2022, in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

- during the five business day period after any five consecutive trading day period, or the Notes Measurement Period, in which the “trading price” (as the term is defined in the Indenture) per \$1,000 principal amount of notes for each trading day of such Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company’s common stock on such trading day and the conversion rate on each such trading day;
- If the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date; or
- upon the occurrence of specified corporate events.

As of December 31, 2017, the Notes are not yet convertible.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its Notes to be approximately 6.93%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the Notes, which resulted in a fair value of the liability component of \$92.1 million upon issuance, calculated as the present value of implied future payments based on the \$115.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the Notes. The \$22.9 million difference between the aggregate principal amount of \$115.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the Notes were not considered redeemable.

In accounting for the transaction costs related to the issuance of the Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component, totaling \$3.2 million, are being amortized to expense over the term of the Notes, and transaction costs attributable to the equity component, totaling \$0.8 million, and were netted with the equity component in shareholders’ equity.

The Notes consist of the following (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
Liability component:		
Principal	\$ 115,000	—
Less: debt discount, net of amortization	(25,519)	—
Net carrying amount	\$ 89,481	—
Equity component (a)	22,094	—

- (a) Recorded in the consolidated balance sheet within additional paid-in capital, net of \$0.8 million transaction costs in equity.

The following table sets forth total interest expense recognized related to the Notes (in thousands):

	<u>Year Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>
1.50% coupon	\$ 192	\$ —
Amortization of debt discount and transaction costs	499	—
	<u>\$ 691</u>	<u>\$ —</u>

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

As of December 31, 2017, the fair value of the Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's convertible notes classified in equity) were as follows (in thousands):

	December 31, 2017		December 31, 2016	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	\$ 126,931	\$ 89,481	\$ —	\$ —

In connection with the issuance of the Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and others. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the Notes, with an initial strike price of approximately \$33.71 per share, which corresponds to the initial conversion price of the Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Notes, and have a cap price of approximately \$47.20. The cost of the purchased capped calls of \$12.9 million was recorded to shareholders' equity and will not be re-measured.

Based on the closing price of our common stock of \$29.72 on December 31, 2017, the if-converted value of the Notes was less than their respective principal amounts.

**(12) Stockholders' Equity**

*Preferred Stock*

As of December 31, 2017, the Company had authorized 10,000,000 shares of preferred stock, par value \$0.001, of which no shares were outstanding.

*Common Stock*

Holders of the Company's common stock are entitled to one vote per share.

At December 31, 2017 and 2016, there are 28,330,460 and 27,150,674 shares of common stock issued and outstanding, respectively.

**(13) Stock Plans and Stock-Based Compensation**

*2008 Plan*

In June 2008, the Company adopted the 2008 Equity Incentive Plan, or the 2008 Plan, which permits the granting of stock options to the Company's employees, directors and consultants. The total number of shares authorized for awards of stock options under the 2008 Plan was 1,472,261 shares of common stock. On September 7, 2011, that number was increased to 2,426,087, on May 1, 2012, the number was decreased to 2,269,749 and on July 15, 2015 the number was increased to 3,226,271. Stock option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

In connection with our IPO, our board of directors resolved not to make future grants under our 2008 Plan. The 2008 Plan will continue to govern outstanding awards granted thereunder.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**2016 Plan**

The Company's 2016 Equity Incentive Plan, or the 2016 Plan, became effective on September 15, 2016. The 2016 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and performance share awards to employees, directors and consultants of the Company. A total of 3,893,118 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan, which is the sum of (1) 2,000,000 shares, (2) the number of shares reserved for issuance under the 2008 Plan at the time the 2016 Plan became effective (up to a maximum of 42,934 shares) and (3) shares subject to stock options or other stock awards granted under the 2008 Plan that would have otherwise returned to our 2008 Plan (up to a maximum of 1,850,184 shares). The number of shares of common stock reserved for issuance under the 2016 Plan will automatically increase on January 1 of each year, beginning on January 1, 2017, by 3% of the number of shares of the Company's capital stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors. As a result of the adoption of the 2016 Plan, no further grants may be made under the 2008 Plan. As of December 31, 2017, there were 982,963 shares available for grant under the 2016 Plan and as of December 31, 2016 there were 2,005,483 shares available for grant under the 2016 Plan. Stock option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant based on the closing market price of our common stock as reported on The Nasdaq Global Market. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

**Employee Stock Purchase Plan**

The Company's Employee Stock Purchase Plan, or 2016 ESPP became effective on September 15, 2016. A total of 500,000 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan. The number of shares reserved for issuance under the 2016 ESPP will automatically increase on January 1 of each year, beginning on January 1, 2017, by the lesser of 200,000 shares of the Company's common stock, 1% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

The 2016 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. Except for the initial offering period, the 2016 ESPP provides for separate six-month offering periods beginning each March and October of each fiscal year.

On each purchase date, eligible employees will purchase the Company's stock at a price per share equal to 85% of the lesser of (i) the fair market value of the Company's common stock on the offering date or (ii) the fair market value of the Company's common stock on the purchase date.

For the year ended December 31, 2017, 128,786 shares of common stock were purchased under the 2016 ESPP. The Company uses the Black-Scholes option pricing model to measure the fair value of its stock options and the purchase rights issued under the ESPP. As of December 31, 2017 and 2016, total recognized compensation cost was \$0.6 and \$0.2 million, respectively, and unrecognized compensation cost related to the 2016 ESPP was \$0.1 million, which will be amortized over a weighted-average period of 0.25 years. The 2016 ESPP is considered compensatory for purposes of stock-based compensation expense.

**Stock Options**

The weighted-average grant-date fair value per share of options granted for the years ended December 31, 2017, 2016 and 2015, was \$22.84, \$14.49 and \$12.19, respectively. The Company recorded stock-based compensation expense of \$5.3 million, \$3.1 million and \$1.5 million for the years ended December 31, 2017, 2016 and 2015, respectively, attributed to stock options.

The total intrinsic value of options exercised in 2017, 2016 and 2015 was \$9.1 million, \$1.6 million and \$0.5 million, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option. Based on the fair market value of the Company's common stock at December 31, 2017, 2016 and 2015 the total intrinsic value of all outstanding options was \$32.1 million, \$15.9 million and \$10.1 million.



**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

There were no excess tax benefits realized for the tax deductions from stock options exercised during the years ended December 31, 2017, 2016 and 2015.

The fair value of stock option grants is determined using the Black-Scholes option pricing model with the following assumptions.

	Year Ended December 31,		
	2017	2016	2015
<b>Employee Stock Options:</b>			
Fair value of common stock	\$18.05 - \$26.50	\$14.21 - \$18.83	\$9.37 - \$13.63
Expected term (in years)	6.00 - 6.11	5.29 - 6.11	5.09 - 6.15
Expected volatility	50% - 60%	60% - 70%	60%
Risk-free interest rate	1.82% - 2.47%	1.21% - 2.55%	1.41% - 1.94%
Dividend rate	0%	0%	0%
<b>Employee Stock Purchase Plan:</b>			
Expected term (in years)	0.50	0.50	—
Expected volatility	60%	60%	—
Risk-free interest rate	0.45% - 1.18%	0.45%	—
Dividend rate	0%	0%	—

- (1) The expected term represents the period that the stock-based compensation awards are expected to be outstanding. Since the Company did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the Company used the simplified method to compute expected term, which reflects the average of the time-to-vesting and the contractual life;
- (2) The expected volatility of the Company's common stock on the date of grant is based on the volatilities of publicly traded peer companies that are reasonably comparable to the Company's own operations;
- (3) The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the options; and
- (4) The expected dividend yield is assumed to be zero as the Company has never paid dividends and have no current plans to pay any dividends on the Company's common stock.

Total unrecognized compensation cost, adjusted for estimated forfeitures, related to nonvested stock options was approximately \$14.9 million and \$6.6 million as of December 31, 2017 and 2016, respectively, and is expected to be recognized over a weighted average period of 2.97 years and 2.59 years as of December 31, 2017 and 2016, respectively. The amount of cash received from the exercise of stock options in 2017 and 2016 was \$2.9 million and \$0.8 million, respectively.

A summary of activities under the 2008 Plan and 2016 Plan is shown as follows for the years ended December 31, 2017 and 2016:

	Stock options outstanding	Weighted average exercise price
Outstanding at December 31, 2015	1,821,722	\$ 8.68
Granted	292,204	\$ 14.75
Exercised	(163,968)	\$ 4.30
Forfeited	(65,533)	\$ 8.03
Outstanding at December 31, 2016	1,884,425	\$ 10.02
Granted	1,096,881	\$ 22.84
Exercised	(497,175)	\$ 5.77
Forfeited	(43,841)	\$ 15.60
Outstanding at December 31, 2017	2,440,290	\$ 16.55

Stock-based compensation expense is recognized over the award's expected vesting schedule, which is reduced for forfeitures.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

Stock options outstanding, and options exercisable and vested are as follows:

Outstanding as of December 31, 2017	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of December 31, 2017	Remaining contractual life (years)	Weighted average exercise price
2,440,290	8.28	\$ 16.55	748,148	7.00	\$ 10.39
Outstanding as of December 31, 2016	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of December 31, 2016	Remaining contractual life (years)	Weighted average exercise price
1,884,425	7.86	\$ 10.02	809,900	7.13	\$ 6.81

Vested and nonvested stock option activity under the 2008 Plan and 2016 Plan was as follows:

	Vested		Nonvested	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at December 31, 2017	748,148	\$ 10.39	1,692,142	\$ 19.27
Outstanding at December 31, 2016	809,900	\$ 6.81	1,074,525	\$ 12.44

**Restricted Stock Units**

During 2017, we granted 392,000 restricted stock units, or RSUs, to members of our senior management pursuant to the 2016 Plan. We account for restricted stock units issued to employees at fair value, based on the market price of our stock on the date of grant. During the year ended December 31, 2017 and 2016 we recorded \$1.1 million and none, respectively, of stock-based compensation related to the restricted stock units that had been issued to-date. There were no restricted stock units which vested during the year ended December 31, 2017 and 2016, respectively.

As of December 31, 2017, there was \$8.4 million of unrecognized compensation expense related to unvested employee restricted stock unit awards which is expected to be recognized over a weighted-average period of approximately 2.6 years. For restricted stock unit awards subject to graded vesting, we recognize compensation cost on a straight-line basis over the service period for the entire award.

**Market-Based Restricted Stock Units**

During 2017, we granted 392,000 market-based restricted stock units to members of our senior management pursuant to the 2016 Plan. The restricted stock units vest based on the Company achieving certain stock price thresholds which range from \$35 per share to \$55 per share for 30 consecutive trading days as reported by The Nasdaq Stock Market, LLC, subject to the employee's continued employment with the Company through the date of achievement. The share price of our common stock on the date of issuance of the market-based restricted stock units was between \$23.17 and \$26.50 per share. The fair value is based on values calculated under the Monte Carlo simulation model on the grant date. The key estimates used in the Monte-Carlo simulation were a risk-free rate of 2.26% to 2.37%, dividend yield of zero, expected term of 10 years and volatility of 50% to 60%. Compensation cost is not adjusted in future periods for subsequent changes in the expected outcome of market related conditions. For the years ended December 31, 2017 and 2016, we recognized \$2.9 million and \$0, respectively, of stock compensation expense in connection with these awards.

As of December 31, 2017, there was \$8.2 million of unrecognized compensation expense related to unvested market based awards which is expected to be recognized over a weighted-average period of approximately 0.9 years. We recognize compensation cost on a straight-line basis over the service period for the entire award.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

A summary of activity in connection with our RSUs and market-based RSUs for the year ended December 31, 2017 is as follows:

	<u>Number of Shares</u>
Outstanding as of December 31, 2016	—
Granted	784,000
Vested	—
Forfeited	—
Outstanding as of December 31, 2017	<u>784,000</u>

None of the RSUs and market-based RSUs had vested as of December 31, 2017.

The Company classified stock based compensation relating to stock options and RSUs in the following captions in the accompanying consolidated statements of operations and comprehensive loss:

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
	(in thousands)		
Cost of revenue	\$ 578	\$ 180	\$ 150
Sales and marketing	2,419	725	315
Research and development	1,514	348	297
General and administrative	4,788	1,848	760
Total	<u>\$ 9,299</u>	<u>\$ 3,101</u>	<u>\$ 1,522</u>

**(14) Basic and Diluted Net Loss per Share**

Basic net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed by dividing net income for the period by the weighted average number of common shares outstanding and common equivalent shares from dilutive stock options, employee stock purchases, restricted stock awards, restricted stock units and shares issuable upon a potential conversion of the convertible senior notes using the treasury stock method. In loss periods, the earnings per share calculation excludes common equivalent shares because their inclusion would be antidilutive.

The following common equivalent shares were excluded from the diluted net loss per share calculation because their inclusion would have been anti-dilutive:

	<u>Year Ended December 31,</u>		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Stock options	2,440,290	1,884,425	1,821,722
Shares to be issued under ESPP	44,320	83,790	—
Restricted stock units	784,000	—	—
Convertible senior notes	3,411,199	—	—
Series A-1 preferred stock warrants	—	—	130,384
Convertible preferred stock	—	—	8,354,963
Total	<u>6,679,809</u>	<u>1,968,215</u>	<u>10,307,069</u>

The Company is required to reserve and keep available from the Company's authorized but unissued shares of common stock a number of shares equal to the number of shares subject to outstanding awards under the 2008 Plan and the number of shares reserved for issuance under each of the 2016 Plan and 2016 ESPP.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

In connection with the issuance of the convertible senior notes in November 2017, the Company paid \$12.9 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the convertible senior notes. The capped call option agreements are excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive.

***Reserve for Unissued Shares of Common Stock***

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient for the exercise of all shares granted and available for grant under the Company's 2008 Plan, 2016 Plan and 2016 ESPP.

The amount of such shares of the Company's common stock reserved for these purposes at December 31, 2017 is as follows:

	<b>Number of Shares</b>
Stock options issued and outstanding	2,440,290
Additional shares available for grant under equity plans	1,554,177
<b>Total</b>	<b>3,994,467</b>

**(15) Segment information**

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, or CODM, who is the Company's chief executive officer, in deciding how to allocate resources and assess the Company's financial and operational performance. While the Company has applications that address multiple mass notification use cases, all of the Company's applications operate on and leverage a single technology platform and are deployed and sold in an identical way. In addition, the Company CODM evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis. As a result, the Company has determined that the Company's business operates in a single operating segment. Since the Company operates as one operating segment, all required financial segment information can be found in the consolidated financial statements.

**(16) Geographic Concentrations**

Revenue by location is determined by the billing address of the customer. Approximately 90%, 90% and 86% of the Company's revenue was from the United States for the fiscal years ended December 31, 2017, 2016 and 2015, respectively. No other individual country comprised more than 10% of total revenue for the fiscal years ended December 31, 2017, 2016 and 2015. Property and equipment by geographic location is based on the location of the legal entity that owns the asset. As of December 31, 2017 and 2016, more than 88% of the Company's property and equipment was located in the United States.

**(17) Employee Benefit Plan**

The Company maintains a 401(k) plan for the benefit of the Company's eligible employees. The plan covers all employees who have attained minimum service requirements. The 401(k) plan allows each participant to contribute up to an amount not to exceed an annual statutory maximum. We may, at our discretion, make matching contributions to the 401(k) plan. There were no cash contributions made to the plan by the Company for the years ended December 31, 2017 and 2016. Contribution expense recognized for the 401(k) plan was \$0.7 million, \$0, and \$0 for the years ended December 31, 2017, 2016, and 2015, respectively.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

**(18) Commitments and Contingencies**

The following table summarizes the Company's lease and debt obligations at December 31, 2017 (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
	(in thousands)				
Debt obligations (1)	\$ —	\$ —	\$ 115,000	\$ —	\$ 115,000
Operating leases (2)	2,716	4,027	3,192	19	9,954
	<u>\$ 2,716</u>	<u>\$ 4,027</u>	<u>\$ 118,192</u>	<u>\$ 19</u>	<u>\$ 124,954</u>

- (1) The debt obligation balance excludes \$25.5 million of debt discount capitalized on our balance sheet and shown net of our debt obligations.  
(2) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements.

**(a) Leases**

The Company leases office space in Pasadena, California; San Francisco, California; Burlington, Massachusetts; Colchester, England; Maidenhead, England; Lansing, Michigan; Orlando, Florida; Norsborg, Sweden and Beijing, China under operating leases and recognizes escalating rent expense on a straight-line basis over the expected lease term.

In December 2016, we entered into a new lease for our executive offices in Burlington, Massachusetts that will increase our future minimum lease payments beginning in June 2017 by \$7.1 million over the next four years.

In January 2017, as a result of the acquisition of IDV, the Company inherited leases for IDV's executive offices in Lansing, Michigan and sales office in Orlando, Florida which will expire over the next seven years and will account for \$1.3 million in minimum lease payments.

In June 2017, the Company entered into a new lease for its offices in Beijing, China that will increase its future minimum lease payments beginning in July 2017 by \$0.6 million over the next two years.

In June 2017, the Company entered into a new lease for its offices in Maidenhead, England that will increase its future minimum lease payments beginning in July 2017 by \$0.2 million over the next four years.

Future minimum lease payments under non-cancelable capital and operating leases in effect at December 31, 2017 are as follows (in thousands):

	Operating
2018	\$ 2,716
2019	2,102
2020	1,925
2021	1,894
2022 and thereafter	1,317
Total minimum lease payments	<u>\$ 9,954</u>

**(b) Rent**

Rent expense for the years ended December 31, 2017, 2016 and 2015 was \$2.5 million, \$1.6 million and \$1.7 million, respectively.

Rent expense of \$38,000, 44,000 and \$50,000 for the years ended December 31, 2017, 2016 and 2015, respectively, was paid to the former owner of Vocal who is no longer an employee of the Company.

**Everbridge, Inc.**  
**Notes to the Consolidated Financial Statements—(Continued)**

Deferred rent expense at December 31, 2017 and 2016 was \$0.5 million and \$0.1 million, respectively, and was recorded in accrued expenses.

***(c) Litigation***

In the normal course of business, the Company has been subjected to various unasserted claims. The Company does not believe these will have a material adverse impact to the financial statements.

***(d) Employee Contracts***

The Company has entered into employment contracts with certain of the Company's executive officers which provide for at-will employment. However, under the provisions of the contracts, the Company would incur severance obligations of up to twelve months of the executive's annual base salary for certain events, such as involuntary terminations.

**(19) Subsequent Events**

On February 13, 2018, the Company entered into a Transaction Agreement, or the Transaction Agreement, with Unified Messaging Systems ASA, or UMS, pursuant to which the Company agreed to make an offer to purchase all of the outstanding shares of UMS, or the Acquisition. Pursuant to the Transaction Agreement, and subject to the terms and conditions set forth therein and upon approval of an offer document by the Oslo Børs ASA, Holdings has agreed to commence a tender offer, or the Offer, to purchase all of the issued and outstanding shares of capital stock of UMS, or the Shares, at a price of 1.37 Norwegian kroner per share, or the Offer Price. As of the date hereof, there are 195,723,625 Shares issued and outstanding. Based on the Offer Price, the aggregate price for the Shares would be approximately 268 million Norwegian kroner.

The closing of the tender offer for UMS shares is subject to satisfaction or waiver of customary closing conditions, including a minimum acceptance of at least 90% on a fully diluted basis or such lower percentage (not being less than 50%) of the UMS shares as we and Holdings determine, and no material adverse change having occurred in UMS. The offer is not subject to any financing condition or any regulatory approvals. Holdings will finance the transaction with existing cash balances. The offer document includes the recommendation of the offer by the Board of Directors of UMS. The Board of Directors of UMS has the right to amend or withdraw its recommendation of the offer in the event a superior competing offer is made that is not matched by Holdings within four days of being provided with notice thereof. Any such amendment or withdrawal will permit Holdings to withdraw from the offer.

UMS has agreed to pay Holdings a break-fee of 12.5 million Norwegian kroner in the event that the recommendation of the offer issued by the Board of Directors of UMS is withdrawn or amended, or the offer lapses following the announcement of a competing offer that results in the acquisition of UMS. Holdings intends to make a compulsory acquisition of the remaining shares in UMS upon acquiring not less than 90% of the shares in UMS under the offer. Further, upon such acquisition, Holdings intends to propose to the general meeting of UMS that an application be filed with the Oslo Stock Exchange to delist the shares of UMS.

## EVERBRIDGE, INC.

## AMENDMENT TO

## THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT

THIS AMENDMENT TO THE THIRD AMENDED AND RESTATED INVESTOR RIGHTS AGREEMENT (the "*Amendment*") is effective as of November 20, 2017, by and among EVERBRIDGE, INC., a Delaware corporation (the "*Company*"), and the undersigned hereto, pursuant to that certain Third Amended and Restated Investor Rights Agreement, dated as of September 9, 2011 (the "*Rights Agreement*"), by and among the Company and the Investors (as defined therein). Capitalized terms used in this Amendment and not otherwise defined have the meanings ascribed to them in the Rights Agreement.

## RECITALS

WHEREAS, the Company and the Investors are parties to the Rights Agreement and desire to amend the termination provision of the Rights Agreement;

WHEREAS, Section 16.5 of the Rights Agreement provides that any provision of the Rights Agreement may be amended or waived by a written instrument signed by the Company and by persons holding at least a majority of the Registrable Securities voting as a single class on an as-converted to Common Stock basis (the "*Requisite Holders*"); and

WHEREAS, the Requisite Holders and the Company desire to amend the Rights Agreement as described above.

## AGREEMENT

NOW THEREFORE, in consideration of the mutual covenants and agreements set forth herein and for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, and intending to be legally bound, the Company and the undersigned Requisite Holders hereby agree as follows:

1. **Amendment to Section 9.1.** Section 9.1 of the Rights Agreement is hereby amended and restated in its entirety as follows:

“9.1 Termination. The rights to cause the Company to register securities granted under Sections 6 and 7 of this Agreement and to receive notices pursuant to Section 7 of this Agreement shall terminate, with respect to each Holder, upon the earlier date of: (i) three (3) years after the closing date of the Company’s initial underwritten public offering of Common Stock of the Company pursuant to a Registration Statement, (ii) upon any of the following events: (a) any liquidation, dissolution, or winding up of the Company, whether voluntary or not, (b) the sale, lease, assignment, transfer, conveyance or disposal of all or substantially all of the assets of the Company, (c) the exclusive license of all or substantially all of the material intellectual property rights of the Company, or (d) the acquisition of the Company by means of consolidation, corporate reorganization, merger or other transaction or series of related transactions in which stockholders of the Company immediately prior to such transaction(s) do not own at least a majority of the outstanding voting securities of the successor entity and (iii) with respect to any Holder, at such time as Rule 144 promulgated under the Securities Act or another similar exemption under the Securities Act is available for the sale of all of such Holder’s shares without limitation during a three-month period without registration.

**2. Miscellaneous.**

(a) Express Amendment. Except as expressly amended hereby, all of the other terms, covenants and conditions of the Rights Agreement are unmodified by this Amendment, and shall remain in full force and effect in accordance with their terms.

(b) Waiver or Amendment. This Amendment cannot be amended, modified or terminated without the express written consent of the Company and the Requisite Holders.

(c) Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of Delaware, excluding those laws that direct the application of the laws of another jurisdiction.

(d) Counterparts. This Amendment may be executed in one or more counterparts, each of which will be deemed an original but all of which together will constitute one and the same agreement. This Amendment may be executed and delivered by facsimile signature, PDF or any electronic signature complying with the U.S. federal ESIGN Act of 2000 (e.g., www.docusign.com) and such execution and delivery shall be considered valid, binding and effective for all purposes.

*[signature pages follow]*



**IN WITNESS WHEREOF**, this Amendment to Third Amended and Restated Investor Rights Agreement is executed as of the date first above written.

**COMPANY:**

**EVERBRIDGE, INC.**

By: /s/ Jaime  
Ellertson  
Name: Jaime Ellertson  
Title: Chief Executive  
Officer

\_\_\_\_\_

**IN WITNESS WHEREOF**, this Amendment to Third Amended and Restated Investor Rights Agreement is executed as of the date first above written.

:/s/ Jaime Ellertson  
Jaime Ellertson

Signature Page to Everbridge, Inc.  
Amendment to Third Amended and Restated Investor Rights Agreement

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**IN WITNESS WHEREOF**, this Amendment to Third Amended and Restated Investor Rights Agreement is executed as of the date first above written.

**ABS Ventures IC L.P.**

By: Calvert Capital V L.L.C.,  
its General Partner

By: /s/ Bruns Grayson  
Name: Bruns Grayson  
Title: Manager

## List of Subsidiaries of Everbridge, Inc.

<b>Company Name</b>	<b>Jurisdiction</b>
Beijing Wan Qiao Da Guan Information & Technology Ltd.	China
Everbridge Holdings Limited	United Kingdom
Everbridge Europe Limited	United Kingdom
Everbridge Securities Corporation	Massachusetts
Microtech USA LLC	Delaware
Microtech Limited	Guernsey
Svensk Krisledning AB	Sweden

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
Everbridge, Inc.:

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-220777) and on Form S-8 (No. 333-216909 and 333-213679) of Everbridge, Inc. of our report dated March 12, 2018, with respect to the consolidated balance sheets of Everbridge, Inc. and subsidiaries as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related consolidated notes and financial statement schedules, which report appears in the December 31, 2017 annual report on Form 10-K of Everbridge, Inc.

/s/ KPMG LLP

Los Angeles, California  
March 12, 2018

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

I, Jaime Ellertson, certify that:

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

Date: March 12, 2018

By: /s/ Jaime Ellertson

**Name:** Jaime Ellertson

**Title:** Chief Executive Officer  
*(Principal Executive Officer)*

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

I, Kenneth S. Goldman, certify that:

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

Date: March 12, 2018

By: /s/ Kenneth S. Goldman

**Name:** Kenneth S. Goldman

**Title:** Senior Vice President and  
Chief Financial Officer

*(Principal Financial Officer and Principal Accounting  
Officer)*

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

I, Jaime Ellertson, President, Chief Executive Officer of Everbridge, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Annual Report on Form 10-K of Everbridge, Inc. for the year ended December 31, 2017 (the "Report"):

- (1) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Everbridge, Inc.

Date: March 12, 2018

By: /s/ Jaime Ellertson

**Name:** Jaime Ellertson

**Title:** Chief Executive Officer

*(Principal Executive Officer)*



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

I, Kenneth S. Goldman, Chief Financial Officer of Everbridge, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Annual Report on Form 10-K of Everbridge, Inc. for the year ended December 31, 2017 (the "Report"):

- (1) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Everbridge, Inc.

Date: March 12, 2018

By: /s/ Kenneth S. Goldman

**Name:** Kenneth S. Goldman

**Title:** Senior Vice President and  
Chief Financial Officer

*(Principal Financial Officer and Principal Accounting  
Officer)*

