

**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 April 30, 2020

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 001-38675

**Elastic N.V.**

(Exact name of registrant as specified in its Charter)

The Netherlands

Not Applicable

(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

800 West El Camino Real, Suite 350

Mountain View, California 94040

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: (650) 458-2620

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

(Title of each class)	Trading Symbol(s)	(Name of each exchange on which registered)
Ordinary shares, Par Value €0.01 Per Share	ESTC	New York Stock Exchange

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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 ordinary shares held by non-affiliates of the registrant, based on the closing price of the shares of ordinary shares on the New York Stock Exchange on October 31, 2019 (the last business day of the registrant's second fiscal quarter), was approximately \$3.9 billion.

The number of registrant's ordinary shares outstanding as of June 22, 2020 was 85,282,748.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's definitive proxy statement relating to the registrant's 2020 annual general meeting of shareholders (the "2020 Proxy Statement") are incorporated by reference into Part III of this Annual Report on Form 10-K where indicated. The 2020 Proxy Statement will be filed with the U.S. Securities and Exchange Commission within 120 days after the end of the registrant's fiscal year ended April 30, 2020.

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## General

Unless the context otherwise indicates, references in this report to the terms “Elastic”, “the Company,” “we,” “our” and “us” refer to Elastic N.V. and its subsidiaries. All information presented herein is based on our fiscal calendar. Unless otherwise stated, references to particular years, quarters, months or periods refer to the Company’s fiscal years ended April 30 and the associated quarters, months and periods of those fiscal years.

## Trademarks

The Elastic design logo, “Elastic” and our other registered or common law trademarks, service marks or trade names appearing in this Annual Report on Form 10-K are the property of Elastic N.V. and its subsidiaries. Other trademarks and trade names referred to in this Annual Report on Form 10-K 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 ™ symbols.

## Note Regarding Forward-Looking Statements

This Annual Report on Form 10-K contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, which involve substantial risk and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “could,” “intends,” “target,” “projects,” “contemplates,” “believes,” “estimates,” “predicts,” “potential,” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Annual Report on Form 10-K include, but are not limited to, statements about:

- the impact of the 2019 novel coronavirus disease (“COVID-19”) on our business, operations, hiring and financial results, and on the businesses of our customers and partners, including the effect of governmental lockdowns, restrictions and new regulations;
- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses (which include changes in sales and marketing, research and development and general and administrative expenses), and our ability to achieve and maintain future profitability;
- our ability to continue to deliver and improve our offerings and successfully develop new offerings, including security-related product offerings and SaaS offerings;
- customer acceptance and purchase of our existing offerings and new offerings, including the expansion and adoption of our SaaS offerings;
- our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches, including by bad actors;
- our ability to maintain and expand our user and customer base;
- the market for our products continuing to develop;
- competition from other products and companies with more resources, recognition and presence in our industry;
- the impact of foreign currency exchange rate and interest rate fluctuations on our results;
- the pace of change and innovation in the markets in which we participate and the competitive nature of those markets;
- our business strategy and our plan to build our business;
- our ability to effectively manage our growth, including any changes to our pace of hiring;
- our international expansion strategy;
- our operating results and cash flows;
- our strategy of acquiring complementary businesses and our ability to successfully integrate acquired businesses and technologies, including the successful integration of Endgame, Inc. and its subsidiaries (“Endgame”);
- the potential impact on our operating margin from the acquisition of Endgame;
- the impact of acquisitions on our future product offerings;
- our beliefs and objectives for future operations;
- our relationships with and reliance on third parties, including partners;

- our ability to protect our intellectual property rights;
- our ability to develop our brands;
- the impact of expensing stock options and other equity awards;
- the sufficiency of our capital resources;
- our ability to successfully defend litigation brought against us;
- our ability to successfully execute our go-to-market strategy and expand in our existing markets and into new markets;
- sufficiency of cash to meet cash needs for at least the next 12 months;
- our ability to comply with laws and regulations that currently apply or become applicable to our business both in the United States and internationally;
- our ability to attract and retain qualified employees and key personnel;
- the effect of the loss of key personnel, including Aaron Katz, who has transitioned from the position of Chief Revenue Officer and is expected to serve in an advisory role until August 2020, and our ability to attract a qualified replacement in light of the current unstable economic conditions caused by the COVID-19 pandemic;
- our expectations about the impact of natural disasters and public health epidemics and pandemics, on our business, results of operations and financial condition;
- expectations about seasonality;
- the future trading prices of our ordinary shares;
- and general market, political, economic and business conditions (including developments and volatility arising from the COVID-19 pandemic).

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

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled “Risk Factors” and elsewhere in this Annual Report on Form 10-K. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Annual Report on Form 10-K. Any additional or unforeseen effect from the COVID-19 pandemic may exacerbate these risks. We cannot assure you that the results, events, and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events, or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Annual Report on Form 10-K relate only to events as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date of this Annual Report on Form 10-K or to conform such statements to actual results or revised expectations, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements, and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

## PART I

### Item 1. Business.

Elastic is a search company.

Search is foundational to a wide variety of experiences. Elastic makes the power of search—the ability to instantly find relevant information and insights from large amounts of data—available for a diverse set of applications and solutions, including Enterprise Search, Observability, and Security.

Elastic powers the search behind a ride sharing app to help locate nearby riders and drivers. Elastic powers the search for finding the right products to add to your cart for an ecommerce application. Elastic powers the search for a digital creative software company, enabling users to search across millions of digital assets to find the right photo, font, or color palette to complete a creative project. Elastic powers the logging of billions of events per day to track and manage website performance issues and network outages of a telecommunications company with nationwide networks of mobile subscribers. Elastic powers the processing of terabytes of daily data in real time to monitor the usage of thousands of servers for a financial services company across their entire IT environments. Elastic powers a university's cybersecurity operations to protect thousands of devices and critical data. All of this is search.

Why we search remains constant: we're looking for insight, information, and answers. But how and what we search changes over time, from the Dewey Decimal System for libraries to Google for the World Wide Web to conversations with virtual assistants for everyday inquiries. Today, what we search has grown to include a rapidly increasing amount of structured and unstructured data from a multitude of sources such as databases, websites, applications, and mobile and connected devices. While search experiences often begin with search boxes, they are not confined to them. Dragging your finger across a map on a smartphone screen is search. Zooming into a specific time frame in a histogram is search. Mining log files for errors is search. Forecasting storage capacity two weeks into the future is search. Using natural language processing to analyze user sentiment is search.

Elastic created the Elastic Stack, a powerful set of software products that ingest and store data from any source, and in any format, and perform search, analysis, and visualization in milliseconds or less. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. We have also built software solutions on the Elastic Stack that address a wide variety of use cases: Elastic Enterprise Search for workplace search, app search and site search, Elastic Observability for logging, metrics and application performance management ("APM"), and Elastic Security for security information and event management ("SIEM") and endpoint security.

The Elastic Stack and our solutions are designed to run in public or private clouds, in hybrid environments, or in traditional on-premises environments. As the technology landscape shifts, our products grow and adapt. In that sense, we believe that our company is truly elastic.

Our origins are rooted in open source, which facilitates rapid adoption of our software and enables efficient distribution of our technology. Developers can either download or deploy our software directly in the cloud as a managed offering on our website, for use in development and production environments. Our offerings include both free and paid products and solutions.

Our business model is based on a combination of open source and proprietary software. For self-managed users who download our products, we make some of the proprietary features of our software available for free. Other proprietary features are only available through paid subscriptions, which also include access to support on all free and paid features. We also provide our software as a service ("SaaS"). There is no free subscription tier in our SaaS offerings. Unlike some open source companies, we do not build a separate enterprise version of an original open source project. Instead, we develop and test one robust codebase, over which we maintain control. We believe that maintaining full control over the source code enables us to develop better products for our users and customers. Our sales and marketing efforts start with developers and other users who have already adopted our software and then evolve to departmental decision-makers and senior executives who have broad purchasing power in their organizations. All of these actions help us build a powerful commercial business model.

Our customers often significantly expand their usage of our products over time. Expansion includes increasing the number of developers using our products, increasing the utilization of our products for a particular use case, and applying our products to new use cases. We focus some of our direct sales efforts on encouraging these types of expansion within our customer base.

Our business has experienced rapid growth around the world. As of April 30, 2020, we had over 11,300 customers compared to over 8,100 customers and over 5,000 customers as of April 30, 2019 and 2018, respectively. Our revenue was \$427.6 million in the year ended April 30, 2020 ("fiscal 2020"), \$271.7 million in the year ended April 30, 2019 ("fiscal 2019"), and \$159.9 million in the year ended April 30, 2018 ("fiscal 2018"), representing year-over-year growth of 57% and 70% for the years ended April 30, 2020 and 2019, respectively. Subscriptions accounted for 92%, 91% and 93% of our total

revenue in the years ended April 30, 2020, 2019 and 2018, respectively. Revenue from outside the United States accounted for 43%, 43% and 39% of our total revenue in the years ended April 30, 2020, 2019 and 2018, respectively.

In the years ended April 30, 2020, 2019 and 2018, we incurred net losses of \$167.2 million, \$102.3 million and \$52.7 million, respectively, and our net cash used in operating activities was \$30.6 million, \$23.9 million and \$20.8 million, respectively. We expect we will continue to incur net losses for the foreseeable future.

## Our Products

We founded Elastic to bring the power of search to a broad range of business and consumer use cases. Our products enable our users and customers to instantly find relevant information and insights in large amounts of data.

We offer the Elastic Stack, a powerful set of software products that ingest and store data from any source, and in any format, and perform search, analysis, and visualization in milliseconds or less. The Elastic Stack is designed for direct use by developers to power a variety of use cases. We also offer software solutions built on the Elastic Stack that address a wide variety of use cases. The Elastic Stack and our solutions are designed to run in public or private clouds, in hybrid environments, or in traditional on-premises environments.

### The Elastic Stack

The Elastic Stack is composed of four primary products:

- **Elasticsearch.** Elasticsearch is the heart of the Elastic Stack. It is a distributed, real-time search and analytics engine and datastore for all types of data, including textual, numerical, geospatial, structured, and unstructured.
- **Kibana.** Kibana is the user interface for the Elastic Stack. It is the visualization layer for data stored in Elasticsearch. It is also the management and configuration interface for all parts of the Elastic Stack.
- **Logstash.** Logstash is the dynamic data processing pipeline for ingesting data into Elasticsearch or other storage systems from a multitude of sources simultaneously.
- **Beats.** Beats is the family of lightweight, single-purpose data shippers for sending data from edge machines to Elasticsearch or Logstash.

Some features of the Elastic Stack are open source, while others are proprietary. Some proprietary features are licensed to users at no cost, while others require paid subscriptions. Paid proprietary features enable capabilities such as automating anomaly detection on time series data at scale, facilitating compliance with data security and privacy regulations, and allowing real-time notifications and alerts. The source code of all free and paid features in the Elastic Stack is visible to the public in the form of “open code.”

### Our Solutions

We have built a number of solutions on top of the Elastic Stack to make it easier for organizations to use our software for certain common use cases. Like the Elastic Stack, our solutions comprise a combination of open source features, free proprietary features, and paid proprietary features. The solutions we offer include:

- **Enterprise Search.** Our Enterprise Search solution provides powerful search for documents and results living in websites, applications and workplaces. Enterprise Search includes: Workplace Search, a unified search platform for the workplace that seamlessly connects to the most widely used enterprise systems and tools; App Search, a flexible, API-driven tool for building search experiences to support websites and portals, e-commerce, mobile app search, and customer support; and Site Search, an easy way to bring powerful search to any website.
- **Observability.** Our Observability solution enables unified analysis across the IT ecosystem of applications, networks, and infrastructure. Observability includes: Logs, to search and analyze petabytes of structured and unstructured logs; Metrics, to search and analyze numeric and time series data; APM, to deliver insight into application performance and health metrics and provide developers with confidence in their code; and Uptime, to easily track and monitor the availability of hosts, websites, services and applications.
- **Security.** Our Security solution provides unified protection to prevent, detect, and respond to threats. Security includes: SIEM, with integrations to network, host, user, and cloud data sources, as well as workflow and operations, shareable analytics, incident management, and investigations; and Endpoint Security, for prevention, detection and response in a single, stack-integrated agent.

## Our Deployment Options

The Elastic Stack and our solutions generally can be deployed in public or private clouds, in hybrid environments, or in traditional on-premises environments, to satisfy various user and customer needs.

- **Self-Managed.** Today, most users manage their own deployments of the Elastic Stack and our solutions. To help with more complex deployment scenarios, we offer Elastic Cloud Enterprise (ECE), a paid proprietary product, to deliver centralized provisioning, management, and monitoring across multiple deployments.
- **SaaS.** Many customers are becoming increasingly interested in SaaS deployment alternatives that reduce the burden of administration. For these customers we have developed a family of SaaS products called Elastic Cloud, which includes Elasticsearch Service, Site Search Service and App Search Service. We host and manage our Elastic Cloud products on infrastructure from multiple public cloud providers.

## Our Business Model

Our business model refers to how we make our software available, including our free and open distribution and go-to-market strategy, and how we charge our customers. We believe our business model creates significant value for our users, our customers, and our company.

Our business model is based on a combination of open source and proprietary software. We market and distribute the Elastic Stack and our solutions using a free and open distribution strategy. Developers and other users are able to download our software directly from our website. Some features of our software can be used free of charge. Others are only available through paid subscriptions, which include access to proprietary features and support. These paid features can be unlocked with a simple license update, without the need to re-deploy the software. We also provide our software as a service, as part of Elastic Cloud. There is no free subscription tier in our Elastic Cloud offerings. The rate at which our customers purchase additional subscriptions and expand the value of existing subscriptions depends on a number of factors, including customers' level of satisfaction with our products, the nature and size of the deployments, the desire to address additional use cases, and the perceived need for additional proprietary features. The source code of all Elastic Stack features, whether they are open source or proprietary, is visible to the public in the form of "open code."

Our distribution model facilitates rapid and efficient adoption, particularly by empowering individual developers and other users to download and use our software without payment, registration, or the friction of a formal sales interaction. It also fosters a vibrant developer community around our products and solutions, which drives adoption of our products and increased interaction among users. Further, this approach enables community review of our code and products, which allows us to improve the reliability and security of our software. We believe that the number of times our products have been downloaded and the size of our developer community are indicative of the benefits of our open source strategy and the growth in adoption of our products. However, we generally do not have visibility into, and cannot accurately determine how often, our downloaded products are being actively used.

We have designed our strategy to avoid some of the risks associated with an open source model. One such risk relates to control over the direction and roadmap of our products. We maintain full control over the source code of our products and solutions. While community members may suggest changes to our products, only Elastic employees are able to commit changes to the codebase. Further, unlike some open source companies, we do not build a separate enterprise edition of an original open source project. Instead, we develop, maintain, and test a single robust codebase that is shared by our entire developer community.

Some open source companies sell only support for software that they make available at no cost. We believe this can create misaligned incentives in that the support vendor benefits from low software quality. Accordingly, we focus on designing high-quality software products that include proprietary features and are easy to use and reliable. We include support only as part of our subscriptions.

We believe in building products that provide value and appeal to the people who use them, including developers, architects, DevOps personnel, IT professionals, and security analysts. At the same time, a software company should be able to engage and build relationships with departmental or organizational leaders who make large technology purchasing decisions. At Elastic, we do both.

## Strengths of Our Products

The strengths of our products include the following:

- **Speed.** The Elastic Stack can find matches for search criteria in milliseconds within even the largest structured and unstructured datasets. Its schema-less structure and inverted indices enable real-time search of high volumes of structured, unstructured, and time series data.

- **Scale.** The Elastic Stack is a distributed system and can scale massively. It has the ability to subdivide search indices into multiple pieces called shards, which enables data volume to be scaled horizontally and operations to be distributed across hundreds of systems or more. A developer running hundreds of nodes has the same user experience as a developer running a single node on a laptop.
- **Relevance.** Elasticsearch uses multiple analytical techniques to determine the similarity between stored data and queries, generating highly relevant results reflecting a deep understanding of text and context. Its sophisticated yet developer-friendly query language permits advanced search and analytics. Additionally, the speed of the Elastic Stack permits query iteration, further enhancing the relevance of search results.
- **Ease of Use.** The Elastic Stack is engineered to take a user from data to dashboard or inquiry to insight in minutes. It offers an easy getting started experience, featuring streamlined download and deployment, sensible defaults, a simple and intuitive query language that just works, and no need to define a schema up front. Administrative tasks such as securing the Elastic Stack are intuitive and integrated into the user experience, as are investigative tasks such as data visualization.
- **Flexibility.** The Elastic Stack is able to ingest, filter, store, search, and analyze data in any form, whether structured or unstructured. These capabilities enable the Elastic Stack to generate insights from a wide variety of data sources for a range of use cases. The flexibility of the Elastic Stack also enables users to begin using our products along with their existing systems, which lowers barriers to adoption.
- **Extensibility.** Developers can use the Elastic Stack as a foundation for addressing a wide variety of use cases. Our open source approach to building the Elastic Stack empowers developers to innovate and utilize it to fit their specific needs. Additionally, our developer community actively engages with us to improve and expand the Elastic Stack.

### Our Growth Strategies

We intend to pursue the following growth strategies:

- **Increase product adoption by improving ease of use and growing our user community.** With our engineering efforts focused on the user experience, we will continue to develop software that makes our products easier to use and adopt for both developers and non-developers. We will continue to engage with developers globally through a wide range of touch points such as community meetups, global community groups, hackathons, our global events, which we call Elastic{ON}, and engagement on our website, user forums, and code repositories, to grow our user community.
- **Expand our customer base by acquiring new customers.** Through our distribution model, self-managed users can easily download our software directly from our website and access many features free of charge, which facilitates rapid adoption. Through Elastic Cloud, our SaaS offering, we provide the fastest and easiest way to get started with a free trial. However, there is no free subscription tier in Elastic Cloud. Our sales and marketing team conducts campaigns to drive further awareness and adoption within the user community. As a result, many of our sales prospects are already familiar with our technology prior to entering into a commercial relationship with us. Additionally, we leverage our network of partners to drive awareness and expand our sales and marketing reach to target new customers. We will continue to engage our community and our partners to drive awareness and to invest in our sales and marketing team to grow our customer base.
- **Expand within our existing customer base through new use cases and larger deployments.** We often enter an organization through a single developer or a small team for an initial project or use case with an objective to quickly solve a technical challenge or business problem. Because of the rapid success with our products, knowledge of Elastic often spreads within an organization to new teams of developers, architects, IT operations personnel, security personnel, and senior executives. We will continue to invest in helping users and customers be successful with our products, and we view initial success with our products as a path to drive expansion to new use cases and projects and larger deployments within organizations.
- **Extend our product leadership through continued investment in our technology.** We will continue to invest in our self-managed and SaaS products to extend into new use cases, industries, geographies, and customers.
- **Increase usage of Elastic Cloud.** We believe that providing our SaaS products represents a significant growth opportunity. We plan to expand Elastic Cloud geographically and through more public cloud providers. We plan to offer more of our solution features as part of Elastic Cloud over time.
- **Expand our strategic and regional partnerships.** Our partners assist us in driving awareness of Elastic and our products, building new solutions on top of the Elastic Stack to solve customer pain points, and extending our



reach in geographic areas and verticals where we do not have a formal sales presence. We have a diverse range of partners and we will continue to pursue partnerships to further the development of the Elastic Stack and our customer reach.

- **Selectively pursue acquisitions and strategic investments.** We have selectively pursued acquisitions and strategic investments in businesses and technologies in order to drive product and market expansion. Since inception, we have acquired technology underlying our security offerings (formerly Endgame), Site Search and App Search offerings (formerly Swiftype), our APM offering (formerly Opbeat), our machine learning feature (formerly Prelert), our Beats product (formerly Packetbeat), our Elastic Cloud SaaS offering (formerly Found) and our Kibana and Logstash products through strategic transactions. We intend to continue to pursue acquisitions and strategic investments selectively.

### **Customers**

Organizations of all sizes, across many industries, both private and public, purchase our products for a variety of use cases. As of April 30, 2020, we had over 11,300 customers. No customer represented more than 10% of our revenue in the year ended April 30, 2020.

### **Engineering**

Our engineering organization focuses on enhancing existing products and developing new products, both open source and proprietary, that are easy to use and can be run in any environment including in public or private clouds, in hybrid environments, or in traditional on-premises environments. With a distributed engineering team spanning over 30 countries, we are able to recruit, hire, and retain high-quality, experienced developers, tech leads, and product managers, and operate at a rapid pace to drive product releases, fix bugs, and create new product offerings.

Our software development process is based on iterative releases across the Elastic Stack, our solutions, and the Elastic Cloud. We are organized in small functional teams with a high degree of autonomy and accountability. Our distributed and highly modular team structure and well-defined software development processes also allow us to successfully incorporate technologies that we have acquired.

As of April 30, 2020, we had 635 employees in our research and development organization, comprising 33% of our total headcount. We intend to continue to invest in our research and development capabilities to extend our products. Research and development expense totaled \$165.4 million and \$101.2 million, in the years ended April 30, 2020 and 2019, respectively. We plan to continue to devote significant resources to research and development.

### **Sales and Marketing**

We make it easy for individual developers to begin using our products in order to drive viral adoption. Users can download our software directly from our website without any sales interaction, and immediately begin using the full set of free and paid features. Access to our paid features is available for an initial trial period for both self-managed and SaaS subscriptions.

As a result of our free and open strategy, our sales prospects are often already using our technology. Our sales and marketing efforts extend our free and open strategy in two key ways. First, we conduct low-touch marketing campaigns to keep users and customers engaged after they download our software. This includes providing high-quality content, documentation, webinars, videos, and blogs through our website. Second, we conduct high-touch virtual and field campaigns with qualified prospects and customers who have typically already deployed our software to drive further awareness, adoption, and expansion of our products and solutions.

Our sales teams are segmented primarily by geography and secondarily by employee count of our prospects and customers. We rely on inside sales development representatives to qualify leads based on their likelihood to make a purchase. We pursue sales opportunities primarily through a direct sales motion, in some cases assisted by partners. Our relationships within customer organizations often extend beyond the initial users of the technology and include technology and business decision-makers at various levels. We also engage with our customers on an ongoing basis through a customer success team, to ensure customer satisfaction and expand their usage of our technology.

As of April 30, 2020, we had 708 employees in our sales and marketing organization, including sales development, field sales, sales engineering, business development, customer success, and marketing personnel.

## Partners

We maintain partner relationships that help us market and deliver our products to our customers and complement our community. Our partner relationships include the following:

- **Cloud providers.** We work with many of the major cloud providers to increase awareness of our products and make it easy to access our software. We partner with Google and Microsoft to offer our Elasticsearch Service (part of Elastic Cloud) on Google Cloud Platform (“GCP”), and Microsoft Azure, respectively. We partner with Alibaba to provide the Alibaba Cloud Elasticsearch Service in China and the rest of the world. We also have a relationship with IBM to offer Elastic Stack deployment templates on its cloud. Through these partnerships, customers of these companies may access Elastic’s support engineers and may use our free and paid proprietary features. In addition, we make our Elasticsearch Service available on Amazon Web Services (“AWS”), for direct purchase via our website. Elastic’s Elasticsearch Service is a different offering than Amazon Elasticsearch Service. We do not partner with Amazon, provide support for Amazon Elasticsearch Service, or provide Amazon or customers of Amazon Elasticsearch Service with access to any of our free or paid proprietary features.
- **Systems integrators, channel partners, and referral partners.** We have a global network of systems integrators, channel partners, and referral partner relationships that help deliver our products to various business and government customers around the world.
- **OEM and MSP partners.** Our original equipment manufacturing (“OEM”), and managed service provider (“MSP”), partners embed an Elastic subscription into the products or services they offer to their own customers. OEM or MSP partners are able to include Elastic’s paid and unpaid proprietary features in their product, receive ongoing support from Elastic for product development, and receive support for end customer issues related to Elastic.
- **Technology partners.** Our technology partners collaborate with Elastic to create a standardized solution for end users that includes technology from both Elastic and the partner. For example, we work with Micro Focus to integrate our products with their ArcSight product. Technology partners represent a deeper collaboration than community contributions and are distinct from distribution-oriented relationships like OEMs and MSP partners.

## Professional Services

We offer consulting and training as part of our offerings. To assist customers in accelerating their success with our software, our consulting team consists of engineers and architects who bring hands-on experience and deep technical knowledge to a project. Our training offerings enable our users to gain the necessary skills to develop, deploy, and manage our software.

## Customer Support

We endeavor to make it easy for developers to download, install, deploy and use the Elastic Stack and our solutions. To this end, our user community functions as a source of support and enables developers to engage in self-help and collaboration.

However, in many situations, such as those involving complex enterprise IT environments, large deployments and novel use cases, our users require our support. Accordingly, we include support as part of the subscriptions we sell for our products. Our global support organization consists of highly technical support engineers who provide support experiences including troubleshooting, technical audits, cluster tuning, and upgrade assistance. Our support team is distributed across over 20 countries and provides coverage 24 hours per day, all 365 days per year, across multiple languages.

We believe that software companies should not have incentives to build low quality software. In that connection, we do not sell support separately from our software subscriptions.

## Our Technology

Our products consist of the Elastic Stack, our solutions and software that supports our various deployment alternatives. Because our solutions are built on the Elastic Stack, innovations and new capabilities built into the Elastic Stack may benefit many of our solutions. Our customers can customize and extend our solutions to fit their needs by leveraging the power of the Elastic Stack and our developer capabilities.

## Technology Features of the Elastic Stack

Elasticsearch is the heart of the Elastic Stack, where users store, search, and analyze data. Key features of Elasticsearch include the following:

- **Store any type of data.** Elasticsearch combines powerful parts of traditional search engines, such as an inverted index to power fast full text search and a column store for analytics, with native support for a wide range of data types, including text, dates, numbers, geospatial data, date/numeric ranges, and IP addresses. With sensible defaults, and no upfront schema definition necessary, Elasticsearch makes it easy to start simple and fine-tune as datasets grow.
- **Powerful query languages.** The Elasticsearch query domain specific language is a flexible, expressive search language that exposes a rich set of query capabilities across any kind of data. From simple Boolean operators to custom relevance functions, users can articulate exactly what they are looking for and bring their own definition of relevance. The query language also includes a composable aggregation framework that enables users to summarize, slice, and analyze structured or semi-structured datasets across multiple dimensions. Examples of these capabilities include tracking the top ten users by spend, looking at data week over week, analyzing data across geographies, and drilling down into details with specific filters all with a single search.
- **Developer friendliness.** Elasticsearch has consistent, well-documented APIs that work the same way on one node during initial development as on a hundred nodes in production. Elasticsearch also ships with a number of language clients that provide a natural way to integrate with a variety of popular programming frameworks, reducing the learning curve, and leading to a shorter time to realizing value.
- **High speed.** Everything stored in Elasticsearch is indexed by default, such that users do not need to decide in advance what queries they will want to run. Our architecture optimizes throughput, time-to-data availability and query latency. Elasticsearch can easily index millions of events per second, and newly added data can be available for search nearly instantly.
- **High scale and availability.** Elasticsearch is designed to scale horizontally and be resilient to node or hardware failures. As nodes join a cluster, data is automatically re-balanced and queries and indexing are spread across the new nodes seamlessly. This makes it easy to add hardware to increase indexing throughput or improve query throughput. Elasticsearch also detects node failures and hardware or network issues and automatically protects user data by ejecting the failing or inaccessible nodes and creating new replicas of the data.
- **Machine learning and alerting.** Machine learning capabilities such as anomaly detection, forecasting, and categorization are tightly integrated with the Elastic Stack to automatically model the behavior of data, such as trends and periodicity, in real time in order to identify issues faster, streamline root cause analysis, and reduce false positives. Without these capabilities, it can be very difficult to identify issues such as infrastructure problems or intruders in real time across complex, high-volume, fast-moving datasets.
- **Security.** Security features give administrators the rights to grant specific levels of access to their various types of users, such as IT, operations, and application teams. Elasticsearch serves as the central authentication hub for the entire Elastic Stack. Security features include encrypted communications and encryption-at-rest; role-based access control; single sign-on and authentication; field-level, attribute-level, and document-level security; and audit logging.

Kibana is the user interface for the Elastic Stack. It allows users to manage the Elastic Stack and visualize data. Additionally, the interfaces for many of our solutions are built into Kibana. Key features of Kibana include the following:

- **Explore and visualize data stored in Elasticsearch.** Kibana provides interactive data views, visualizations, and dashboards powered by structured filtering and unstructured search to enable users to get to answers more quickly. A variety of data visualization types, such as simple line and bar charts, purpose-built geospatial and time series visualizations, tree diagrams, network diagrams, heatmaps, scatter plots, and histograms, support diverse user needs.
- **Incorporate advanced analytics and machine learning from Elasticsearch.** Kibana's query, filtering, and data summarization capabilities reflect Elasticsearch's powerful query domain specific language and aggregation framework while making it interactive.
- **Manage the Elastic Stack.** Kibana presents a broad user interface showing the health of Elastic Stack components and provides cluster alerts to notify administrators of problems. Its central management user interfaces (UIs) make it easier to operate the Elastic Stack at scale.

- **Home for Solutions.** Kibana is where our users and customers access the user interfaces for our Observability and Security solutions. Kibana provides core services, like security, alerting, and data visualization components. This makes it easy for users to discover all of the capabilities our solutions provide, and enables solution users to benefit from the core capabilities of the Kibana.
- **Application framework.** Kibana is designed to be extensible. Users interested in a highly specialized visualization type not distributed with Kibana by default can customize experiences through a Kibana plugin and make the plugin available to the community. Dozens of Kibana plugins have been shared by the community via Elastic documentation and code sharing platforms such as GitHub.

Beats and Logstash are data ingestion tools that enable users to collect and enrich any kind of data from any source for storage in Elasticsearch. Beats and Logstash have an extensible modular architecture. Beats are lightweight agents purpose-built for collecting data on devices, servers, and inside containers. Key features of Beats include the following:

- **Agents.** Beats are lightweight agents built for the purposes of efficient data collection at the edge for specific types of data, such as Filebeat for the collection of logging data, Metricbeat for the collection of system or service metric data, Auditbeat for the collection of security data, Packetbeat for the collection of network data, and Heartbeat for the collection of availability data. Dozens of community Beats enable the collection of data from specialized sources.
- **Extensibility and community Beats.** The Beats platform enables rapid creation of custom Beats that can be run on a variety of edge technologies for data collection. Over 90 Beats have been shared by the community via Elastic documentation and many more are available through code sharing platforms such as GitHub.

Logstash enables centralized collection and extract, transformation, and load capabilities. Key features of Logstash include the following:

- **Data transformation engine.** Logstash is a centralized data transformation engine that can receive and pull data from multiple sources, transform and filter that data, and send it to multiple outputs. Logstash has a powerful and flexible configuration language that allows users to create data stream acquisition and transformation logic without having to write code. This greatly extends and accelerates the ability to create data management pipelines to a wide variety of organizations and individuals.
- **Plugins.** Logstash collects data from a variety of sources, such as network devices, queues, endpoints, and public cloud services. Logstash enriches the data via lookups against local data sources, such as a geolocation database, and remote data sources, such as relational databases. Logstash can output events to Elasticsearch or downstream queues and other datastores. We develop and support more than 80 plugins for many common integrations.
- **Logstash extensibility and community plugins.** A vibrant community of users extends our reach through hundreds of community Logstash plugins that enable integration with a wide variety of data sources across many use cases.

## Technology Features of Our Solutions

Our solutions are designed to minimize time-to-value and deployment costs of using the Elastic Stack for common use cases. The functionality of our solutions often includes specialized data collection, through standardized APIs or custom agents, and custom user interfaces for specific data analytics, visualizations, workflows, and actions. Most of our solutions can be self-managed or accessed through Elastic Cloud.

Enterprise Search gives users the tools to bring search experiences to customers, partners and teams quickly and scale them seamlessly.

- **Workplace Search.** Workplace Search brings modern search to collaborative decisions and experiences. It seamlessly connects to some of the world's most widely adopted productivity tools, customer relationship management platforms, cloud storage platforms, collaboration tools, operation management platforms, and content management systems. Custom sources provide an elegant set of APIs that lets customers and users ingest any type of content from even more sources while preserving access control information.
- **App Search.** App Search simplifies the process of building excellent customer-facing search experiences. App Search also provides much of the shared, foundational technology that gives the products in Enterprise Search power within an intuitive user experience. App Search brings the focused power of Elasticsearch to a refined set of APIs and intuitive dashboards, allowing users to leverage scalability, tunable relevance controls, thorough documentation, well-maintained clients, and robust analytics to build a leading search experience with ease.

- **Site Search.** Site Search provides the tools users need to build powerful website search easily. The maintenance-free crawler keeps content current, while intuitive customization features and robust analytics provide full control over search relevance. All these capabilities are backed at scale by Elasticsearch.

Observability combines analysis across the IT ecosystem of IT applications, networks, and infrastructure to deliver actionable insights into performance, availability, usability, adoption, and anomalous behavior.

- **Logs.** Logs indexes, searches, and analyzes structured and unstructured logs at large scale to monitor the health and performance of an organization's services, infrastructure, and applications. Users can analyze and visualize information extracted from logs to understand system behavior and trends to optimize performance and preemptively address potential issues. By querying logs in ad hoc ways, users can triage, troubleshoot, and resolve performance issues.
- **Metrics.** Metrics ingests, searches, visualizes, and analyzes numeric and time series data from IT systems, including applications, datastores, hosts, containers, cloud infrastructure, and more. Users can review performance and utilization trends to optimize and plan for future needs. Metrics helps users deliver on infrastructure service level objectives ("SLOs"), and resolve downtime or performance issues by understanding how the state of individual components fits into the bigger picture.
- **APM.** APM delivers insight into application performance at the code level. Developers can instrument apps and see the lifecycle of a transaction across services from front end to back end. This can give developers confidence in the code they ship, and can give operational teams visibility into code-level errors and performance bottlenecks to accelerate root cause analysis and resolution during an investigation.
- **Uptime.** Customers and users leverage Uptime to track and monitor the availability of the hosts, websites, services, and application endpoints that support business operations. Through proactive monitoring, customers can detect troublesome components before they are reported by end users.

Security delivers unified protection to prevent, detect, and respond to a variety of threats across the IT ecosystem.

- **SIEM.** Elastic SIEM automates threat detection and remediation, reducing mean time to detect ("MTTD") and mean time to respond ("MTTR"). With prebuilt Beats integrations, SIEM can ingest data from cloud, network, endpoints, applications, and other systems. With Elastic Common Schema ("ECS"), users can centrally analyze information like logs, flows, and contextual data from disparate data sources. SIEM provides an interactive workspace for security teams to detect and respond to threats. Teams can triage events and perform investigations, gathering evidence on an interactive timeline. SIEM also streamlines opening and updating cases, forwarding potential incidents to security operations workflows and IT ticketing systems.
- **Endpoint Security.** Endpoint Security combines prevention, detection, and response into a single, autonomous agent that can even run in isolated environments. It is designed for ease of use and for speed, and can help stop threats in early stages of an attack. Endpoint Security includes protection against ransomware, malware, phishing, exploits, fileless attacks, and more. When deployed together, SIEM and Endpoint Security provide a strong security posture with broad visibility on potential threats.

### Elastic Cloud and Elastic Cloud Enterprise

The Elastic Stack and our solutions can be deployed in public or private clouds, in hybrid environments, or in traditional on-premises environments. We divide our deployment models into two categories: self-managed, which refers to users deploying the Elastic Stack and solutions on infrastructure they manage themselves (such as their own data center or private or public cloud environments), and Elastic Cloud, which refers to our SaaS products that we host and manage. To help self-managed users with more complex deployment scenarios, we offer Elastic Cloud Enterprise.

- **Elastic Cloud.** Elastic Cloud is our growing family of SaaS products and technologies that make it easy to deploy, operate, and scale Elastic products and solutions in the cloud. Elastic Cloud products include Elasticsearch Service, Site Search Service, and App Search Service, and are offered by us on certain large cloud providers.
- **Elastic Cloud Enterprise.** As part of building our Elastic Cloud offering, we built a comprehensive orchestration and administration infrastructure tool to easily provision, monitor, manage, secure, upgrade and backup the thousands of clusters that comprise our Elastic Cloud products. We then packaged this infrastructure into a downloadable and easily installable proprietary product called Elastic Cloud Enterprise, which makes this tool available to customers to use with their own self-managed deployments. Elastic Cloud Enterprise enables our customers to provision, monitor, manage, secure, upgrade and backup any number of clusters. It also helps our customers improve their hardware utilization and operational efficiency by allowing them to leverage shared

hardware resources to manage multiple clusters, while still maintaining a strong level of isolation between those clusters.

### Our Source Code

We define our culture by our “source code,” which expresses our core corporate values.

- **Home, Dinner.** There is no such thing as work-life balance. We are successful if we find balance in life. Elastic empowers its employees with the flexibility to do so. Be home for dinner, go for a run midday, care for a sick child, or visit a parent. Finding balance means being more innovative and efficient at work. Which makes for a better Elastic.
- **Space, Time.** It’s easy to get stuck in a day-to-day work pattern. Allowing for the space and time to dream requires conscious effort. Embracing a high failure rate does, too. Fulfillment comes from doing the obvious and dreaming up the un-obvious. Both are foundations of Elastic.
- **IT, Depends.** It’s pretty complicated to make some things simple, and even more complicated to make other things possible. We embrace and value the knowledge required to do both. When a question is asked, buckle up. Sh\*t is about to get real. Your journey will likely start with “it depends.”
- **Progress, SIMPLE Perfection.** Perfection is not a destination. Color inside the lines or color outside the lines. Just pick a color. It’s as simple as 2048. An Elastic that moves is an Elastic that survives, thrives, and stands the test of time.
- **01.02, /FORMAT.** Our products are distributed by design, our company is distributed by intention. With many languages, perspectives, and cultures, it’s easy to lose something in translation. Over email and chat, doubly so. Until we get a perpetual empathy machine, don’t assume malice. A distributed Elastic makes for a diverse Elastic, which makes for a better Elastic.
- **As YOU, Are.** We all come in different shapes with different interests and skills. We all have an accent. Celebrate it. Just come as you are. No need to invest neurons trying to fit an arbitrary mold. We’d rather you put them to work shaping Elastic.
- **HUMBLE, Ambitious.** Ambition drives us to challenge ourselves and the people around us to do better. It is not an excuse to be an \*sshole. Be humble. Be ambitious. At Elastic, we are both.
- **Speed, SCALE, Relevance.** Elastic is a search company. We focus on value to users by producing fast results that operate at scale and are relevant. This is our DNA. We believe search is an experience. It is what defines us, binds us, and makes us unique.

### Our Distributed Culture

The Elastic Stack is powerful because it is distributed, gaining speed and stability from each additional node. Our company emulates the strengths of the distributed systems we build.

- **Distributed systems, distributed teams.** Elastic was born a distributed company, with founders in Israel, Germany, and the Netherlands, and early employees from the United Kingdom, France, Spain, the Czech Republic, and the United States. From our experience in open source projects, we know that great code and amazing ideas can come from anyone, anywhere.
- **Strength in diversity.** Being a distributed company is about harnessing the inherent strengths of diversity. Different people approach problems differently. We need that. When a consensus is reached between a wide variety of minds, the result is a solution that should stand the test of time.
- **Supporting resiliency.** Distributed systems are only powerful if they’re resilient. The same is true for our company. We are constantly improving the Elastic Stack to handle the challenges of distribution just as we are constantly improving how we support our employees no matter where they are. Organizational resiliency also requires recognizing that it’s not tools that make distribution work, it’s the people. Successful collaboration takes more than video calls and shared calendars. It takes a warm welcoming to let new hires know all cultures are accepted. It means always assuming the best intention of our peers.
- **Building camaraderie.** We hire intentionally. We hire thoughtfully. Smart. Curious. Nice. Respectful. These are qualities we look for in every Elastician. Our goal isn’t to build a company of people that simply work well together; our goal is to build a company that creates well together, imagines well together, laughs well together,

dances well together. We want to build a culture of camaraderie so that no matter where someone's located, they always feel connected.

- **Distributed us? Distributed you? Distributed we!** Elastic the company is just one piece of the Elastic community. Direct contact between our internal team and Elastic users is fundamental to our success. It's this culture of communication that enables us to maintain our commitment to open source. Distributed isn't always easy, and it isn't for everyone, but we believe it's the foundation of our success.

### Community

Our team extends beyond our employee base. It includes all the users who download our software. Our users interact with us on our website forums and on Twitter, GitHub, Stack Overflow, Quora, Facebook, Weibo, WeChat, and more.

In order to build products that best meet our users' needs, we focus on, and invest in, building a strong community. Each download of the Elastic Stack is a new opportunity to educate our next contributor, hear about a new use case, explore the need for a new feature, or meet a future member of the team. Community is core to our identity, binding our products closely together with our users. Community gives us an ability to get their candid feedback, creating a direct line of communication between our users and the builders of our products across all of our features—open source, free proprietary, and paid proprietary—enabling us to make our products simpler and better.

The Elastic community has a Code of Conduct. It covers the behaviors of the Elastic community in any forum, mailing list, wiki, website, code repository, IRC channel, private correspondence, or public meeting. It is designed to ensure that the Elastic community is a space where members and users can freely and openly communicate, collaborate, and contribute both ideas and code. It also covers our community ground rules: be considerate, be patient, be respectful, be nice, communicate effectively, and ask for help when unsure.

### Competition

Our market is highly competitive, rapidly evolving, fragmented, and subject to changing technology, shifting customer needs, and frequent introductions of new offerings. Our principal competitors include:

- For Enterprise Search (app search, site search, and workplace search): incumbent offerings such as Solr (open source offering), Lucidworks Fusion, search tools including Google Custom Search Engine (an advertisement-based site search tool with limited user controls), and workplace search tools including Coveo, Endeca (acquired by Oracle) and Autonomy (acquired by HP and now offered by Micro Focus).
- For Observability (logging, metrics, APM, and uptime monitoring): software vendors with specific observability solutions to analyze logging data, metrics, APM data, or infrastructure uptime, such as Splunk, New Relic, Dynatrace, AppDynamics (owned by Cisco Systems) and Datadog.
- For Security (SIEM and endpoint security): security analytics solutions vendors such as Splunk and ArcSight SIEM (offered by Micro Focus) and endpoint security vendors such as CrowdStrike, Carbon Black (acquired by VMware), McAfee and Symantec (acquired by Broadcom).
- Certain cloud hosting providers, including Amazon Web Services, that offer SaaS products based on Elastic's open source components. These offerings are not supported by Elastic and come without any of Elastic's proprietary features, whether free or paid.

The principal competitive factors for companies in our industry are:

- product capabilities, including speed, scale, and relevance, with which to power search experiences;
- an extensible product "stack" that enables developers to build a wide variety of solutions;
- powerful and flexible technology that can manage a broad variety and large volume of data;
- ease of deployment and ease of use;
- ability to address a variety of evolving customer needs and use cases;
- strength of sales and marketing efforts;
- flexible deployment model across public or private clouds, hybrid environments, or traditional on-premises environments;
- productized solutions engineered to be rapidly adopted to address specific applications;

- mindshare with developers and IT executives;
- adoption of products by many types of users (developers, architects, DevOps personnel, IT professionals, security analysts, and departmental and organizational leaders);
- enterprise-grade technology that is secure and reliable;
- size of customer base and level of user adoption;
- quality of training, consulting, and customer support;
- brand awareness and reputation; and
- low total cost of ownership.

We believe that we compare favorably on the basis of the factors listed above. However, many of our competitors have substantially greater financial, technical and other resources, greater brand recognition, larger sales forces and marketing budgets, broader distribution networks and presence, more established relationships with current or potential customers and partners, more diverse product and services offerings and larger and more mature intellectual property portfolios. They may be able to leverage these resources to gain business in a manner that discourages customers from purchasing our offerings. Furthermore, we expect that our industry will continue to attract new companies, including smaller emerging companies, which could introduce new offerings. We may also expand into new markets and encounter additional competitors in such markets. While our products and solutions have various competitors across different use cases, such as app search, site search, workplace search, logging, metrics, APM, business analytics and security analytics, we believe that few competitors currently have the capabilities to address our entire range of use cases. We believe our industry requires constant change and innovation, and we plan to continue to evolve search as a foundational technology to solve the problems of today and new emerging problems in the future.

### **Intellectual Property**

We rely on a combination of patents, patent applications, registered and unregistered trademarks, copyrights, trade secrets, license agreements, confidentiality procedures, non-disclosure agreements with third parties, and other contractual measures to safeguard our core technology and other intellectual property assets. In addition, we maintain a policy requiring our employees, contractors, and consultants to enter into disclosure and invention assignment agreements. As of April 30, 2020, we had 15 issued patents in the United States with expirations ranging from 2031 to 2037, 48 pending U.S. patent applications, and 12 pending non-U.S. patent filings. The pending patent applications, if issued, would expire between 2032 and 2039. In addition, as of April 30, 2020, we had 33 registered trademarks in the United States, 8 pending trademark applications in the United States, as well as 306 registered trademarks in various non-U.S. jurisdictions and 9 pending trademark applications in various non-U.S. jurisdictions.

The laws, procedures and restrictions on which we rely may provide only limited protection, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In addition, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or other jurisdictions, and we therefore may be unable to protect our proprietary technology in certain jurisdictions. For additional information, see the section titled “Risk Factors—Risks Related to the Business.”

In addition, our technology incorporates software components licensed to the general public under open source software licenses such as the Apache Software License Version 2.0. We obtain many components from software developed and released by contributors to independent open source components of our technology. Open source licenses grant licensees broad permissions to use, copy, modify and redistribute our platform. As a result, open source development and licensing practices can limit the value of our software copyright assets.

### **Employees**

As of April 30, 2020, we had 1,936 employees in over 35 countries. None of our employees is represented by a labor union. In certain countries in which we operate, such as France and Spain, we are subject to, and comply with, local labor law requirements which may automatically make our employees subject to industry-wide collective bargaining agreements. We have not experienced any work stoppages.

### **Corporate Information**

We were incorporated in the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) on February 9, 2012 as Searchworkings Global B.V. On June 19, 2012, we changed our name to



Elasticsearch global B.V., on December 11, 2013, we changed our name to Elasticsearch Global B.V., and on May 29, 2018, we changed our name to Elastic B.V. Immediately prior to the completion of our initial public offering (“IPO”) on October 10, 2018, we converted into a public company with limited liability (*naamloze vennootschap*) under Dutch law and changed our name to Elastic N.V. Our principal executive offices are located at 800 West El Camino Real, Suite 350, Mountain View, California 94040, and our telephone number is (650) 458-2620. We are registered with the trade register of the Dutch Chamber of Commerce under number 54655870. Our registered office is at Keizersgracht 281, 1016 ED Amsterdam, the Netherlands.

Our ordinary shares are listed on the New York Stock Exchange (“NYSE”) under the symbol “ESTC”.

Our website address is [www.elastic.co](http://www.elastic.co). Information contained on, or that can be accessed through, our website does not constitute part of this Annual Report on Form 10-K and inclusions of our website address in this Annual Report on Form 10-K are inactive textual references only.

We announce material information to the public about us, our products and services and other matters through a variety of means, including filings with the U.S. Securities and Exchange Commission (“SEC”), press releases, public conference calls, our website ([www.elastic.co](http://www.elastic.co)), the investor relations section of our website (<https://ir.elastic.co>), our blog ([www.elastic.co/blog](http://www.elastic.co/blog)), and/or social media, including our Twitter account (<https://twitter.com/elastic>), Facebook page ([www.facebook.com/elastic.co](http://www.facebook.com/elastic.co)), and/or LinkedIn account ([www.linkedin.com/company/elastic-co](http://www.linkedin.com/company/elastic-co)), in order to achieve broad, non-exclusionary distribution of information to the public. We encourage investors and others to review the information it makes public in these locations, as such information could be deemed to be material information. Please note that this list may be updated from time to time.

### 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 (the “Exchange Act”) are filed with the SEC. We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements and other information with the SEC. Such reports and other information filed by us with the SEC are available free of charge on our website at [www.elastic.co/ir](http://www.elastic.co/ir) when such reports are available on the SEC’s website. The SEC maintains an internet site that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov).

## Item 1A. Risk Factors.

### Risk Factors

*A description of the risks and uncertainties associated with our business and ownership of our ordinary shares is set forth below. You should carefully consider the following risks, together with all of the other information in this Annual Report on Form 10-K, including our consolidated financial statements and the related notes thereto, before making a decision to invest in our ordinary shares. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that affect us. If any of the following risks occur, our business, financial condition, operating results and prospects could be materially and adversely affected. In that event, the price of our ordinary shares could decline, and you could lose part or all of your investment. In addition, the impact of COVID-19 and any worsening of the economic environment may exacerbate the risks described below, any of which could have a material impact on us. This situation is changing rapidly and additional impacts may arise that we are not aware of currently.*

### Risks Related to the Business

#### ***The ongoing COVID-19 pandemic could harm our business and results of operations.***

The ongoing COVID-19 pandemic and efforts to control its spread have significantly curtailed the movement of people, goods and services worldwide, including in most or all of the regions in which we sell our products and services and conduct our business operations. We have taken precautionary measures intended to help minimize the risk of the virus to our employees, our customers, and the communities in which we operate. The spread of the COVID-19 pandemic has caused us to modify our business practices (including suspending employee travel, adapting employee work locations, and holding events and trainings virtually), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees, customers, and business partners. There is no certainty that such measures will be sufficient to mitigate the risks posed by the virus or otherwise be satisfactory to government authorities. The full extent to which COVID-19 and our precautionary measures may impact our business will depend on future developments, which are highly uncertain and cannot be predicted at this time, including but not limited to, the duration and geographic spread of the pandemic, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic

and operating conditions can resume. It has been and, until the COVID-19 pandemic is contained and global economic activity stabilizes, will continue to be more difficult for us to forecast our operating results. The magnitude and duration of the disruption and resulting decline in business activity is uncertain and could negatively impact our sales and marketing efforts, our ability to enter into customer contracts in a timely manner, our international expansion efforts, our ability to deliver professional services, our ability to recruit employees across the organization which, in turn, could have longer term effects on our sales pipeline, or create operational or other challenges as we adjust to a fully-remote workforce, any of which could harm our business. In addition, the COVID-19 pandemic has disrupted, and may continue to disrupt, the operations of our customers, channel partners and government entities for an indefinite period of time, including as a result of travel restrictions and/or business shutdowns, all of which could negatively impact our business and results of operations, including cash flows. Even after the COVID-19 pandemic has subsided, we may continue to experience materially adverse impacts to our business as a result of its global economic impact, including any recession, economic downturn, or increased unemployment that has occurred or may occur in the future. There may be increased scrutiny of business (including technology) spending by our customers and prospective customers, particularly in industries most impacted by the COVID-19 pandemic, longer sales cycles, as well as reduced demand for our solutions, customers failing to pay us under the terms of our agreements, increased cyber threats, lower renewal rates by our customers and increased competition, all of which could result in a material adverse impact on our business operations and financial condition.

While we have developed and continue to develop plans intended to help mitigate the negative impact of the pandemic on our business, these efforts may not be effective and a protracted economic downturn may limit the effectiveness of our mitigation efforts.

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

We have experienced rapid growth and increased demand for our offerings. Our employee headcount and number of customers have increased significantly. For example, our total number of customers has grown from over 2,800 as of April 30, 2017 to over 11,300 as of April 30, 2020. As a result of the COVID-19 pandemic, the number of customers may fluctuate. Further, in light of the ongoing uncertainty related to the COVID-19 pandemic, we have taken steps to moderate the pace of hiring. The growth and expansion of our business and offerings places a continuous and significant strain on our management, operational, and financial resources. In addition, as customers adopt our technology for an increasing number of use cases, we have had to support more complex commercial relationships. We must continue to improve and expand our information technology and financial infrastructure, our operating and administrative systems, our relationships with various partners and other third parties, and our ability to manage headcount and processes in an efficient manner to manage our growth to date and any future growth effectively.

We may not be able to sustain the diversity and pace of improvements to our offerings successfully or implement systems, processes, and controls in an efficient or timely manner or in a manner that does not negatively affect our results of operations. Our failure to improve our systems, processes, and controls, or their failure to operate in the intended manner, may result in our inability to manage the growth of our business and to forecast our revenue, expenses, and earnings accurately, or to prevent losses.

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

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

We have incurred losses in all years since our incorporation. We incurred a net loss of \$167.2 million, \$102.3 million and \$52.7 million in the years ended April 30, 2020, 2019 and 2018, respectively. As a result, we had an accumulated deficit of \$484.3 million as of April 30, 2020. We anticipate that our operating expenses will increase substantially in the foreseeable future as we continue to enhance our offerings, broaden our customer base and pursue larger transactions, expand our sales and marketing activities, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. We have, however, experienced in the quarter ended April 30, 2020 and may continue to experience net decreases in certain operating expenses as a result of the COVID-19 pandemic due to a decrease in travel and

related expenses. Revenue growth may slow or revenue may decline for a number of possible reasons, including slowing demand for our offerings, increasing competition, or economic downturns, including as a result of the COVID-19 pandemic. You should not consider our revenue growth in recent periods as indicative of our future performance. Any failure to increase our revenue as we grow our business could prevent us from achieving profitability or positive cash flow at all or on a consistent basis, which would cause our business, financial condition, and results of operations to suffer.

***We may not be able to compete successfully against current and future competitors.***

The market for our products is highly competitive, quickly evolving, and subject to rapid changes in technology. We believe that our ability to compete depends upon many factors both within and beyond our control, including the following:

- product capabilities, including speed, scale, and relevance, with which to power search experiences;
- an extensible product “stack” that enables developers to build a wide variety of solutions;
- powerful and flexible technology that can manage a broad variety and large volume of data;
- ease of deployment and ease of use;
- ability to address a variety of evolving customer needs and use cases;
- strength and execution of sales and marketing strategies;
- flexible deployment model across public or private clouds, hybrid environments, or traditional on-premises environments;
- productized solutions engineered to be rapidly adopted to address specific applications;
- mindshare with developers and IT executives;
- adoption of products by many types of users (developers, architects, DevOps personnel, IT professionals, security analysts, and departmental and organizational leaders);
- enterprise-grade technology that is secure and reliable;
- size of customer base and level of user adoption;
- quality of training, consulting, and customer support;
- brand awareness and reputation; and
- low total cost of ownership.

We face competition from both established and emerging competitors. Our current primary competitors generally fall into the following categories:

For Enterprise Search (app search, site search, and workplace search): incumbent offerings such as Solr (open source offering), Lucidworks Fusion, search tools including Google Custom Search Engine (an advertisement-based site search tool with limited user controls), and workplace search tools including Coveo, Endeca (acquired by Oracle) and Autonomy (acquired by HP and now offered by Micro Focus).

For Observability (logging, metrics, APM, and uptime monitoring): software vendors with specific observability solutions to analyze logging data, metrics, APM data, or infrastructure uptime, such as Splunk, New Relic, Dynatrace, AppDynamics (owned by Cisco Systems) and Datadog.

For Security (SIEM and endpoint security): security analytics solutions vendors such as Splunk and ArcSight SIEM (offered by Micro Focus) and endpoint security vendors such as CrowdStrike, Carbon Black (acquired by VMware), McAfee and Symantec (acquired by Broadcom).

Certain cloud hosting providers, including Amazon Web Services, that offer SaaS products based on Elastic’s open source components. These offerings are not supported by Elastic and come without any of Elastic’s proprietary features, whether free or paid.

Some of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, stronger brand recognition, broader global distribution and presence, more established relationships with current or potential customers and partners, and larger customer bases than we do. These factors may allow our competitors to respond more quickly than we can to new or emerging technologies and changes in customer preferences. These competitors may engage in more extensive research and development efforts, undertake more far-reaching and successful sales and marketing campaigns, have more experienced sales professionals, and adopt more aggressive pricing policies which may allow them to build larger customer bases than we have. New start-up companies that innovate and large competitors that

are making significant investments in research and development may develop similar offerings that compete with our offerings or that achieve greater market acceptance than our offerings. This could attract customers away from our offerings and reduce our market share. If we are unable to anticipate or react to these competitive challenges, our competitive position would weaken, which would adversely affect our business and results of operations.

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

We were founded in 2012. Our limited operating history makes it difficult to evaluate our current business and our future prospects, including our ability to plan for and model future growth. We have encountered and will continue to encounter risks and difficulties frequently experienced by rapidly growing companies in constantly evolving industries, including the risks described in this Annual Report on Form 10-K. If we do not address these risks successfully, our business and results of operations will be adversely affected, and the market price of our ordinary shares could decline.

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

***If we are not able to keep pace with technological and competitive developments, our business will be harmed.***

The market for search technologies, including enterprise search, observability and security, is subject to rapid technological change, evolving industry standards, and changing regulations, as well as changing customer needs, requirements and preferences. Our success depends upon our ability to enhance existing products, expand the use cases of our products, anticipate and respond to changing customer needs, requirements and preferences, and develop and introduce in a timely manner new offerings that keep pace with technological and competitive developments. We have in the past experienced delays in releasing new products, deployment options and product enhancements and may experience similar delays in the future. As a result, in the past, some of our customers deferred purchasing our products until the next upgrade was released. Future delays or problems in the installation or implementation of our new releases may cause customers to forgo purchases of our products and purchase those of our competitors instead.

Additionally, the success of new product introductions depends on a number of factors including, but not limited to, timely and successful product development, market acceptance, our ability to manage the risks associated with new product releases, the availability of software components for new products, the effective management of development and other spending in connection with anticipated demand for new products, the availability of newly developed products, and the risk that new products may have bugs, errors, or other defects or deficiencies in the early stages of introduction. We have in the past experienced bugs, errors, or other defects or deficiencies in new products and product updates and may have similar experiences in the future. Furthermore, our ability to increase the usage of our products depends, in part, on the development of new use cases for our products, which is typically driven by our developer community and may be outside of our control. We also have invested, and may continue to invest, in the acquisition of complementary businesses, technologies, services, products and other assets that expand the products that we can offer our customers, such as our acquisition of Endgame in 2019. We may make these investments without being certain that they will result in products or enhancements that will be accepted by existing or prospective customers. Additionally, even if we are able to develop new products and product enhancements, we cannot ensure that they will achieve market acceptance. If we are unable to successfully enhance our existing products to meet evolving customer requirements, increase adoption and usage of our products, develop new products, or if our efforts to increase the usage of our products are more expensive than we expect, then our business, results of operations and financial condition would be adversely affected.

***The markets for some of our products are new, unproven and evolving, and our future success depends on the growth and expansion of these markets and our ability to adapt and respond effectively to evolving markets.***

The markets for certain of our products, such as our Enterprise Search, Observability and Security solutions, are relatively new, rapidly evolving or unproven. Accordingly, it is difficult to predict customer adoption and renewals for these products, customers' demand for these products, the size, growth rate, expansion, and longevity of these markets, the entry of competitive products, or the success of existing competitive products. Our ability to penetrate these new and evolving markets depends on a number of factors, including the cost, performance, and perceived value associated with our products. If these markets do not continue to grow as expected, or if we are unable to anticipate or react to changes in these markets, our competitive position would weaken, which would adversely affect our business and results of operations.

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

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

- our ability to attract new and retain existing customers;
- the loss of existing customers;
- customer renewal rates;
- our ability to successfully expand our business in the U.S. and internationally;
- our ability to foster an ecosystem of developers and users to expand the use cases of our products;
- our ability to gain new partners and retain existing partners;
- fluctuations in the growth rate of the overall market that our products address;
- fluctuations in the mix of our revenue, which may impact our gross margins and operating income;
- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations, including investments in sales and marketing, research and development and general and administrative resources;
- network outages or performance degradation of Elastic Cloud;
- actual or perceived breaches of, or failures relating to, privacy, data protection or information security;
- additions or departures of key personnel;
- the impact of catastrophic events, man-made problems such as terrorism, natural disasters and public health epidemics and pandemics;
- general economic, industry and market conditions;
- increases or decreases in the number of elements of our subscriptions or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- the budgeting cycles and purchasing practices of customers;
- decisions by potential customers to purchase alternative solutions;
- decisions by potential customers to develop in-house solutions as alternatives to our products;
- insolvency or credit difficulties confronting our customers, which could adversely affect their ability to purchase or pay for our offerings;
- our ability to collect timely on invoices or receivables;
- delays in our ability to fulfill our customers' orders;
- the cost and potential outcomes of future litigation or other disputes;
- future accounting pronouncements or changes in our accounting policies;
- our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any new legislation or regulatory developments;
- fluctuations in stock-based compensation expense;
- fluctuations in foreign currency exchange rates;
- the timing and success of new offerings introduced by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers or partners;

- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies; and
- other risk factors described in this Annual Report on Form 10-K.

The impact of one or more of the foregoing or other factors may cause our operating results to vary significantly. For example, the full impact of the COVID-19 pandemic is unknown and continues to evolve rapidly, and could result in material adverse changes in our results of operations for an unknown period of time as the virus and its related political, social and economic impacts spread. Such fluctuations could cause us to fail to meet the expectations of investors or securities analysts, which could cause the trading price of our ordinary shares to fall substantially, and we could face costly lawsuits, including securities class action suits.

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

We offer certain features of our products as open source software with no payment required, and also offer some of our proprietary features with no payment required. Customers purchase subscriptions in order to gain access to additional functionality and support. Our future success depends on our ability to sell our subscriptions to new customers, including to large enterprises, and to expand the deployment of our offerings with existing customers by selling paid subscriptions to our existing users and expanding the value and number of existing customers' subscriptions. Our ability to sell new subscriptions depends on a number of factors, including the prices of our offerings, the prices of products offered by our competitors, and the budgets of our customers. We also face difficulty in displacing the products of incumbent competitors. In addition, a significant aspect of our sales and marketing focus is to expand deployments within existing customers. The rate at which our customers purchase additional subscriptions and expand the value of existing subscriptions depends on a number of factors, including customers' level of satisfaction with our offerings, the nature and size of the deployments, the desire to address additional use cases, and the perceived need for additional features, as well as general economic conditions. We rely in large part on our customers to identify new use cases for our products in order to expand such deployments and grow our business. If our customers do not recognize the potential of our offerings, our business would be materially and adversely affected. If our efforts to sell subscriptions to new customers and to expand deployments at existing customers are not successful, our total revenue and revenue growth rate may decline and our business will suffer.

***If our existing customers do not renew their subscriptions, it could have an adverse effect on our business and results of operations.***

We expect to derive a significant portion of our revenue from renewals of existing subscriptions. Our customers have no contractual obligation to renew their subscriptions after the completion of their subscription term. Our subscriptions for self-managed deployments typically range from one to three years, while many of our Elastic Cloud customers purchase subscriptions either on a month-to-month basis or on a committed contract of at least one year in duration.

Our customers' renewal rates may decline or fluctuate as a result of a number of factors, including their satisfaction with our products and our customer support, our products' ability to integrate with new and changing technologies, the frequency and severity of product outages, our product uptime or latency, and the pricing of our, or competing, products. If our customers renew their subscriptions, they may renew for shorter subscription terms or on other terms that are less economically beneficial to us. We may not accurately predict future renewal trends. If our customers do not renew their subscriptions, or renew on less favorable terms, our revenue may grow more slowly than expected or decline and our Net Expansion Rate may decline.

***Because of the rights accorded to third parties under open source software licenses, there are limited technological barriers to entry into the markets in which we compete and it may be relatively easy for competitors, some of whom may have greater resources than we have, to enter our markets and compete with us.***

Anyone may obtain access to the source code for our open source features and then redistribute it (either in a modified or unmodified form) and use it to compete in our markets. Additionally, we make the source code of our proprietary features for the Elastic Stack publicly available, which may enable others to compete more effectively. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies, due to the permissions allowed under open source licensing. It is possible for competitors to develop their own software, including software based on our products, potentially reducing the demand for our products and putting pricing pressure on our subscriptions. For example, Amazon offers some of our open source features as part of its Amazon Web Services offering. As such, Amazon competes with us for potential customers, and while Amazon cannot provide our proprietary software, Amazon's offerings may reduce the demand for our offerings and the pricing of Amazon's offerings may limit our ability to adjust the price of our products. We cannot guarantee that we will be able to compete successfully against current and future competitors or that competitive

pressure or the availability of new open source software will not result in price reductions, reduced operating margins and loss of market share, any one of which could harm our business, financial condition, results of operations and cash flows.

***If we do not effectively develop and expand our sales and marketing capabilities, including expanding and training our sales force, we may be unable to add new customers, increase sales to existing customers or expand the value of our existing customers' subscriptions and our business will be adversely affected.***

We dedicate significant resources to sales and marketing initiatives, which require us to invest significant financial and other resources, including in markets in which we have limited or no experience. Our business and results of operations will be harmed if our sales and marketing efforts do not generate significant revenue increases or increases that are smaller than anticipated.

We may not achieve revenue growth from expanding our sales force if we are unable to hire, train, and retain talented and effective sales personnel. We depend on our sales force to obtain new customers and to drive additional sales to existing customers. We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the requisite skills and technical knowledge. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient sales personnel to support our growth, and as we introduce new products, solutions and marketing strategies, we may need to re-train existing sales personnel. New hires require significant training and may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. In addition, particularly as we continue to grow rapidly, a large percentage of our sales force will have relatively little experience working with us, our subscriptions, and our business model. If our new and existing 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, our growth and results of operations could be negatively impacted. Moreover, Endgame's former sales force is small and the rest of our sales force has no experience selling Endgame's endpoint security products. If we are unable to hire and train sufficient numbers of effective sales personnel, our sales personnel do not reach significant levels of productivity in a timely manner, or our sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, our business will be harmed.

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

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

Additionally, it can take several months to recruit, hire, and train qualified technical support employees. We may not be able to hire such resources fast enough to keep up with demand, particularly if the sales of our offerings exceed our internal forecasts. Further, due to the ongoing uncertainty related to the COVID-19 pandemic, we have taken steps to moderate the pace of hiring, and there may also be delays in hiring, onboarding and training new employees. To the extent that we are unsuccessful in hiring, training, and retaining adequate support resources, our ability to provide adequate and timely support to our customers, and our customers' satisfaction with our offerings, will be adversely affected. Our failure to provide and maintain, or a market perception that we do not provide or maintain, high-quality support services would have an adverse effect on our business, financial condition, and results of operations.

***We rely significantly on revenue from subscriptions and, because we recognize a significant portion of the revenue from subscriptions over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.***

Subscription revenue accounts for the substantial majority of our revenue, comprising 92%, 91% and 93% of total revenue in the years ended April 30, 2020, 2019 and 2018, respectively. We recognize a significant portion of our subscription revenue monthly over the term of the relevant time period. As a result, much of the subscription revenue we report each fiscal quarter is the recognition of deferred revenue from subscription contracts entered into during previous fiscal quarters. Consequently, a decline in new or renewed subscriptions in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter and will negatively affect our revenue in future fiscal quarters. Accordingly, the effect of significant downturns in new or renewed sales of our subscriptions is not reflected in full in our results of operations until future periods.

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

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

Any limitation of liability provisions that may be contained in our customer and partner agreements may not be effective as a result of existing or future applicable law or unfavorable judicial decisions. The sale and support of our products entail the risk of liability claims, which could be substantial in light of the use of our products in enterprise-wide environments. In addition, our insurance against this liability may not be adequate to cover a potential claim.

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

Our products are often operated in large scale, complex IT environments. Our customers and some partners require training and experience in the proper use of and the benefits that can be derived from our products to maximize their potential. If our products are not implemented, configured, updated or used correctly or as intended, or in a timely manner, inadequate performance, errors, loss of data, corruptions and/or security vulnerabilities may result. For example, there have been and may in the future continue to be, reports of our customers not properly securing implementations of our products, which can result in unprotected data. Because our customers rely on our software to manage a wide range of operations, the incorrect implementation, use of, or our customers' failure to update, our software or our failure to train customers on how to use our software productively may result in customer dissatisfaction, negative publicity and may adversely affect our reputation and brand. Failure by us to effectively provide training and implementation services to our customers could result in lost opportunities for follow-on sales to these customers and decrease subscriptions by new customers, and adversely affect our business and growth prospects.

***If third parties offer inadequate or defective implementations of our open source software, our reputation could be harmed.***

Certain cloud hosting providers, including Amazon Web Services, provide SaaS offerings based on open source components of the Elastic Stack, using the names of those open source components in marketing such offerings. These offerings are not supported by us and come without any of our proprietary features. We do not control how these third parties may use or offer our open source technology. These third parties could inadequately or incorrectly implement our open source technology, or fail to update such technology in light of changing technological or security requirements, which could result in real or perceived defects, security vulnerabilities, errors, or performance failures with respect to their open source offerings. Users, customers, and potential customers could confuse these third party products with our own products, and attribute such defects, security vulnerabilities, errors, or performance failures to our products. Any damage to our reputation and brand from defective implementations of our open source software could result in lost sales and lack of market acceptance of our products and could adversely affect our business and growth prospects.

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

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



***If our security measures are breached or unauthorized access to private or proprietary data is otherwise obtained, our software may be perceived as not being secure, customers may reduce the use of or stop using our products, and we may incur significant liabilities.***

Any security breach, including those resulting from a cybersecurity attack, phishing attack, or any unauthorized access, unauthorized usage, virus or similar breach or disruption could result in the loss of confidential information, damage to our reputation, litigation, regulatory investigations or other liabilities. These attacks may come from individual hackers, criminal groups, and state-sponsored organizations. As a provider of security solutions, we may be specifically targeted by bad actors for attacks intended to circumvent our security capabilities as an entry point into customers' endpoints, networks, or systems. If our security measures are breached as a result of third-party action, employee error, defect or bug in our products, malfeasance or otherwise and, as a result, someone obtains unauthorized access to our confidential information or personal information or the confidential information or personal information of our customers, our reputation may be damaged, our business may suffer and we could incur significant liability. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers. Further, we could be required to expend significant capital and other resources to address any data security incident or breach.

In addition, many of our customers may use our software for processing their sensitive and proprietary information, including business strategies, financial and operational data, personal or identifying information and other related data. As a result, unauthorized access or use of this data could result in the loss, compromise, corruption or destruction of our customers' sensitive and proprietary information and lead to litigation, regulatory investigations and claims, indemnity obligations, and other liabilities. It could also hinder our ability to obtain and maintain information security certifications that support customers' adoption of our products and our retention of those customers. We have implemented administrative, technical and physical measures designed to protect the integrity of customer information and prevent data loss, misappropriation and other security breaches and incidents and may incur significant costs in connection with the implementation of additional preventative measures in the future.

We engage third-party vendors and service providers to store and otherwise process some of our and our customers' data, including sensitive and personal information. Our vendors and service providers may also be the targets of cyberattacks, malicious software, phishing schemes, and fraud. Our ability to monitor our vendors and service providers' data security is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized access to, misuse, disclosure, loss or destruction of our and our customers' data, including sensitive and personal information.

Techniques used to sabotage or obtain unauthorized access to systems or networks are constantly evolving and, in some instances, are not identified until launched against a target. We and our service providers may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventative measures.

Further, we cannot assure that any limitations of liability provisions in our customer and user agreements, contracts with third-party vendors and service providers or other contracts would be enforceable or adequate or would otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. We also cannot be sure that our existing insurance coverage will continue to be available on acceptable terms or will be available in sufficient amounts to cover claims related to a security incident or breach, or that the insurer will not deny coverage as to any future claim. The successful assertion of claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

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

We rely on third-party cloud platforms to host our cloud offerings. If we experience an interruption in service for any reason, our cloud offerings would similarly be interrupted. An interruption in our services to our customers could cause our customers' internal and consumer-facing applications to not function properly, which could have a material adverse effect on our business, results of operations, customer relationships and reputation.

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

***We rely on third-party service providers for many aspects of our business, and any failure to maintain these relationships could harm our business.***

Our success depends upon our relationships with third-party service providers, including providers of cloud hosting infrastructure, customer relationship management systems, financial reporting systems, human resource management systems, credit card processing platforms, marketing automation systems, and payroll processing systems, among others. If any of these third parties experience difficulty meeting our requirements or standards, become unavailable due to extended outages or interruptions, temporarily or permanently cease operations, face financial distress or other business disruptions, increase their fees, if our relationships with any of these providers deteriorate, or if any of the agreements we have entered into with such third parties are terminated or not renewed without adequate transition arrangements, we could suffer increased costs and delays in our ability to provide customers with our products and services, our ability to manage our finances could be interrupted, receipt of payments from customers may be delayed, our processes for managing sales of our offerings could be impaired, our ability to generate and manage sales leads could be weakened, or our business operations could be disrupted. Any of such disruptions may adversely impact our business and our financial condition, results of operations or cash flows could be adversely affected until we replace such providers or develop replacement technology or operations. In addition, if we are unsuccessful in identifying high-quality service providers, negotiating cost-effective relationships with them or effectively managing these relationships, it could adversely affect our business and financial results.

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

Our results of operations may fluctuate, in part, because of the length and variability of the sales cycle of our subscriptions and the difficulty in making short-term adjustments to our operating expenses. Our results of operations depend in part on sales to new customers, including large customers, and increasing sales to existing customers. The length of our sales cycle, from initial contact with our sales team to contractually committing to our subscriptions can vary substantially from customer to customer based on deal complexity as well as whether a sale is made directly by us or through a channel partner. Our sales cycle can extend to more than a year for some customers, and the length of sales cycles may be further impacted due to the COVID-19 pandemic. We generally expect that some customers will scrutinize their spending more carefully given a challenging economic environment, and this might cause sales cycles to become longer. As we target more of our sales efforts at larger enterprise customers, we may face greater costs, longer sales cycles, greater competition and less predictability in completing some of our sales. A customer's decision to use our solutions may be an enterprise-wide decision, which may require greater levels of education regarding the use cases of our products or prolonged negotiations. In addition, larger customers may demand more configuration, integration services and features. It is difficult to predict exactly when, or even if, we will make a sale to a potential customer or if we can increase sales to our existing customers. As a result, large individual sales have, in some cases, occurred in quarters subsequent to those we anticipated, or have not occurred at all. The loss or delay of one or more large transactions in a quarter could affect our cash flows and results of operations for that quarter and for future quarters. Because a substantial proportion of our expenses are relatively fixed in the short term, our cash flows and results of operations will suffer if revenue falls below our expectations in a particular quarter, which could cause the price of our ordinary shares to decline.

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

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. The loss of the services of any of our key personnel, the inability to attract or retain qualified personnel, or delays in hiring required personnel, particularly in engineering and sales, may seriously harm our business, financial condition, and results of operations. Further, our ability to attract additional qualified personnel may be impacted by the economic uncertainty and insecurity caused by the COVID-19 pandemic. The loss of services of any of our key personnel also increases our dependency on other key personnel who remain with us. Although we have entered into employment offer letters with our key personnel, their employment is for no specific duration and constitutes at-will employment. We are also substantially dependent on the continued service of our existing engineering personnel because of the complexity of our products.

Our future performance also depends on the continued services and continuing contributions of our senior management, particularly our Chief Executive Officer and Chairman, Shay Banon, to execute on our business plan and to identify and pursue new opportunities and product innovations. We do not maintain key person life insurance policies on any of our employees. The loss of services of senior management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and results of operations. For example, we announced the transition of Aaron Katz from Chief Revenue Officer to an advisory role in which he is expected to serve through August 1, 2020. We have commenced a search for his replacement, but this search may be prolonged, and we may not be able to attract a qualified replacement timely or at all, particularly as potential candidates may be wary to transition during the unstable economic conditions caused by the COVID-19 pandemic. If we are unable to mitigate these or

other similar risks as we experience management turnover, our business, results of operation and financial condition may be adversely affected.

Additionally, the industry in which we operate is generally characterized by significant competition for skilled personnel as well as high employee attrition. We may not be successful in attracting, integrating, or retaining qualified personnel to fulfill our current or future needs. We may need to invest significant amounts of cash and equity to attract and retain new employees, and we may never realize returns on these investments. Also, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

***If we are not able to maintain and enhance our brand, especially among developers, our business and operating results may be adversely affected.***

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

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

We believe that our culture has been and will continue to be a key contributor to our success. We expect to continue to hire as we expand. If we do not continue to maintain our corporate culture as we grow, we may be unable to foster the innovation, creativity, and entrepreneurial spirit we believe we need to support our growth. Moreover, many of our existing employees may be able to receive significant proceeds from sales of our ordinary shares in the public markets, which could lead to employee attrition and disparities of wealth among our employees that adversely affects relations among employees and our culture in general. Additional headcount growth may result in a change to our corporate culture, which could harm our business.

***We rely on channel partners to execute a portion of our sales; if our channel partners fail to perform or we are unable to maintain successful relationships with our channel partners, our ability to market, sell and distribute our solution will be more limited, and our results of operations could be harmed.***

A portion of our revenue is generated by sales through our channel partners, especially to U.S. federal government customers and in certain international markets, and these sales may grow and represent a larger portion of our revenues in the future. We provide certain of our channel partners with specific training and programs to assist them in selling our offerings, but there can be no assurance that these steps will be effective. In addition, our channel partners may be unsuccessful in marketing and selling our offerings. If we are unable to develop and maintain effective sales incentive programs for our channel partners, we may not be able to incentivize these partners to sell our offerings to customers.

Some of these partners may also market, sell, and support offerings that compete with ours, may devote more resources to the marketing, sales, and support of such competitive offerings, may have incentives to promote our competitors' offerings to the detriment of our own or may cease selling our offerings altogether. Our agreements with our channel partners typically have a duration of one to three years, and generally may be terminated for any reason by either party with advance notice prior to each renewal date. We cannot assure you that we will retain these channel partners or that we will be able to secure additional or replacement channel partners. The loss of one or more of our significant channel partners or a decline in the number or size of orders from any of them could harm our results of operations. In addition, many of our new channel partners require extensive training and may take several months or more to achieve productivity. Our channel partner sales structure could subject us to lawsuits, potential liability, and reputational harm if, for example, any of our channel partners misrepresents the functionality of our offerings to customers or violates laws or our or their corporate policies. If our channel partners are unsuccessful in fulfilling the orders for our offerings, or if we are unable to enter into arrangements with and retain high quality channel partners, our ability to sell our offerings and results of operations could be harmed.

***If we are unable to maintain successful relationships with our partners, our business operations, financial results and growth prospects could be adversely affected.***

We maintain partnership relationships with a variety of partners, including cloud providers, systems integrators, channel partners, referral partners, OEM and MSP partners, and technology partners, to jointly deliver offerings to our end customers and complement our broad community of users. In particular, we work with systems integrators and referral partners to market and sell our subscriptions.

Our agreements with our partners are generally non-exclusive, meaning our partners may offer customers the offerings of several different companies, including offerings that compete with ours, or may themselves be or become competitors. If our partners do not effectively market and sell our offerings, choose to use greater efforts to market and sell their own offerings or those of our competitors, fail to meet the needs of our customers, or fail to deliver professional services to our customers particularly in light of the effects of the COVID-19 pandemic, our ability to grow our business and sell our offerings may be harmed. Our partners may cease marketing our offerings with limited or no notice and with little or no penalty. The loss of a substantial number of our partners, our possible inability to replace them, or the failure to recruit additional partners could harm our results of operations.

Our ability to achieve revenue growth in the future will depend in part on our success in maintaining successful relationships with our partners and in helping our partners enhance their ability to market and sell our subscriptions. If we are unable to maintain our relationships with these partners, our business, results of operations, financial condition or cash flows could be harmed.

***The sales prices of our offerings may decrease, which may reduce our gross profits and adversely affect our financial results.***

The sales prices for our offerings may decline or we may introduce new pricing models for a variety of reasons, including competitive pricing pressures, discounts, in anticipation of or in conjunction with the introduction of new offerings, or promotional programs. For example, during the year ended April 30, 2019, we reduced prices for some of our Elastic Cloud offerings in conjunction with launching new offerings. Competition continues to increase in the market segments in which we participate, and we expect competition to further increase in the future, thereby leading to increased pricing pressures. Larger competitors with more diverse offerings may reduce the price of offerings that compete with ours or may bundle them with other offerings. Additionally, currency fluctuations in certain countries and regions may negatively impact actual prices that customers and channel partners are willing to pay in those countries and regions. Any decrease in the sales prices for our offerings, without a corresponding decrease in costs or increase in volume, would adversely impact our gross profit. Gross profit could also be adversely impacted by a shift in the mix of our subscriptions from self-managed to our cloud offering, which has a lower gross margin, as well as any increase in our mix of professional services relative to subscriptions. We cannot assure you that we will be able to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability.

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

We expect our revenue mix to vary over time due to a number of factors, including the mix of our subscriptions for self-managed and our cloud offerings and our professional services revenue. Due to the differing revenue recognition policies applicable to our subscriptions and professional services, shifts in our business mix from quarter to quarter could produce substantial variation in revenue recognized. Further, our gross margins and operating results could be harmed by changes in revenue mix and costs, together with numerous other factors, including entry into new markets or growth in lower margin markets; entry into markets with different pricing and cost structures; pricing discounts; and increased price competition. Any one of these factors or the cumulative effects of certain of these factors may result in significant fluctuations in our gross margin and operating results. This variability and unpredictability could result in our failure to meet internal expectations or those of securities analysts or investors for a particular period. If we fail to meet or exceed such expectations for these or any other reasons, the market price of our ordinary shares could decline.

***Our ability to grow our business will depend, in part, on the expansion and adoption of our SaaS Offerings.***

We believe our future success will depend, in part, on the growth in the adoption of Elastic Cloud, our family of SaaS products. We have and will continue to incur substantial costs to develop, sell and support our Elastic Cloud offerings. We believe that we must offer a family of SaaS products to address the market segment that prefers a cloud-based solution to a self-managed solution and that there will be increasing demand for cloud-based offerings of our products. In the years ended April 30, 2020, 2019 and 2018, Elastic Cloud contributed 22%, 17% and 16% of our total revenue, respectively. However, as the use of cloud-based computing solutions is rapidly evolving, it is difficult to predict the potential growth, if any, of general market adoption, customer adoption and retention rates of our cloud-based offerings. There could be decreased demand for our cloud-based offerings due to reasons within or outside of our control, including, among other things, lack of customer acceptance, technological challenges with bringing cloud offerings to market and maintaining those offerings, security or privacy concerns, our inability to properly manage and support our cloud-based offerings, competing technologies and products, weakening economic conditions, and decreases in corporate spending. For example, Amazon Web Services provides SaaS offerings based on open source components of the Elastic Stack. As such, Amazon competes with us for potential customers, and while Amazon cannot provide our proprietary software, Amazon's offerings may reduce the demand for our offerings and the pricing of Amazon's offerings may limit our ability to adjust the price of our products. If we are not able to develop, market or deliver cloud-based offerings that satisfy customer requirements technically or commercially, or if our investments in cloud-based offerings do not yield the expected return, or if we are unable to decrease the cost of providing our cloud-based offerings, our

business, competitive position, financial condition and results of operations may be harmed. You should consider our business and prospects in light of the risks and difficulties we encounter in this new and evolving market.

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

Our success depends to a significant degree on our ability to protect our proprietary technology, methodologies, know-how and brand. We rely on a combination of trademarks, copyrights, patents, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. However, the steps we take to protect our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. The source code of the proprietary features for the Elastic Stack is publicly available, which may enable others to replicate our proprietary technology and compete more effectively. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks, or other intellectual property rights that we have or may obtain may be challenged by others or invalidated through administrative process or litigation. As of April 30, 2020, we had 15 issued U.S. patents, 48 pending U.S. patent applications, and 12 pending non-U.S. filings, including 4 patent cooperation treaty patent applications. There can be no assurance that our patent applications will result in issued patents. Even if we continue to seek patent protection in the future, we may be unable to obtain further patent protection for our technology. In addition, any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create offerings that compete with ours. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our products are available. We may be unable to prevent third parties from acquiring domain names or trademarks that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. The laws of some countries may not be as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information will likely increase. Accordingly, despite our efforts, we may be unable to prevent third parties from infringing upon or misappropriating our intellectual property.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. No assurance can be given that these agreements will be effective in controlling access to and distribution of our proprietary information. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights and to protect our trade secrets. For example, on September 4, 2019, we filed suit against florigunn GmbH in the United States District Court for the Northern District of California for copyright infringement and contributory copyright infringement, and on September 27, 2019, we filed a suit against Amazon.com, Inc. in the United States District Court for the Northern District of California for trademark infringement and false advertising. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management, and could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation.

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

In recent years, there has been significant litigation involving patents and other intellectual property rights in the software industry. Companies providing software are increasingly bringing and becoming subject to suits alleging infringement, misappropriation or violation of proprietary rights, particularly patent rights, and to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement, misappropriation or violation claims. We do not currently have a large patent portfolio, which could prevent us from deterring patent infringement claims through our own patent portfolio, and our competitors and others may now and in the future have significantly larger and more mature patent portfolios than we have. The risk of patent litigation has been amplified by the increase in the number of a type of patent holder, which we refer to as a non-practicing entity, whose sole or principal business is to assert such claims and against whom our own intellectual property portfolio may provide little deterrent value. We could incur substantial costs in prosecuting or

defending any intellectual property litigation. If we sue to enforce our rights or are sued by a third party that claims that our products infringe, misappropriate or violate their rights, the litigation could be expensive and could divert our management resources.

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

- cease selling or using products that incorporate the intellectual property rights that we allegedly infringe, misappropriate or violate;
- make substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a license, which may not be available on reasonable terms or at all, to sell or use the relevant technology; or
- redesign the allegedly infringing products to avoid infringement, misappropriation or violation, which could be costly, time-consuming or impossible.

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

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

Our agreements with customers and other third parties may include indemnification provisions under which we agree to indemnify them for losses suffered or incurred as a result of claims of intellectual property infringement, misappropriation or violation, damages caused by us to property or persons, or other liabilities relating to or arising from our software, services or other contractual obligations. Large indemnity payments could harm our business, results of operations and financial condition. Although we normally contractually limit our liability with respect to such indemnity obligations, we may still incur substantial liability related to them. Any dispute with a customer with respect to such obligations could have adverse effects on our relationship with that customer and other existing customers and new customers and harm our business and results of operations.

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

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

***One of our marketing strategies is to offer open source and free trials of our products, and we may not be able to realize the benefits of this strategy.***

We are dependent upon lead generation strategies, including offering open source and free trials of our products, to generate sales opportunities. These strategies may not be successful in continuing to generate sufficient sales opportunities necessary to increase our revenue. Many users never convert from the open source or free trials to the paid versions of our products. To the extent that users do not become, or we are unable to successfully attract, paying customers, we will not realize the intended benefits of these marketing strategies and our ability to grow our revenue will be adversely affected.

***Our software development and licensing model could be negatively impacted if the Apache License, Version 2.0 is not enforceable.***

Important components of our software have been provided under the Apache License 2.0. This license states that any work of authorship licensed under it, and any derivative work thereof, may be reproduced and distributed provided that certain conditions are met. It is possible that a court would hold this license to be unenforceable or that someone could assert a claim for proprietary rights in a program developed and distributed under it. Any ruling by a court that this license is not enforceable, or that open source components of our products may not be reproduced or distributed, may negatively impact our distribution or development of all or a portion of our products.

***In connection with the operation of our business, we may collect, store, transfer and otherwise process certain personal data. As a result, our business is subject to a variety of government and industry regulations, as well as other obligations, related to privacy, data protection and information security.***

Privacy, data protection and information security have become significant issues in various jurisdictions where we offer our products. The regulatory frameworks for these issues worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future. Federal, state, or non-U.S. government bodies or agencies have in the past adopted, and may in the future adopt, new laws and regulations or may make amendments to existing laws and regulations affecting data protection, data privacy and/or information security and/or regulating the use of the Internet as a commercial medium. For example, the California Consumer Privacy Act (the “CCPA”), which provides new data privacy rights for California residents, took effect on January 1, 2020. The CCPA provides for civil penalties and a private right of action for violations, which may increase our compliance costs and potential liability. Other U.S. states also are considering omnibus privacy legislation. Industry organizations also regularly adopt and advocate for new standards in these areas. Many obligations under the CCPA and these other laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. If we fail to comply with any of these laws or standards, we may be subject to investigations, enforcement actions, civil litigation, fines and other penalties, all of which may generate negative publicity and have a negative impact on our business.

Additionally, in the United States, we may be subject to investigation and/or enforcement actions brought by federal agencies and state attorneys general and consumer protection agencies. We publicly post statements and other documentation regarding our practices concerning the processing, use and disclosure of personally identifiable information. Although we endeavor to comply with our published statements and documentation, we may at times fail to do so or be alleged to have failed to do so. The publication of our privacy statement and other documentation that provide promises and assurances about privacy and security can subject us to potential state and federal action if they are found to be deceptive, unfair, or misrepresentative of our actual practices.

Internationally, most jurisdictions in which we operate have established their own privacy, data protection and information security legal frameworks with which we or our customers must comply. Within the European Union, the European General Data Protection Regulation (“GDPR”), became fully effective on May 25, 2018, and applies to the processing (which includes the collection and use) of personal data. As compared to the previously effective data protection law in the European Union, the GDPR imposes additional obligations and risk upon our business and increases substantially the penalties to which we could be subject in the event of any non-compliance. Administrative fines under the GDPR can amount up to 20 million Euros or four percent of the group’s annual global turnover, whichever is higher.

We have incurred substantial expense in complying with new data protection legal frameworks and we may be required to make additional, significant changes in our business operations, all of which may adversely affect our revenue and our business overall. Additionally, because these new regimes lack a substantial enforcement history, we are unable to predict how emerging standards may be applied to us. Despite our efforts to attempt to comply with new data protection obligations, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our company.

Among other requirements, the GDPR regulates transfers of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the United States. We have undertaken certain efforts to conform transfers of personal data from the European Economic Area, (“EEA”), to the United States and other jurisdictions based on our understanding of current regulatory obligations and the guidance of data protection authorities, including standard contractual clauses approved by the European Commission. Despite this, we may be unsuccessful in maintaining conforming means of transferring such data from the EEA, in particular as a result of continued legal and legislative activity within the European Economic Area that has challenged or called into question existing means of data transfers to countries that have not been found to provide adequate protection for personal data.

Some countries also are considering or have passed legislation requiring local storage and processing of data, or similar requirements, which could increase the cost and complexity of delivering our services. We may also experience hesitancy, reluctance, or refusal by European or multi-national customers to continue to use our products due to the potential risk exposure to such customers as a result of shifting business sentiment in the EEA regarding international data transfers and the data protection obligations imposed on them. We may find it necessary to establish systems to maintain personal data originating from the EEA in the EEA, or may need to take other, additional steps to provide for local data processing, which may involve substantial expense and may cause us to need to divert resources from other aspects of our business, all of which may adversely affect our business. We and our customers may face a risk of enforcement actions taken by European data protection authorities until the time, if any, that personal data transfers to us and by us from the EEA are legitimized under European law.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may legally or contractually apply to us. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard (“PCI DSS”), which relates to the processing of payment card information. In the event we or our payment processors fail to comply with the PCI DSS, fines and other penalties could result, and we may suffer reputational harm and damage to our business. Further, our customers increasingly expect us to comply with more stringent privacy, data protection and information security requirements than those imposed by laws, regulations or self-regulatory requirements, and we may be obligated contractually to comply with additional or different standards relating to our handling or protection of data on or by our offerings. Any failure to meet our customers’ requirements may adversely affect our revenues and prospects for growth.

We also expect that there will continue to be changes in interpretations of existing laws and regulations, or new proposed laws, regulations, and other obligations concerning privacy, data protection and information security, which could impair our or our customers’ ability to collect, use or disclose information relating to consumers, which could decrease demand for our offerings, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue. Because the interpretation and application of many laws and regulations relating to privacy, data protection and information security, along with industry standards, are uncertain, it is possible that these laws and regulations may be interpreted and applied in manners that are, or are alleged to be, inconsistent with our data management practices or the features of our products, and we could face fines, lawsuits, regulatory investigations and other claims and penalties, and we could be required to fundamentally change our products or our business practices, any of which could have an adverse effect on our business. Any inability to adequately address privacy, data protection and information security concerns, even if unfounded, or any actual or perceived failure to comply with applicable privacy, data protection or information security laws, regulations and other obligations, could result in additional cost and liability to us, damage our reputation, inhibit sales and adversely affect our business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations and policies that are applicable to the businesses of our customers may limit the use and adoption of, and reduce the overall demand for, our products. Privacy, data protection and information security concerns, whether valid or not valid, may inhibit market adoption of our products, particularly in certain industries and countries outside of the United States. If we are not able to adjust to changing laws, regulations and standards related to the Internet, our business may be harmed.

***We may acquire other businesses which could require significant management attention, disrupt our business, dilute shareholder value. We may be unable to integrate acquired businesses and technologies, and acquisitions could adversely affect our results of operations.***

As part of our business strategy, we may acquire or make investments in complementary companies, products, or technologies. We have in the past acquired, and expect in the future to acquire, businesses that we believe will complement or augment our existing business, such as our acquisition of Endgame in October 2019. The identification of suitable acquisition candidates is difficult, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete future acquisitions, we may not ultimately strengthen our competitive position or achieve our goals and business strategy, we may be subject to claims or liabilities assumed from an acquired company, product, or technology, and any acquisitions we complete could be viewed negatively by our customers, investors, and securities analysts. In addition, if we are unsuccessful at integrating Endgame or future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and results of operations of the combined company could be adversely affected. Any integration process may require significant time and resources, which may disrupt our ongoing business and divert management’s attention, and we may not be able to manage the integration process successfully. We may not successfully evaluate or utilize acquired technology or personnel, realize anticipated synergies from acquisitions, or accurately forecast the financial impact of an acquisition transaction and integration of such acquisition, including accounting charges. We may have to pay cash, incur debt, or issue equity or equity-linked securities to pay for any future acquisitions, each of which could adversely affect our financial condition or the market price of our ordinary shares. The sale of equity or issuance of equity-linked debt to finance any future acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations. Additionally, we may acquire development stage companies that are not yet profitable, and that require continued investment, which could adversely



affect our results of operations and liquidity. The occurrence of any of these risks could harm our business, results of operations, and financial condition.

***With the acquisition of Endgame, we face risks related to the integration of combined businesses, our cash resources and financial results, undisclosed liabilities, and employee and customer retention.***

Since the closing of the acquisition of Endgame in October 2019, we are devoting significant management attention and resources to integrating the business practices and operations of the former Endgame business with our business. Potential difficulties we may encounter as part of the integration process include those related to the costs of integration and compliance, diversion of management's attention, our ability to create and enforce uniform standards, procedures, policies and information systems, potential unknown liabilities, and unforeseen increased expenses or delays.

Our due diligence review in connection with the acquisition may not have discovered undisclosed liabilities of Endgame. If there are undisclosed liabilities, Elastic as a successor owner may be responsible for such undisclosed liabilities. Such undisclosed liabilities could have an adverse effect on the business and results of operations and may adversely affect the value of our ordinary shares.

The acquisition may also result in significant charges or other liabilities that could adversely affect our results of operations, such as cash expenses and non-cash accounting charges incurred in connection with the acquisition and/or integration of the combined businesses and operations.

***Unfavorable or uncertain conditions in our industry or the global economy or reductions in information technology spending could limit our ability to grow our business and negatively affect our results of operations.***

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. Current or future economic uncertainties or downturns could adversely affect our business and results of operations. Negative conditions in the general economy both in the United States and abroad, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, international trade relations, political turmoil, natural catastrophes, warfare, infectious diseases and terrorist attacks on the United States, Europe, the Asia Pacific region or elsewhere, could cause a decrease in business investments by our customers and potential customers, including spending on information technology, and negatively affect the growth of our business. For example, the COVID-19 pandemic may curtail business spending by our customers, result in business disruptions for us and/or our customers, restrict travel to customer sites or result in a quarantine of affected populations impacting our employees, partners and customers. Additionally, mitigation and containment measures adopted by government authorities to contain the spread of COVID-19 in the U.S. and abroad may significantly impact business continuity for our partners and our customers, reduce our customers' business operations, delay their engagement with us (including due to travel restrictions and restrictions on in-person meetings) and could thereby adversely affect our business and financial results. To the extent our offerings are perceived by customers and potential customers as discretionary, our revenue may be disproportionately affected by delays or reductions in general information technology spending. Also, customers may choose to develop in-house software as an alternative to using our products. Moreover, competitors may respond to market conditions by lowering prices. We cannot predict the timing, strength or duration of any economic slowdown, instability or recovery, generally or within any particular industry. If the economic conditions of the general economy or markets in which we operate do not improve, or worsen from present levels, our business, results of operations and financial condition could be adversely affected.

***We are subject to governmental export and import controls and economic sanctions programs that could impair our ability to compete in international markets or subject us to liability if we violate these controls.***

Our software is subject to U.S. export control laws and regulations including the Export Administration Regulations ("EAR"), and trade and economic sanctions maintained by the Office of Foreign Assets Control ("OFAC"). As such, an export license may be required to export or reexport our products to certain countries, end-users and end-uses. If we were to fail to comply with such U.S. export controls laws and regulations, U.S. economic sanctions, or other similar laws, we could be subject to both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for willful violations, and the possible loss of our export or import privileges. Obtaining the necessary export license for a particular sale or offering may not be possible and may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, U.S. export control laws and economic sanctions prohibit the export of products to certain U.S. embargoed or sanctioned countries, governments and persons, as well as for prohibited end-uses. Monitoring and ensuring compliance with these complex U.S. export control laws is particularly challenging because our offerings are widely distributed throughout the world and are available for download without registration. In addition, because we incorporate encryption functionality into our products, we are also subject to certain provisions of these laws that apply to encryption items. Even though we take precautions to ensure that we and our partners comply with all relevant export control laws and regulations, any failure by us or our partners to comply with such laws and regulations could have negative consequences for us, including reputational harm, government investigations and penalties.

In addition, various countries regulate the import of certain encryption technology, including through import permit and license requirements, and have enacted laws that could limit our ability to distribute our products or could limit our end-customers' ability to implement our products in those countries. Changes in our products or changes in export and import regulations in such countries may create delays in the introduction of our products into international markets, prevent our end-customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products to certain countries, governments or persons altogether. Any change in export or import laws or regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing export, import or sanctions laws or regulations, or change in the countries, governments, persons, or technologies targeted by such export, import or sanctions laws or regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential end-customers with international operations. Any decreased use of our products or limitation on our ability to export to or sell our products in international markets could adversely affect our business, financial condition and operating results.

***Our international operations and expansion expose us to several risks.***

As of April 30, 2020, we had customers located in over 100 countries, and our strategy is to continue to expand internationally. In addition, as a result of our strategy of leveraging a distributed workforce, as of April 30, 2020, we had employees located in over 35 countries. Our current international operations involve and future initiatives will involve a variety of risks, including:

- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- different 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;
- exposure to many stringent, particularly in the European Union, and potentially inconsistent laws and regulations relating to privacy, data protection and information security;
- changes in a specific country's or region's political or economic conditions;
- political, economic and trade uncertainties related to the effect of the United Kingdom's withdrawal from the European Union (Brexit) on the economies of United Kingdom, European Union, United States and other countries;
- risks resulting from changes in currency exchange rates;
- the impact of public health epidemics or pandemics on our employees, partners and customers;
- challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- risks relating to the implementation of trade and economic sanctions, including restrictions promulgated by the OFAC, and other similar trade protection regulations and measures in the United States or in other jurisdictions;
- reduced ability to timely collect amounts owed to us by our customers in countries where our recourse may be more limited;
- limitations on our ability to reinvest earnings from operations derived from one country to fund the capital needs of our operations in other countries;
- limited or unfavorable intellectual property protection; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), and similar applicable laws and regulations in other jurisdictions.

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

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

Our future results depend, in part, on our ability to sustain and expand our penetration of the international markets in which we currently operate and to expand into additional international markets. We depend on direct sales and our channel partner relationships to sell our offerings in international markets. Our ability to expand internationally will depend upon our

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

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

We expect that our existing cash and cash equivalents will be sufficient to meet our anticipated cash needs for at least the next twelve months. After that, we may need to raise additional funds, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests and the per share value of our ordinary shares could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our ordinary shares, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able to, among other things:

- develop or enhance our products;
- continue to expand our sales and marketing and research and development organizations;
- acquire complementary technologies, products or businesses;
- expand operations in the United States or internationally;
- hire, train, and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

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

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

We are subject to the FCPA, the U.K. Bribery Act and other anti-corruption, anti-bribery and anti-money laundering laws in various jurisdictions both domestic and abroad. We leverage channel partners to sell our offerings abroad and use other third parties, including recruiting firms, professional employer organizations, legal, accounting and other professional advisors, and local vendors to meet our needs associated with doing business abroad. We and these third parties may have direct or indirect interactions with officials and employees of government agencies, or state-owned or affiliated entities, and we may be held liable for the corrupt or other illegal activities of our channel partners and third-party representatives, as well as our employees, representatives, contractors, partners, and agents, even if we do not explicitly authorize such activities. While we have policies and procedures to address compliance with such laws, we cannot assure you that the channel partners, third-party representatives, our employees, contractors or agents will not take actions in violation of our policies and applicable law, for which we may be ultimately held responsible. Any violation of the FCPA, U.K. Bribery Act or other applicable anti-bribery, anti-corruption laws, and anti-money laundering laws could result in whistleblower complaints, adverse media coverage, investigations, loss of export privileges, severe criminal or civil sanctions, or suspension or debarment from U.S. government contracts, all of which may have an adverse effect on our reputation, business, operating results and prospects.

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

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification requirements for products like ours may change, thereby restricting our ability to sell into the U.S. federal government, U.S. state government, or non-U.S. government sectors until we have attained the revised certification. Government demand and payment for our offerings may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offerings. Sales to U.S. federal government agencies, including classified contracts, are subject to complex federal regulations. Failure to comply with such regulations could result in contract terminations or other adverse consequences, including but not limited to adversely affecting our eligibility to sell to U.S. federal government agencies in the future. Additionally, we rely on certain partners to provide technical support services to certain of our government entity customers to resolve any issues relating to our products.

If our partners do not effectively assist our government entity customers in deploying our products, succeed in helping our government entity customers quickly resolve post-deployment issues, or provide effective ongoing support, our ability to sell additional offerings to new and existing government entity customers would be adversely affected and our reputation could be damaged.

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

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

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

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

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

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

As of April 30, 2020 and 2019, we had net operating loss carryforwards in various jurisdictions of \$1.3 billion and \$485.7 million, respectively, which may be utilized against future income taxes. Limitations imposed by the applicable jurisdictions on our ability to utilize net operating loss carryforwards could cause income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such net operating loss carryforwards to expire unused, in each case reducing or eliminating the benefit of such net operating loss carryforwards. Furthermore, we may not be able to generate sufficient taxable income to utilize our net operating loss carryforwards before they expire. If any of these events occur, we may not derive some or all of the expected benefits from our net operating loss carryforwards.

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

A significant natural disaster, such as an earthquake, fire, flood, or significant power outage could have an adverse impact on our business, results of operations, and financial condition. We have a number of our employees and executive officers located in the San Francisco Bay Area, a region known for seismic activity. In the event our or our partners' abilities are hindered by any of the events discussed above, sales could be delayed, resulting in missed financial targets for a particular quarter. In addition, acts of terrorism, other geo-political unrest or health issues, such as an outbreak of pandemic or epidemic diseases, such as the COVID-19 pandemic, or fear of such events, could cause disruptions in our business or the business of our partners, customers or the economy as a whole. Any disruption in the business of our partners or customers that affects sales in

a given fiscal quarter could have a significant adverse impact on our quarterly results for that and future quarters. For example, the full extent to which the COVID-19 pandemic impacts our business, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted. In addition, the COVID-19 pandemic has adversely affected the economies of many countries, resulting in economic downturns that could affect demand for our products and likely impact our operating results. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate. See the risk factor entitled “The ongoing COVID-19 pandemic could harm our business and results of operations.”

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

A portion of our subscriptions are generated and operating expenses are incurred outside the United States and denominated in foreign currencies and are subject to fluctuations due to changes in foreign currency exchange rates. The strengthening of the U.S. dollar increases the real cost of our offerings to our customers outside of the United States, leading to delays in the purchase of our offerings and the lengthening of our sales cycle. If the U.S. dollar continues to strengthen, this could adversely affect our financial condition and results of operations. In addition, increased international sales in the future, including through our channel partners, may result in greater foreign currency denominated sales, increasing our foreign currency risk. Moreover, operating expenses incurred outside the United States and denominated in foreign currencies are increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and results of operations could be adversely affected. To date, we have not entered into any hedging transactions in an effort to reduce our exposure to foreign currency exchange risk. While we may decide to enter into hedging transactions in the future, the availability and effectiveness of these hedging transactions may be limited and we may not be able to successfully hedge our exposure, which could adversely affect our financial condition and results of operations.

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

Historically, we have experienced quarterly fluctuations and seasonality based on the timing of entering into agreements with new and existing customers and the mix between annual and monthly contracts entered in each reporting period. Trends in our business, financial condition, results of operations and cash flows are impacted by seasonality in our sales cycle which generally reflects a trend to greater sales in our second and fourth quarters and lower sales in our first and third quarters, though we believe this trend has been somewhat masked by our overall growth. We expect that this seasonality will continue to affect our results of operations in the future, and might become more pronounced as we continue to target larger enterprise customers.

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

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included elsewhere in this Annual Report on Form 10-K, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our ordinary shares. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition, measurement of stock-based compensation expense, accounting of intangible assets, goodwill impairment test, and accounting for income taxes including deferred tax assets and liabilities.

### **Risks Related to Ownership of our Ordinary Shares**

***The market price for our ordinary shares has been and is likely to continue to be volatile or may decline regardless of our operating performance.***

The stock markets, and securities of technology companies in particular, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. The economic impact and uncertainty of the ongoing COVID-19 pandemic have exacerbated this volatility in both the overall stock markets and the market price of our ordinary shares. In the past, shareholders have

instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, it could subject us to substantial costs, divert resources and the attention of management from our business and adversely affect our business. The market price of our ordinary shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- actual or anticipated changes or fluctuations in our operating results;
- the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new offerings or new or terminated significant contracts, commercial relationships or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- a loss of investor confidence in the market for technology stocks or the stock market in general;
- future sales or expected future sales of our ordinary shares;
- investor perceptions of us, the benefits of our offerings and the industries in which we operate;
- price and volume fluctuations in the overall stock market from time to time;
- changes in operating performance and/or stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of industry or financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property rights or our solutions, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors, including our acquisition of Endgame;
- breaches of, or failures relating to, privacy, data protection or information security;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- any major changes in our management or our board of directors, particularly with respect to Mr. Banon;
- general economic conditions and slow or negative growth of our markets, including as a result of the COVID-19 pandemic; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

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

Our executive officers and directors together beneficially owned 28% of our ordinary shares outstanding as of April 30, 2020. As a result, these shareholders, acting together, will have significant influence over matters that require approval by our shareholders, including matters such as adoption of the financial statements, declarations of dividends, the appointment and dismissal of directors, capital increases, amendment to our articles of association and approval of significant corporate transactions. Corporate action might be taken even if other shareholders oppose them. This concentration of ownership might also have the effect of delaying or preventing a change of control of us that other shareholders may view as beneficial.

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

Our articles of association authorize us to issue up to 165 million ordinary shares and up to 165 million preference shares with such rights and preferences as included in our articles of association. On September 28, 2018, our extraordinary general meeting of shareholders (the "2018 Extraordinary Meeting") empowered our board of directors to issue ordinary shares

and preference shares up to our authorized share capital for a period of five years from October 10, 2018. Subject to compliance with applicable rules and regulations, we may issue ordinary shares or securities convertible into ordinary shares from time to time in connection with a financing, acquisition, investment, our share incentive plans or otherwise. Any such issuance could result in substantial dilution to our existing shareholders unless pre-emptive rights exist and cause the market price of our ordinary shares to decline.

***Certain holders of our ordinary shares may not be able to exercise pre-emptive rights and as a result may experience substantial dilution upon future issuances of ordinary shares.***

Holders of our ordinary shares in principle have a pro rata pre-emptive right with respect to any issue of ordinary shares or the granting of rights to subscribe for ordinary shares, unless Dutch law or our articles of association state otherwise or unless explicitly provided otherwise in a resolution by our general meeting of shareholders (the “General Meeting”), or—if authorized by the annual General Meeting or an extraordinary General Meeting—by a resolution of our board of directors. Our 2018 Extraordinary Meeting has empowered our board of directors, to limit or exclude pre-emptive rights on ordinary shares for a period of five years from October 10, 2018, which could cause existing shareholders to experience substantial dilution of their interest in us.

Pre-emptive rights do not exist with respect to the issue of preference shares and holders of preference shares, if any, have no pre-emptive right to acquire newly issued ordinary shares. Also, pre-emptive rights do not exist with respect to the issue of shares or grant of rights to subscribe for shares to employees of the company or contributions in kind.

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

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

In addition, holders of an aggregate of 20,263,691 ordinary shares, based on shares outstanding as of April 30, 2020, are entitled to rights with respect to registration of these shares under the Securities Act pursuant to our amended and restated investors’ rights agreement, dated July 19, 2016. If these holders of our ordinary shares, by exercising their registration rights, sell a large number of shares, they could adversely affect the market price for our ordinary shares. We have also registered the offer and sale of all ordinary shares that we may issue under our equity compensation plan, which may in turn be sold and may adversely affect the market price for our ordinary shares.

***Certain anti-takeover provisions in our articles of association and under Dutch law may prevent or could make an acquisition of our company more difficult, limit attempts by our shareholders to replace or remove members of our board of directors and may adversely affect the market price of our ordinary shares.***

Our articles of association contain provisions that could delay or prevent a change in control of our company. These provisions could also make it difficult for shareholders to appoint directors that are not nominated by the current members of our board of directors or take other corporate actions, including effecting changes in our management. These provisions include:

- the staggered three-year terms of the members of our board of directors, as a result of which only approximately one-third of the members of our board of directors may be subject to election in any one year;
- a provision that the members of our board of directors may only be removed by a General Meeting by a two-thirds majority of votes cast representing at least 50% of our issued share capital if such removal is not proposed by our board of directors;
- a provision that the members of our board of directors may only be appointed upon binding nomination of the board of directors, which can only be overruled with a two-thirds majority of votes cast representing at least 50% of our issued share capital;
- the inclusion of a class of preference shares in our authorized share capital that may be issued by our board of directors, in such a manner as to dilute the interest of shareholders, including any potential acquirer or activist shareholder, in order to delay or discourage any potential unsolicited offer or shareholder activism;
- requirements that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our board of directors; and
- minimum shareholding thresholds, based on nominal value, for shareholders to call General Meetings of our Shareholders or to add items to the agenda for those meetings.

***We are subject to the Dutch Corporate Governance Code but do not comply with all the suggested governance provisions of the Dutch Corporate Governance Code. This may affect your rights as a shareholder.***

As a Dutch company, we are subject to the Dutch Corporate Governance Code (“DCGC”). The DCGC contains both principles and suggested governance provisions for management boards, supervisory boards, shareholders and general meetings, financial reporting, auditors, disclosure, compliance and enforcement standards. The DCGC is based on a “comply or explain” principle. Accordingly, public companies are required to disclose in their annual reports, filed in the Netherlands, whether they comply with the suggested governance provisions of the DCGC. If they do not comply with those provisions (e.g., because of a conflicting requirement), the company is required to give the reasons for such noncompliance. The DCGC applies to all Dutch companies listed on a government-recognized stock exchange, whether in the Netherlands or elsewhere, including the NYSE. The principles and suggested governance provisions apply to our board of directors (in relation to role and composition, conflicts of interest and independency requirements, board committees and remuneration), shareholders and the General Meeting (for example, regarding anti-takeover protection and our obligations to provide information to our shareholders) and financial reporting (such as external auditor and internal audit requirements). We comply with all applicable provisions of the DCGC except where such provisions conflict with U.S. exchange listing requirements or with market practices in the United States or the Netherlands. This may affect your rights as a shareholder, and you may not have the same level of protection as a shareholder in a Dutch company that fully complies with the suggested governance provisions of the DCGC.

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

We have never declared or paid any cash dividends on our shares. We currently intend to retain all available funds and any future earnings for use in the operation of our business and do not anticipate paying any dividends on our ordinary shares in the foreseeable future. Were this position to change, payment of future dividends may be made only if our equity exceeds the amount of the paid-in and called-up part of the issued share capital, increased by the reserves required to be maintained by Dutch law or by our articles of association. Accordingly, investors must rely on sales of their ordinary shares after price appreciation, which may never occur, as the only way to realize any future gains on their investments.

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

The trading market for our ordinary shares is influenced by the research and reports that industry or financial analysts publish about us or our business. We do not control these analysts, or the content and opinions included in their reports. If any of the analysts who cover us issues an inaccurate or unfavorable opinion regarding our company, our stock price would likely decline. In addition, the stock prices of many companies in the technology industry have declined significantly after those companies have failed to meet, or significantly exceed, the financial guidance publicly announced by the companies or the expectations of analysts or public investors. If our financial results fail to meet, or significantly exceed, our announced guidance or the expectations of analysts or public investors, our stock price may decline. Further, analysts could downgrade our ordinary shares or publish unfavorable research about us. If one or more of the analysts who cover our company ceases to cover us, or fails to publish reports on us regularly, our visibility in the financial markets could decrease, which in turn could cause our stock price or trading volume to decline.

***The requirements of being a public company may strain our resources, divert management’s attention and affect our ability to attract and retain qualified board members.***

As a public company, we are subject to the reporting and corporate governance requirements of the Exchange Act, the listing requirements of the NYSE and other applicable securities rules and regulations, including the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act. Compliance with these rules and regulations has increased, and we expect will continue increasing our legal and financial compliance costs, make some activities more difficult, time-consuming or costly and increase demand on our systems and resources, particularly as we are no longer an “emerging growth company” as defined in the Jumpstart Our Business Act of 2012 (“JOBS Act”).

Among other things, the Exchange Act requires that we file annual, quarterly and current reports with respect to our business and results of operations, and the Sarbanes-Oxley Act requires that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to improve our disclosure controls and procedures and internal control over financial reporting to meet this standard, significant resources and management oversight is required. As a result, management’s attention may be diverted from other business concerns, which could harm our business, financial condition, results of operations and prospects. Although we have already hired additional personnel to help comply with these requirements, we may need to further expand our legal and finance departments in the future or hire outside consultants, which will increase our costs and expenses.



In addition, changing laws, regulations and standards relating to corporate governance and public disclosure are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with evolving laws, regulations and standards, and this investment may result in increased general and administrative expense and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies, regulatory authorities may initiate legal proceedings against us and our business and prospects may be harmed. As a result of disclosure of information in the filings required of a public company and in this Annual Report on Form 10-K, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors and other third parties. If such claims are successful, our business, financial condition, results of operations and prospects could be materially harmed, and even if the claims do not result in litigation or are resolved in our favor, these claims, and the time and resources necessary to resolve them, could divert the resources of our management and materially harm our business, financial condition, results of operations and prospects.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, we may be unable to accurately report our financial results or prevent fraud, and investor confidence and the market price of our ordinary shares may, therefore, be adversely affected.***

As a public company in the United States, we are subject to the Sarbanes-Oxley Act, which requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend, significant resources, including accounting-related costs and significant management oversight. For example, since our IPO, we have hired additional accounting and financial staff with appropriate public company experience and technical accounting knowledge to assist in our compliance efforts. In addition, effective April 30, 2020, we are no longer an "emerging growth company," as defined in the JOBS Act, and therefore we are required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. To assist us in complying with these requirements we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

Despite significant investment, our current controls and any new controls that we develop may become inadequate because of changes in conditions in our business. Further, weaknesses in our disclosure controls and internal control over financial reporting may be discovered in the future. Any failure to implement or maintain effective controls or any difficulties encountered in their implementation or improvement could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting also could adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that are required to be included in our periodic reports that we file with the SEC.

Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, subject us to sanctions or investigations by the NYSE, the SEC or other regulatory authorities, and would likely cause the trading price of our ordinary shares to decline.

***Claims of U.S. civil liabilities may not be enforceable against us.***

We are incorporated under the laws of the Netherlands and substantial portions of our assets are located outside of the United States. In addition, one member of our board of directors and certain experts named herein reside outside the United States. As a result, it may be difficult for investors to effect service of process within the United States upon us or such other persons residing outside the United States, or to enforce outside the United States judgments obtained against such persons in U.S. courts in any action, including actions predicated upon the civil liability provisions of the U.S. federal securities laws. In addition, it may be difficult for investors to enforce, in original actions brought in courts in jurisdictions located outside the United States, rights predicated upon the U.S. federal securities laws.

There is no treaty between the United States and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is re-litigated before a Dutch court of competent jurisdiction. In such proceedings, however, a Dutch court may be expected to recognize the binding effect of a judgment of a federal or state court in the United States without re-examination of the substantive matters adjudicated thereby, if (i) the

jurisdiction of the U.S. federal or state court has been based on internationally accepted principles of private international law, (ii) that judgment resulted from legal proceedings compatible with Dutch notions of due process, (iii) that judgment does not contravene public policy of the Netherlands and (iv) that judgment is not incompatible with (x) an earlier judgment of a Dutch court between the same parties, or (y) an earlier judgment of a foreign court between the same parties in a dispute regarding the same subject and based on the same cause, if that earlier foreign judgment is recognizable in the Netherlands.

Based on the foregoing, there can be no assurance that U.S. investors will be able to enforce against us or members of our board of directors, officers or certain experts named herein who are residents of the Netherlands or countries other than the United States any judgments obtained in U.S. courts in civil and commercial matters, including judgments under the U.S. federal securities laws.

In addition, there can be no assurance that a Dutch court would impose civil liability on us, the members of our board of directors, our officers or certain experts named herein in an original action predicated solely upon the U.S. federal securities laws brought in a court of competent jurisdiction in the Netherlands against us or such members, officers or experts, respectively.

***U.S. holders of our ordinary shares may suffer adverse tax consequences if we are characterized as a passive foreign investment company.***

A non-U.S. corporation will generally be considered a passive foreign investment company (“PFIC”), for U.S. federal income tax purposes, in any taxable year if either (1) at least 75% of its gross income for such year is passive income or (2) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during such year) is attributable to assets that produce or are held for the production of passive income. For purposes of the PFIC asset test, the value of our assets will generally be determined by reference to our market capitalization. Based on our past and current projections of our income and assets, we do not expect to be a PFIC for the current taxable year or for the foreseeable future. Nevertheless, a separate factual determination as to whether we are or have become a PFIC must be made each year (after the close of such year). Since our projections may differ from our actual business results and our market capitalization and value of our assets may fluctuate, we cannot assure you that we will not be or become a PFIC in the current taxable year or any future taxable year. If we are a PFIC for any taxable year during which a U.S. holder (as defined in “Material U.S. Federal Income Tax Considerations”) holds our ordinary shares, the U.S. holder may be subject to adverse tax consequences. Each U.S. holder is strongly urged to consult its tax advisor regarding the application of these rules and the availability of any potential elections.

***If a U.S. holder is treated as owning at least 10% of our ordinary shares, such holder may be subject to adverse U.S. federal income tax consequences.***

If a U.S. holder is treated as owning (directly, indirectly, or constructively) at least 10% of the value or voting power of our ordinary shares, such holder may be treated as a “United States shareholder” with respect to each “controlled foreign corporation” in our group (if any). Under changes implemented by the Tax Cuts and Jobs Act, because our group includes one or more U.S. subsidiaries, certain of our non-U.S. subsidiaries could be treated as controlled foreign corporations (regardless of whether we are treated as a controlled foreign corporation). A United States shareholder of a controlled foreign corporation may be required to report annually and include in its U.S. taxable income its pro rata share of “Subpart F income,” “global intangible low-taxed income,” and investments in U.S. property by controlled foreign corporations, regardless of whether we make any distributions. An individual that is a United States shareholder with respect to a controlled foreign corporation generally would not be allowed certain tax deductions or foreign tax credits that would be allowed to a United States shareholder that is a U.S. corporation. We cannot provide any assurances that we will assist investors in determining whether any of our non-U.S. subsidiaries is treated as a controlled foreign corporation or whether any investor is treated as a United States shareholder with respect to any such controlled foreign corporation or furnish to any investor who may be a United States shareholder information that may be necessary to comply with the aforementioned reporting and tax paying obligations. Failure to comply with these reporting obligations may subject a U.S. holder who is a United States shareholder to significant monetary penalties and may prevent from starting the statute of limitations with respect to such holder’s U.S. federal income tax return for the year for which reporting was due. A U.S. holder should consult its advisors regarding the potential application of these rules to an investment in our ordinary shares.

***We may not be able to make distributions or repurchase shares without subjecting our shareholders to Dutch withholding tax.***

Dutch dividend withholding tax may be levied on dividends and similar distributions made by us to our shareholders at the statutory rate of 15%. If dividend distributions are structured as a repayment of capital or a repurchase of shares, Dutch withholding tax may still be due at 15%. Such repayment of capital or repurchase of shares will be exempt from dividend withholding tax only in limited circumstances.

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

None

**Item 2. Properties.**

As a distributed company, we employ a distributed workforce with offices and employee hubs around the world. The largest of these hubs is located in Mountain View, California, where we lease approximately 40,000 square feet.

All offices are leased and we do not own any real property. We intend to procure additional space in the future as we continue to add employees and expand geographically. We believe that our current facilities are adequate to meet our current needs and that, as we grow, suitable additional space will be available to either expand existing hubs or open new hubs in new locations.

**Item 3. Legal Proceedings.**

The information called for by this Item is incorporated herein by reference to Item 8. "Financial Statements and Supplementary Data," Note 7, "Commitments and Contingencies" included elsewhere in this Annual Report on Form 10-K.

From time to time, we may be subject to legal proceedings and claims that arise in the ordinary course of business, including patent, commercial, product liability, employment, class action, whistleblower and other litigation and claims, as well as governmental and other regulatory investigations and proceedings. In addition, third parties may from time to time assert claims against us in the form of letters and other communications. We are not currently a party to any legal proceedings that, if determined adversely to us, would, in our opinion, have a material adverse effect on our business, results of operations, financial condition or cash flows. Future litigation may be necessary to defend ourselves, our partners and our customers by determining the scope, enforceability and validity of third-party proprietary rights, or to establish our proprietary rights. The results of any current or future litigation cannot be predicted with certainty, and 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 for Ordinary Shares

Our ordinary shares began trading on the NYSE under the symbol “ESTC” on October 5, 2018. Prior to that date, there was no public trading market for our ordinary shares.

#### Holders of Record

As of June 22, 2020 there were 107 shareholders of record of our ordinary shares. Because many of our ordinary shares are held by brokers and other institutions on behalf of shareholders, we are unable to estimate the total number of shareholders represented by these record holders.

#### Dividend Policy

We have never declared or paid any dividends on our ordinary shares, and we do not anticipate declaring or paying dividends in the foreseeable future.

#### Recent Sales of Unregistered Securities

None.

#### Issuer Purchases of Equity Securities

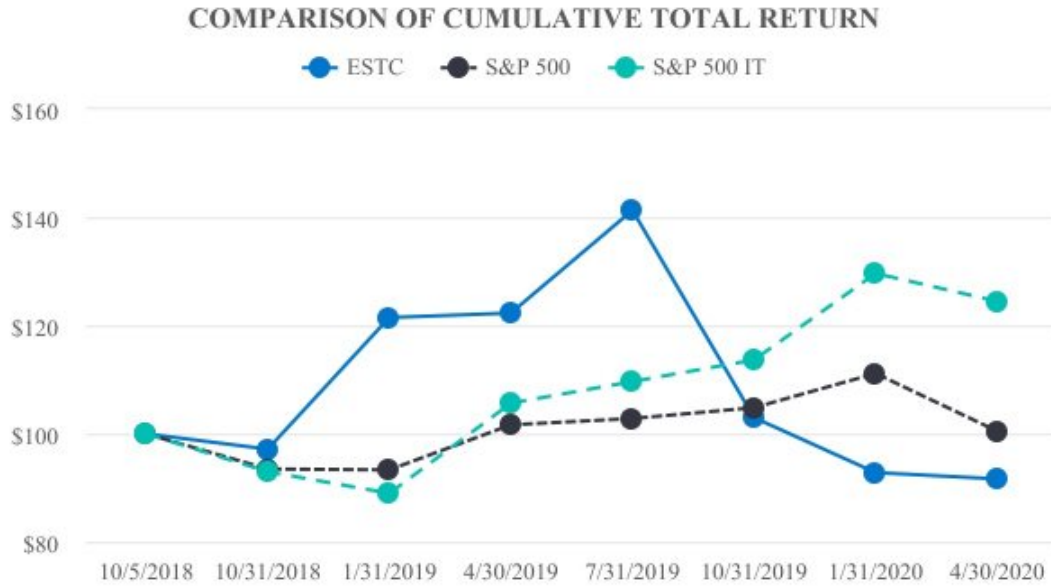
None.

#### Stock Performance Graph

*This performance graph shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or incorporated by reference into any of our filings under the Securities Act.*

The graph below compares the cumulative total shareholder return on our ordinary shares with the cumulative total return on the S&P 500 Index and the S&P 500 Information Technology Index. The graph assumes \$100 was invested at the market close on October 5, 2018, which was our initial trading day, in our ordinary shares. Data for the S&P 500 Index and the S&P 500 Information Technology Index assume reinvestment of dividends. Our offering price of our ordinary shares in our IPO, which had a closing stock price of \$70.00 on October 5, 2018, was \$36.00 per share.

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



This performance graph shall not be deemed "soliciting material" or to be "filed" with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section and shall not be deemed to be incorporated by reference into any filing of Elastic N.V. under the Securities Act or the Exchange Act.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

None.

**Item 6. Selected Financial Data.**

The following selected consolidated financial data should be read in conjunction with Part II, Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes included in Part II, Item 8, Financial Statements, of this Annual Report on Form 10-K. The selected consolidated statements of operations data presented below for the years ended April 30, 2020, 2019 and 2018 and the consolidated balance sheet data as of April 30, 2020 and 2019 are derived from our audited consolidated financial statements that are included elsewhere in this Annual Report on Form 10-K. The consolidated balance sheet data as of April 30, 2018 is derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected consolidated financial data in this section are not intended to replace our consolidated financial statements and the related notes, and are qualified in their entirety by the consolidated financial statements and related notes included elsewhere in Annual Report on Form 10-K. Our historical results are not necessarily indicative of our future results.

**Consolidated Statements of Operations:**

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Revenue</b>			
License - self-managed	\$ 53,536	\$ 39,474	\$ 25,759
Subscription - self-managed and SaaS	338,634	208,780	123,623
Total subscription revenue	392,170	248,254	149,382
Professional services	35,450	23,399	10,553
Total revenue	427,620	271,653	159,935
<b>Cost of revenue <sup>(1)(2)(3)</sup></b>			
Cost of license - self-managed	948	387	387
Cost of subscription - self-managed and SaaS	84,819	53,560	27,920
Total cost of revenue - subscription	85,767	53,947	28,307
Cost of professional services	36,923	24,063	12,433
Total cost of revenue	122,690	78,010	40,740
<b>Gross profit</b>	304,930	193,643	119,195
<b>Operating expenses <sup>(1)(2)(3)(4)</sup></b>			
Research and development	165,370	101,167	55,641
Sales and marketing	219,040	147,296	82,606
General and administrative	91,625	46,536	28,942
Total operating expenses	476,035	294,999	167,189
<b>Operating loss <sup>(1)(2)(3)(4)</sup></b>	(171,105)	(101,356)	(47,994)
Other income (expense), net	1,963	3,441	(1,357)
<b>Loss before income taxes</b>	(169,142)	(97,915)	(49,351)
Provision for (benefit from) income taxes	(1,968)	4,388	3,376
<b>Net loss</b>	\$ (167,174)	\$ (102,303)	\$ (52,727)
Net loss per share attributable to ordinary shareholders, basic and diluted	\$ (2.12)	\$ (1.86)	\$ (1.65)
Weighted-average shares used to compute net loss per share attributable to ordinary shareholders, basic and diluted	78,799,732	54,893,365	32,033,792

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Cost of Revenue</b>			
Cost of subscription - self managed and SaaS	\$ 4,147	\$ 3,383	\$ 699
Cost of professional services	2,980	1,208	329
Research and development	23,621	16,100	5,045
Sales and marketing	19,334	11,996	3,560
General and administrative	9,925	7,255	3,109
<b>Total stock-based compensation expense</b>	\$ 60,007	\$ 39,942	\$ 12,742

(2) Includes employer payroll taxes on employee stock transactions as follows (information for fiscal year 2018 is not meaningful):

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Cost of Revenue</b>			
Cost of subscription - self managed and SaaS	\$ 349	\$ 28	\$ —
Cost of professional services	178	10	—
Research and development	2,179	939	—
Sales and marketing	3,237	747	—
General and administrative	1,550	90	—
Total stock-based compensation expense	\$ 7,493	\$ 1,814	\$ —

(3) Includes amortization of acquired intangibles as follows:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Cost of Revenue</b>			
Cost of license - self-managed	\$ 948	\$ 387	\$ 387
Cost of subscription - self-managed and SaaS	5,820	2,421	1,521
Sales and marketing	3,300	148	119
Total amortization of acquired intangibles	\$ 10,068	\$ 2,956	\$ 2,027

(4) Includes acquisition-related expenses as follows:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Research and development	\$ 34	\$ 689	\$ 655
Sales and marketing	522	—	—
General and administrative	17,418	259	608
Total acquisition-related expenses	\$ 17,974	\$ 948	\$ 1,263

**Consolidated Balance Sheet Data:**

	As of April 30,		
	2020	2019	2018
	(in thousands)		
Cash and cash equivalents	\$ 297,081	\$ 298,000	\$ 50,941
Working capital	\$ 158,815	\$ 226,061	\$ 7,116
Total assets	\$ 803,911	\$ 485,738	\$ 183,013
Deferred revenue, current and non-current	\$ 259,702	\$ 170,666	\$ 102,561
Redeemable convertible preference shares	\$ —	\$ —	\$ 200,921
Accumulated deficit	\$ (484,251)	\$ (317,077)	\$ (214,774)
Total shareholders' equity (deficit)	\$ 413,647	\$ 263,012	\$ (153,529)

## 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 the section titled “Selected Consolidated Financial Data” and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. As discussed in the section titled “Note Regarding Forward-Looking Statements,” the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such difference include, but are not limited to, those identified below and those discussed in the section titled “Risk Factors” included elsewhere in this Annual Report on Form 10-K. Our fiscal year end is April 30.*

### Overview

Elastic is a search company. We deliver technology that enables users to search through massive amounts of structured and unstructured data for a wide range of consumer and enterprise applications. Our primary offering is the Elastic Stack, a powerful set of software products that ingest and store data from any source, and in any format, and perform search, analysis, and visualization in milliseconds or less. The Elastic Stack is designed for direct use by developers to power a variety of use cases. We also offer three software solutions – Enterprise Search, Observability, and Security – built on the Elastic Stack. Our solutions are designed to be deployed everywhere: in public or private clouds, in hybrid environments, or in traditional on-premises environments. Our products are used by individual developers and organizations of all sizes across a wide range of industries.

Elasticsearch is the heart of the Elastic Stack. It is a distributed, real-time search and analytics engine and datastore for exploring all types of data including textual, numerical, geospatial, structured, and unstructured. The first public release of Elasticsearch was in 2010 by our co-founder Shay Banon as an open source project. The Company was formed in 2012. Since then, we have added new products, released new features, acquired companies, and created new solutions to expand the functionality of our products.

Our business model is based on a combination of open source and proprietary software. We market and distribute the Elastic Stack and our solutions using a free and open distribution strategy. Developers are able to download our software directly from our website. Some features of our software can be downloaded and used free of charge. Others are only available through paid subscriptions, which include access to specific proprietary features and also include support. These paid features can be unlocked without the need to re-deploy the software. There is no free subscription tier in our cloud offerings, where all subscriptions are paid.

We believe that our distribution strategy drives a number of benefits for our users, our customers, and our company. It facilitates rapid and efficient developer adoption, particularly by empowering individual developers to download and use our software without payment, registration, or the friction of a formal sales interaction. It fosters a vibrant developer community around our products and solutions, which drives adoption of our products and increased interaction among users. Further, this approach enables community review of our code and products, which allows us to improve the reliability and security of our software.

We generate revenue primarily from sales of subscriptions for our software. We offer various paid subscription tiers that provide different levels of access to proprietary features and support. We do not sell support separately. Our subscription agreements for self-managed deployments typically have terms of one to three years and we usually bill for them annually in advance. Elastic Cloud customers may purchase subscriptions either on a month-to-month basis or on a committed contract of at least one year in duration. Subscriptions accounted for 92%, 91% and 93% of total revenue in the years ended April 30, 2020, 2019 and 2018, respectively. We also generate revenue from consulting and training services.

We had over 11,300 customers, over 8,100 customers and over 5,000 customers as of April 30, 2020, 2019, and 2018, respectively. We define a customer as an entity that generated revenue in the quarter ending on the measurement date from an annual or month-to-month subscription. All affiliated entities are typically counted as a single customer. The annual contract value (“ACV”) of a customer’s commitments is calculated based on the terms of that customer’s subscriptions, and represents the total committed annual subscription amount as of the measurement date. Month-to-month subscriptions are not included in the calculation of ACV. The number of customers who represented greater than \$100,000 in ACV was over 610, over 440, and over 275 as of April 30, 2020, 2019 and 2018, respectively.

We engage in various sales and marketing efforts to extend our free and open distribution model. We employ multi-touch marketing campaigns to nurture our users and customers and keep them engaged after they download our software. Additionally, we maintain direct sales efforts focused on users and customers who have adopted our software, as well as departmental decision-makers and senior executives who have broad purchasing power in their organizations. Our sales teams are primarily segmented by geographies and secondarily by the employee count of our customers. They focus on both initial conversion of users into customers and additional sales to existing customers. In addition to our direct sales efforts, we also maintain partnerships to further extend our reach and awareness of our products around the world.



We continue to make substantial investments in developing the Elastic Stack and our solutions and expanding our global sales and marketing footprint. With a distributed team spanning over 35 countries, we are able to recruit, hire, and retain high-quality, experienced technical and sales personnel and operate at a rapid pace to drive product releases, fix bugs, and create and market new products. We had 1,936 employees as of April 30, 2020.

On October 8, 2019, the Company acquired all outstanding shares of Endgame, a security company offering endpoint protection technology, for a total acquisition price of \$234.0 million. Elastic paid the purchase price through (i) the issuance of 2,218,694 ordinary shares in respect of Endgame's outstanding capital stock, warrants, convertible notes, and certain retention awards, (ii) the cash repayment of Endgame's outstanding indebtedness of \$20.4 million, (iii) the assumption of Endgame's outstanding options, (iv) a \$0.4 million cash deposit to an expense fund for the fees and expenses of the representative and agent of Endgame securityholders, (v) the cash payment of Endgame's transaction expenses of \$5.9 million, and (vi) the cash payment of withholding taxes related to acquisition expense settled in shares of \$2.8 million. Approximately 11% of the ordinary shares issued, or 235,031 shares, are being held in an indemnity escrow fund for 18 months after the acquisition close date. Refer to Note 5, Acquisitions in the notes to consolidated financial statements for further discussion of the acquisition.

We have experienced significant growth, with revenue increasing to \$427.6 million in the year ended April 30, 2020 from \$271.7 million in the year ended April 30, 2019 and \$159.9 million in the year ended April 30, 2018, representing year-over-year growth of 57% for the year ended April 30, 2020 and 70% for the year ended April 30, 2019. In the year ended April 30, 2020, revenue from outside the United States accounted for 43% of our total revenue. For our non-U.S. operations, the majority of our revenue and expenses are denominated in currencies such as the Euro and British Pound Sterling. No customer represented more than 10% of our revenue in the years ended April 30, 2020, 2019 or 2018. We have not been profitable to date. In the years ended April 30, 2020, 2019 and 2018, we incurred net losses of \$167.2 million, \$102.3 million and \$52.7 million, respectively, and our net cash used in operating activities was \$30.6 million, \$23.9 million and \$20.8 million, respectively. We have experienced losses in each year since our incorporation and as of April 30, 2020, had an accumulated deficit of \$484.3 million. We expect we will continue to incur net losses for the foreseeable future. There can be no assurance as to when we may become profitable.

## COVID-19

In March 2020, the World Health Organization declared COVID-19 a pandemic. The full extent of the impact of the COVID-19 pandemic on our operational and financial performance will depend on certain developments, including the duration and spread of the virus, impact on our customers and our sales cycles, impact on our customer, employee or industry events, and effect on our vendors, all of which are uncertain and cannot be predicted. Due to our subscription-based business model, the effect of COVID-19 may not be fully reflected in our results of operations until future periods, if at all. In the near to intermediate term, we may experience an increase in delayed purchasing decisions from prospective customers and longer sales cycles, which we have experienced, which in turn, could result in delays in deals closing, creating near-term headwinds for calculated billings, as well as potential future impacts on revenue growth and other key metrics.

## Key Factors Affecting Our Performance

We believe that the growth and future success of our business depends on many factors, including those described below. While each of these factors presents significant opportunities for our business, they also pose important challenges that we must successfully address in order to sustain our growth and improve our results of operations.

**Growing the Elastic community.** Our strategy consists of providing a combination of open source, free proprietary and paid proprietary software and fostering a community of users and developers. Our strategy is designed to pursue what we believe to be significant untapped potential for the use of our technology. After developers begin to use our software and start to participate in our developer community, they become more likely to apply our technology to additional use cases and evangelize our technology within their organizations. This reduces the time required for our sales force to educate potential leads on our solutions. In order to capitalize on our opportunity, we intend to make further investments to keep the Elastic Stack accessible and well known to software developers around the world. We intend to continue to invest in our products and support and engage our user base and developer community through content, events, and conferences in the U.S. and internationally. Our results of operations may fluctuate as we make these investments.

**Developing new features to expand the use cases to which the Elastic Stack can be applied.** The Elastic Stack is applied to various use cases both directly by developers and through the solutions we offer. Our revenue is derived primarily from subscriptions of Enterprise Search, Observability and Security built on the Elastic Stack. We believe that releasing additional features of the Elastic Stack and additional features for our solutions on top of the Elastic Stack drives usage of our products and ultimately drives our growth. To that end, we plan to continue to invest in building new features and solutions that expand the capabilities of our solutions and the Elastic Stack and make it easier to apply to additional use cases. These investments may adversely affect our operating results prior to generating benefits, to the extent that they ultimately generate benefits at all.

**Growing our customer base by converting users of our software to paid subscribers.** Our financial performance depends on growing our paid customer base by converting free users of our software into paid subscribers. Our distribution model has resulted in rapid adoption by developers around the world. We have invested, and expect to continue to invest, heavily in sales and marketing efforts to convert additional free users to paid subscribers. Our investment in sales and marketing is significant given our large and diverse user base. The investments are likely to occur in advance of the anticipated benefits resulting from such investments, such that they may adversely affect our operating results in the near term.

**Expanding within our current customer base.** Our future growth and profitability depend on our ability to drive additional sales to existing customers. Customers often expand the use of our software within their organizations by increasing the number of developers using our products, increasing the utilization of our products for a particular use case, and expanding use of our products to additional use cases. We focus some of our direct sales efforts on encouraging these types of expansion within our customer base.

An indication of how our customer relationships have expanded over time is through our Net Expansion Rate, which is based upon trends in the ACV of customers that have entered into annual subscription agreements. To calculate an expansion rate as of the end of a given month, we start with the ACV from all such customers as of twelve months prior to that month end, or Prior Period Value. We then calculate the ACV from these same customers as of the given month end, or Current Period Value, which includes any growth in the value of their subscriptions and is net of contraction or attrition over the prior twelve months. We then divide the Current Period Value by the Prior Period Value to arrive at an expansion rate. The Net Expansion Rate at the end of any period is the weighted average of the expansion rates as of the end of each of the trailing twelve months. We believe that our Net Expansion Rate provides useful information about the evolution of our business' existing customers. The Net Expansion Rate includes the dollar-weighted value of our subscriptions that expand, renew, contract, or attrit. For instance, if each customer had a one-year subscription and renewed its subscription for the exact same amount, then the Net Expansion Rate would be 100%. Customers who reduced their annual subscription dollar value (contraction) or did not renew their annual subscription (attrition) would adversely affect the Net Expansion Rate. Our Net Expansion Rate continued to be over 130% for each quarter during fiscal 2020.

As large organizations expand their use of the Elastic Stack across multiple use cases, projects, divisions and users, they often begin to require centralized provisioning, management and monitoring across multiple deployments. To satisfy these requirements, we offer the Elastic Enterprise subscription. We will continue to focus some of our direct sales efforts on driving adoption of our paid offerings.

**Increasing adoption of Elastic Cloud.** Elastic Cloud, our family of SaaS products that includes Elasticsearch Service, Site Search Service, and App Search Service, is an important growth opportunity for our business. Organizations are increasingly looking for SaaS deployment alternatives with reduced administrative burdens. In some cases, open source users that have been self-managing deployments of the Elastic Stack subsequently become paying subscribers of Elastic Cloud. In the years ended April 30, 2020, 2019 and 2018, Elastic Cloud contributed 22%, 17% and 16% of our total revenue, respectively. We believe that offering a SaaS deployment alternative is important for achieving our long-term growth potential, and we expect Elastic Cloud's contribution to our subscription revenue to increase over time. However, an increase in the relative contribution of Elastic Cloud to our business could adversely impact our gross margin as a result of the associated hosting and managing costs.

#### **Non-GAAP Financial Measures**

In addition to our results determined in accordance with U.S. GAAP, we believe the following non-GAAP measures are useful in evaluating our operating performance. We use the following non-GAAP financial information to evaluate our ongoing operations and for internal planning and forecasting purposes. We believe that non-GAAP financial information, when taken collectively, may be helpful to investors because it provides consistency and comparability with past financial performance. However, non-GAAP financial information is presented for supplemental informational purposes only, has limitations as an analytical tool and should not be considered in isolation or as a substitute for financial information presented in accordance with U.S. GAAP. In particular, free cash flow is not a substitute for cash used in operating activities. Additionally, the utility of free cash flow as a measure of our financial performance and liquidity is further limited as it does not represent the total increase or decrease in our cash balance for a given period. In addition, other companies, including companies in our industry, may calculate similarly-titled non-GAAP measures differently or may use other measures to evaluate their performance, all of which could reduce the usefulness of our non-GAAP financial measures as tools for comparison. A reconciliation is provided below for each non-GAAP financial measure to the most directly comparable financial measure stated in accordance with U.S. GAAP. Investors are encouraged to review the related GAAP financial measures and the reconciliation of these non-GAAP financial measures to their most directly comparable GAAP financial measures, and not to rely on any single financial measure to evaluate our business.

We believe that these non-GAAP financial measures, when taken together with the corresponding GAAP financial measures, provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our business, operating results or future outlook.

#### *Non-GAAP Gross Profit and Non-GAAP Gross Margin*

We define non-GAAP gross profit and non-GAAP gross margin as GAAP gross profit and GAAP gross margin, respectively, excluding stock-based compensation expense, employer payroll taxes on employee stock transactions, and amortization of acquired intangible assets. We believe non-GAAP gross profit and non-GAAP gross margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations, as these metrics generally eliminate the effects of certain variables from period to period for reasons unrelated to overall operating performance.

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Gross profit	\$ 304,930	\$ 193,643	\$ 119,195
Stock-based compensation expense	7,127	4,591	1,028
Employer payroll taxes on employee stock transactions	527	38	—
Amortization of acquired intangibles	6,768	2,808	1,908
Non-GAAP gross profit	<u>\$ 319,352</u>	<u>\$ 201,080</u>	<u>\$ 122,131</u>
Gross margin	71 %	71 %	75 %
Non-GAAP gross margin (non-GAAP gross profit as a percentage of revenue)	75 %	74 %	76 %

#### *Non-GAAP Operating Loss and Non-GAAP Operating Margin*

We define non-GAAP operating loss and non-GAAP operating margin as GAAP operating loss and GAAP operating margin, respectively, excluding stock-based compensation expense, employer payroll taxes on employee stock transactions, amortization of acquired intangible assets, and acquisition-related expenses. We believe non-GAAP operating loss and non-GAAP operating margin provide our management and investors consistency and comparability with our past financial performance and facilitate period-to-period comparisons of operations, as these metrics generally eliminate the effects of certain variables from period to period for reasons unrelated to overall operating performance.

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Operating loss	\$ (171,105)	\$ (101,356)	\$ (47,994)
Stock-based compensation expense	60,007	39,942	12,742
Employer payroll taxes on employee stock transactions	7,493	1,814	—
Amortization of acquired intangibles	10,068	2,956	2,027
Acquisition-related expenses	17,974	948	1,263
Non-GAAP loss from operations	<u>\$ (75,563)</u>	<u>\$ (55,696)</u>	<u>\$ (31,962)</u>
Operating margin	(40)%	(37)%	(30)%
Non-GAAP operating margin (non-GAAP loss from operations as a percentage of revenue)	(18)%	(21)%	(20)%

#### *Free Cash Flow and Free Cash Flow Margin*

Free cash flow is a non-GAAP financial measure that we define as net cash (used in) provided by operating activities less purchases of property and equipment. Free cash flow margin is calculated as free cash flow divided by total revenue. We believe that free cash flow and free cash flow margin are useful indicators of liquidity that provide information to management and investors about the amount of cash generated from our core operations that, after the purchases of property and equipment, can be used for strategic initiatives, including investing in our business and selectively pursuing acquisitions and strategic investments. We further believe that historical and future trends in free cash flow and free cash flow margin, even if negative, provide useful information about the amount of cash generated (or consumed) by our operating activities that is available (or not available) to be used for strategic initiatives. For example, if free cash flow is negative, we may need to access cash reserves or other sources of capital to invest in strategic initiatives. One limitation of free cash flow and free cash flow margin is that

they do not reflect our future contractual commitments. Additionally, free cash flow does not represent the total increase or decrease in our cash balance for a given period.

The following table presents our cash flows for the periods presented and a reconciliation of free cash flow and free cash flow margin to net cash used in operating activities, the most directly comparable financial measure calculated in accordance with GAAP:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Net cash used in operating activities	\$ (30,564)	\$ (23,937)	\$ (20,819)
Less: Purchases of property and equipment	(5,063)	(3,447)	(2,968)
Free cash flow	<u>\$ (35,627)</u>	<u>\$ (27,384)</u>	<u>\$ (23,787)</u>
Net cash (used in) provided by investing activities	\$ (29,187)	\$ (8,283)	\$ 8,330
Net cash provided by financing activities	\$ 58,539	\$ 281,788	\$ 3,427
Net cash used in operating activities (as a percentage of total revenue)	(7)%	(9)%	(13)%
Less: Purchases of property and equipment (as a percentage of total revenue)	(1)%	(1)%	(2)%
Free cash flow margin	<u>(8)%</u>	<u>(10)%</u>	<u>(15)%</u>

#### Calculated Billings

We define calculated billings as total revenue plus the increase in total deferred revenue as presented on or derived from our consolidated statements of cash flows less the (increase) decrease in total unbilled accounts receivable in a given period. Calculated billings exclude the effects of deferred revenue and unbilled accounts receivable acquired through acquisitions. We typically invoice our customers annually in advance, and to a lesser extent multi-year in advance, quarterly in advance, monthly in advance, monthly in arrears or upon delivery. Our management uses calculated billings to understand and evaluate our near-term cash flows and operating results. The following table presents our calculated billings for the periods presented and a reconciliation of calculated billings to total revenue, the most directly comparable financial measure calculated in accordance with GAAP:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Total revenue	\$ 427,620	\$ 271,653	\$ 159,935
Add: Increase in total deferred revenue	85,670	71,876	45,814
Less: Increase in unbilled accounts receivable	(592)	(571)	(25)
Calculated billings	<u>\$ 512,698</u>	<u>\$ 342,958</u>	<u>\$ 205,724</u>

## Components of Results of Operations

### Revenue

**Subscription.** Our revenue is primarily generated through the sale of subscriptions to software, which is either self-managed by the user or hosted and managed by us in the cloud. Subscriptions provide access to paid proprietary software features and access to support for our paid and unpaid software.

A portion of the revenue from self-managed subscriptions is generally recognized up front at the point in time when the license is delivered. This revenue is presented as License – self-managed in our consolidated statements of operations. The remainder of revenue from self-managed subscriptions is recognized ratably over the subscription term while revenue from subscriptions that require access to the cloud or that are hosted and managed by us in the cloud is recognized ratably over the subscription term or on a usage basis; both are presented within Subscription – self-managed and SaaS in our consolidated statements of operations.

**Professional services.** Professional services comprises consulting services as well as public and private training. Consulting services are generally time-based arrangements. Revenue for professional services is recognized as these services are performed.

## Cost of Revenue

**Subscription.** Cost of license – self-managed consists of amortization of certain intangible assets. Cost of subscription – self-managed and SaaS consists primarily of personnel and related costs for employees associated with supporting our subscription arrangements, certain third-party expenses, and amortization of certain intangible and other assets. Personnel and related costs, or personnel costs, comprise cash compensation, benefits and stock-based compensation to employees, costs of third-party contractors, and allocated overhead costs. Third-party expenses consist of cloud hosting costs and other expenses directly associated with our customer support. We expect our cost of subscription – self-managed and SaaS to increase in absolute dollars as our subscription revenue increases.

**Professional services.** Cost of professional services revenue consists primarily of personnel costs directly associated with delivery of training, implementation and other professional services, costs of third-party contractors, facility rental charges and allocated overhead costs. We expect our cost of professional services revenue to increase in absolute dollars as we invest in our business and as professional services revenue increases.

**Gross profit and gross margin.** Gross profit represents revenue less cost of revenue. Gross margin, or gross profit as a percentage of revenue, has been and will continue to be affected by a variety of factors, including the timing of our acquisition of new customers and our renewals with existing customers, the average sales price of our subscriptions and professional services, the amount of our revenue represented by hosted services, the mix of subscriptions sold, the mix of revenue between subscriptions and professional services, the mix of professional services between consulting and training, transaction volume growth and support case volume growth. We expect our gross margin to fluctuate over time depending on the factors described above. We expect our revenue from Elastic Cloud to increase as a percentage of total revenue, which we expect will adversely impact our gross margin as a result of the associated hosting and managing costs.

## Operating Expenses

**Research and development.** Research and development expense primarily consists of personnel costs and allocated overhead costs for employees and contractors. We expect our research and development expense to increase in absolute dollars for the foreseeable future as we continue to develop new technology and invest further in our existing products.

**Sales and marketing.** Sales and marketing expense primarily consists of personnel costs, commissions, allocated overhead costs and costs related to marketing programs and user events. Marketing programs consist of advertising, events, brand-building and customer acquisition and retention activities. We expect our sales and marketing expense to increase in absolute dollars as we expand our salesforce and increase our investments in marketing resources. We capitalize sales commissions and associated payroll taxes paid to internal sales personnel that are related to the acquisition of customer contracts. Sales commissions costs are amortized over the expected benefit period.

**General and administrative.** General and administrative expense primarily consists of personnel costs for our management, finance, legal, human resources, and other administrative employees. Our general and administrative expense also includes professional fees, accounting fees, audit fees, tax services and legal fees, as well as insurance, allocated overhead costs, and other corporate expenses. We expect our general and administrative expense to increase in absolute dollars as we increase the size of our general and administrative functions to support the growth of our business. We also anticipate that we will continue to incur additional costs for employees and third-party consulting services related to operating as a public company.

## Other Income (Expense), Net

Other income (expense), net primarily consists of gains and losses from transactions denominated in a currency other than the functional currency and interest income (expense).

## Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes consists primarily of income taxes related to the Netherlands, U.S. federal, state and foreign jurisdictions in which we conduct business. Our effective tax rate is affected by recurring items, such as tax rates in jurisdictions outside the Netherlands and the relative amounts of income we earn in those jurisdictions, non-deductible stock-based compensation and changes in our valuation allowance.

## Results of Operations

The following tables set forth our results of operations for the periods presented in dollars and as a percentage of our total revenue. The Company has elected to omit a discussion and analysis of the financial condition and results of operations of certain items from fiscal year ended April 30, 2018 and year to year comparison between fiscal year ended April 30, 2019 and April 30, 2018. Such discussion and analysis can be found in “Management’s Discussion and Analysis of Financial Condition

and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended April 30, 2019, filed with the SEC on June 28, 2019 and is incorporated by reference herein. The period to period comparison of results is not necessarily indicative of results for future periods.

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Revenue</b>			
License - self-managed	\$ 53,536	\$ 39,474	\$ 25,759
Subscription - self-managed and SaaS	338,634	208,780	123,623
Total subscription revenue	392,170	248,254	149,382
Professional services	35,450	23,399	10,553
Total revenue	427,620	271,653	159,935
<b>Cost of revenue <sup>(1)(2)(3)</sup></b>			
Cost of license - self-managed	948	387	387
Cost of subscription - self-managed and SaaS	84,819	53,560	27,920
Total cost of revenue - subscription	85,767	53,947	28,307
Cost of professional services	36,923	24,063	12,433
Total cost of revenue	122,690	78,010	40,740
Gross profit	304,930	193,643	119,195
<b>Operating expenses <sup>(1)(2)(3)(4)</sup></b>			
Research and development	165,370	101,167	55,641
Sales and marketing	219,040	147,296	82,606
General and administrative	91,625	46,536	28,942
Total operating expenses	476,035	294,999	167,189
Operating loss <sup>(1)(2)(3)(4)</sup>	(171,105)	(101,356)	(47,994)
Other income (expense), net	1,963	3,441	(1,357)
Loss before income taxes	(169,142)	(97,915)	(49,351)
Provision for (benefit from) income taxes	(1,968)	4,388	3,376
Net loss	\$ (167,174)	\$ (102,303)	\$ (52,727)

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Cost of Revenue</b>			
Cost of subscription - self managed and SaaS	\$ 4,147	\$ 3,383	\$ 699
Cost of professional services	2,980	1,208	329
Research and development	23,621	16,100	5,045
Sales and marketing	19,334	11,996	3,560
General and administrative	9,925	7,255	3,109
Total stock-based compensation expense	\$ 60,007	\$ 39,942	\$ 12,742

(2) Includes employer payroll taxes on employee stock transactions as follows (information for fiscal year 2018 is not meaningful):

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Cost of Revenue</b>			
Cost of subscription - self managed and SaaS	\$ 349	\$ 28	\$ —
Cost of professional services	178	10	—
Research and development	2,179	939	—
Sales and marketing	3,237	747	—
General and administrative	1,550	90	—
<b>Total employer payroll tax on stock transactions</b>	<b>\$ 7,493</b>	<b>\$ 1,814</b>	<b>\$ —</b>

(3) Includes amortization of acquired intangibles as follows:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
<b>Cost of Revenue</b>			
Cost of license - self-managed	\$ 948	\$ 387	\$ 387
Cost of subscription - self-managed and SaaS	5,820	2,421	1,521
Sales and marketing	3,300	148	119
<b>Total amortization of acquired intangibles</b>	<b>\$ 10,068</b>	<b>\$ 2,956</b>	<b>\$ 2,027</b>

(4) Includes acquisition-related expenses as follows:

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Research and development	\$ 34	\$ 689	\$ 655
Sales and marketing	522	—	—
General and administrative	17,418	259	608
<b>Total acquisition-related expenses</b>	<b>\$ 17,974</b>	<b>\$ 948</b>	<b>\$ 1,263</b>

The following table sets forth selected consolidated statements of operations data for each of the periods indicated as a percentage of total revenue:

	Year Ended April 30,		
	2020	2019	2018
<b>Revenue</b>			
License - self-managed	13 %	14 %	16 %
Subscription - self-managed and SaaS	79 %	77 %	77 %
Total subscription revenue	92 %	91 %	93 %
Professional services	8 %	9 %	7 %
Total revenue	100 %	100 %	100 %
<b>Cost of revenue</b>			
Cost of license - self-managed	0 %	0 %	0 %
Cost of subscription - self-managed and SaaS	20 %	20 %	17 %
Total cost of revenue - subscription	20 %	20 %	17 %
Cost of professional services	9 %	9 %	8 %
Total cost of revenue	29 %	29 %	25 %
Gross profit	71 %	71 %	75 %
<b>Operating expenses</b>			
Research and development	39 %	37 %	35 %
Sales and marketing	51 %	54 %	52 %
General and administrative	21 %	17 %	18 %
Total operating expenses	111 %	108 %	105 %
Operating loss	(40)%	(37)%	(30)%
Other income (expense), net	0 %	1 %	(1)%
Loss before income taxes	(40)%	(36)%	(31)%
Provision for (benefit from) income taxes	(1)%	2 %	2 %
Net loss	(39)%	(38)%	(33)%

### Comparison of Fiscal Years Ended April 30, 2020 and 2019

#### Revenue

	Year Ended April 30,		Change	
	2020	2019	\$	%
	(in thousands)			
<b>Revenue</b>				
License - self-managed	\$ 53,536	\$ 39,474	\$ 14,062	36 %
Subscription - self-managed and SaaS	338,634	208,780	129,854	62 %
Total subscription revenue	392,170	248,254	143,916	58 %
Professional services	35,450	23,399	12,051	52 %
Total revenue	\$ 427,620	\$ 271,653	\$ 155,967	57 %

Total revenue increased by \$156.0 million, or 57%, in the year ended April 30, 2020 compared to the prior year.

Total subscription revenue increased \$143.9 million, or 58%, in the year ended April 30, 2020 compared to the prior year. The increase in revenue was primarily caused by volume-driven increases from new business, as existing customers purchased additional subscriptions, and we grew our subscription customer base to over 11,300 customers in the year ended April 30, 2020 compared to over 8,100 customers in the prior year.

Professional services revenue increased by \$12.1 million, or 52%, in the year ended April 30, 2020 compared to the prior year. The increase in professional services revenue was attributable to increased adoption of our professional services offerings.



## Cost of Revenue and Gross Margin

	Year Ended April 30,		Change	
	2020	2019	\$	%
(in thousands)				
Cost of revenue				
Cost of license - self-managed	\$ 948	\$ 387	\$ 561	145 %
Cost of subscription - self-managed and SaaS	84,819	53,560	31,259	58 %
Total cost of revenue - subscription	85,767	53,947	31,820	59 %
Cost of professional services	36,923	24,063	12,860	53 %
Total cost of revenue	\$ 122,690	\$ 78,010	\$ 44,680	57 %
Gross profit	\$ 304,930	\$ 193,643	\$ 111,287	57 %
Gross margin:				
License - self-managed	98 %	99 %		
Subscriptions - self-managed and SaaS	75 %	74 %		
Total subscription margin	78 %	78 %		
Professional services	(4)%	(3)%		
Total gross margin	71 %	71 %		

Total cost of subscription revenue increased by \$31.8 million, or 59%, in the year ended April 30, 2020 compared to the prior year. This increase was primarily due to an increase of \$20.6 million in cloud infrastructure costs and an increase of \$5.2 million in personnel and related charges from growth in headcount in our support organization. In addition, amortization of acquired intangible assets increased \$3.3 million. The increase in personnel and related costs includes an increase of \$3.8 million in salaries and related taxes and an increase of \$0.8 million in stock-based compensation expense. Total subscription margin remained flat at 78% in the year ended April 30, 2020 compared to the prior year.

Cost of professional services revenue increased by \$12.9 million, or 53%, in the year ended April 30, 2020 compared to the prior year. This increase was primarily due to an increase of \$12.1 million in personnel and related costs and increases of \$0.7 million in software and equipment expense and rent of \$0.7 million driven by an increase in headcount in our consulting and training organizations. These increases were partially offset by a decrease of \$1.7 million in subcontractor costs. The increase in personnel and related costs includes an increase of \$8.3 million in salaries and related taxes and an increase of \$1.8 million in stock-based compensation expense.

Gross margin for professional services revenue was (4)% in the year ended April 30, 2020 compared to (3)% for the prior year. Historically, our professional services offerings have primarily consisted of training, however, we have recently experienced increased demand for consulting services. In the year ended April 30, 2020, we have invested in headcount for our professional services organization that we believe will be needed as we continue to grow. Our gross margin for professional services may fluctuate or decline in the near-term as we seek to expand our professional services business.

## Operating Expenses

### Research and development

	Year Ended April 30,		Change	
	2020	2019	\$	%
(in thousands)				
Research and development	\$ 165,370	\$ 101,167	\$ 64,203	63 %

Research and development expense increased by \$64.2 million, or 63%, in the year ended April 30, 2020 compared to the prior year as we continued to invest in the development of new and existing offerings. Personnel and related costs increased by \$51.3 million and software and equipment expense increased by \$3.4 million, primarily as a result of growth in headcount. In addition, cloud infrastructure costs related to our research and development activities increased \$3.4 million. The increase in personnel and related costs includes an increase of \$38.2 million in salaries and related taxes and an increase of \$7.5 million in stock-based compensation expense.

### Sales and marketing

	Year Ended April 30,		Change	
	2020	2019	\$	%
	(in thousands)			
Sales and marketing	\$ 219,040	\$ 147,296	\$ 71,744	49 %

Sales and marketing expense increased by \$71.7 million, or 49%, in the year ended April 30, 2020 compared to the prior year. This increase was primarily due to an increase of \$55.1 million in personnel and related costs and an increase of \$3.0 million in software and equipment expense, as we continue to increase our sales and marketing headcount. In addition, marketing expenses increased \$5.2 million as we increased the reach of our global marketing campaigns and amortization of acquired intangible assets increased by \$3.2 million. The increase in personnel and related costs includes an increase of \$33.9 million in salaries and related taxes, an increase of \$6.4 million in commissions expense related to the amortization of contract acquisition costs and an increase of \$7.3 million in stock-based compensation expense.

### General and administrative

	Year Ended April 30,		Change	
	2020	2019	\$	%
	(in thousands)			
General and administrative	\$ 91,625	\$ 46,536	\$ 45,089	97 %

General and administrative expense increased by \$45.1 million, or 97%, in the year ended April 30, 2020 compared to the prior year. As a result of our continued investment in headcount, personnel and related costs increased by \$37.3 million. Legal and professional advisory expenses increased by \$8.1 million due primarily to expenses incurred in connection with the acquisition of Endgame and international expansion. The increase in personnel and related costs includes an increase of \$17.6 million in salaries and related taxes, an increase in acquisition-related compensation of \$12.5 million and an increase of \$2.7 million in stock-based compensation expense.

### Other Income (Expense), Net

	Year Ended April 30,		Change	
	2020	2019	\$	%
	(in thousands)			
Other income (expense), net	\$ 1,963	\$ 3,441	\$ (1,478)	(43)%

Other income was \$2.0 million for the year ended April 30, 2020 compared to \$3.4 million in the prior year. This decrease was primarily due to a higher negative impact of foreign currency fluctuations of \$2.0 million and a decrease of \$0.5 million in other income which were partially offset by an increase of \$0.9 million in interest income.

### Provision for (Benefit from) Income Taxes

	Year Ended April 30,		Change	
	2020	2019	\$	%
	(in thousands)			
Provision for (benefit from) income taxes	\$ (1,968)	\$ 4,388	\$ (6,356)	(145)%

The benefit from income taxes was \$2.0 million compared to a provision for \$4.4 million in the prior year. The additional tax benefit is primarily due to the increase in the pretax loss, benefit from net operating loss carryback due to the Coronavirus Aid, Relief, and Economic Security Act, tax benefit for stock-based compensation which were partially offset by a valuation allowance for deferred tax assets in the United States, the Netherlands, and the United Kingdom. Our effective tax rate was 1.2% and (4.5)% of our net loss before taxes for the year ended April 30, 2020 and 2019, respectively.

## Quarterly Results of Operations

The following tables set forth our unaudited quarterly consolidated statements of operations data for each of the quarters indicated, as well as the percentage that each line item represents of our total revenue for each quarter presented. The information for each quarter has been prepared on a basis consistent with our audited consolidated financial statements included in this Annual Report on Form 10-K, and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair statement of the financial information contained in those financial statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction with our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Revenue</b>								
License - self-managed	\$ 16,862	\$ 14,495	\$ 12,272	\$ 9,907	\$ 12,624	\$ 9,406	\$ 10,204	\$ 7,240
Subscription - self-managed and SaaS	97,041	89,703	79,407	72,483	60,999	55,180	48,232	44,369
Total subscription revenue	113,903	104,198	91,679	82,390	73,623	64,586	58,436	51,609
Professional services	9,720	8,983	9,427	7,320	6,976	6,249	5,139	5,035
Total revenue	123,623	113,181	101,106	89,710	80,599	70,835	63,575	56,644
<b>Cost of revenue <sup>(1)(2)(3)</sup></b>								
Cost of license - self-managed	346	347	158	97	97	96	97	97
Cost of subscription - self-managed and SaaS	23,987	23,196	19,741	17,895	16,548	13,941	12,870	10,201
Total cost of revenue - subscription	24,333	23,543	19,899	17,992	16,645	14,037	12,967	10,298
Cost of professional services	9,940	9,862	8,862	8,259	6,797	6,387	5,620	5,259
Total cost of revenue	34,273	33,405	28,761	26,251	23,442	20,424	18,587	15,557
Gross profit	89,350	79,776	72,345	63,459	57,157	50,411	44,988	41,087
<b>Operating expenses <sup>(1)(2)(3)(4)</sup></b>								
Research and development	45,591	46,119	38,478	35,182	31,004	25,850	25,332	18,981
Sales and marketing	58,180	54,829	54,020	52,011	45,044	37,196	34,634	30,422
General and administrative	20,153	21,096	31,808	18,568	13,194	11,151	12,092	10,099
Total operating expenses	123,924	122,044	124,306	105,761	89,242	74,197	72,058	59,502
Operating loss <sup>(1)(2)(3)(4)</sup>	(34,574)	(42,268)	(51,961)	(42,302)	(32,085)	(23,786)	(27,070)	(18,415)
Other income (expense), net	687	(1,339)	1,684	931	704	1,877	264	596
Loss before income taxes	(33,887)	(43,607)	(50,277)	(41,371)	(31,381)	(21,909)	(26,806)	(17,819)
Provision for (benefit from) income taxes	(2,736)	674	(304)	398	3,454	(558)	733	759
Net loss	\$ (31,151)	\$ (44,281)	\$ (49,973)	\$ (41,769)	\$ (34,835)	\$ (21,351)	\$ (27,539)	\$ (18,578)
Net loss per share attributable to ordinary shareholders, basic and diluted	\$ (0.38)	\$ (0.55)	\$ (0.64)	\$ (0.56)	\$ (0.48)	\$ (0.30)	\$ (0.63)	\$ (0.56)
Weighted-average shares used to compute net loss per share attributable to ordinary shareholders, basic and diluted	82,123,381	80,737,237	77,772,406	74,643,782	72,307,990	70,725,336	43,978,770	32,978,163

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Cost of Revenue</b>								
Cost of subscription - self managed and SaaS	\$ 1,278	\$ 1,008	\$ 946	\$ 915	\$ 1,195	\$ 1,095	\$ 680	\$ 413
Cost of professional services	902	879	638	561	440	364	227	177
Research and development	6,534	6,256	5,870	4,961	4,714	4,604	4,685	2,097
Sales and marketing	5,828	4,540	4,658	4,308	3,911	3,471	2,762	1,852
General and administrative	2,690	2,905	2,304	2,026	1,667	1,577	2,885	1,126
Total stock-based compensation expense	\$ 17,232	\$ 15,588	\$ 14,416	\$ 12,771	\$ 11,927	\$ 11,111	\$ 11,239	\$ 5,665

(2) Includes employer payroll taxes on employee stock transactions as follows (information for periods prior to three months ended April 30, 2019 is not meaningful):

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Cost of Revenue</b>								
Cost of subscription - self managed and SaaS	\$ 28	\$ 21	\$ 166	\$ 134	\$ 28	\$ —	\$ —	\$ —
Cost of professional services	42	16	86	34	10	—	—	—
Research and development	293	238	888	760	939	—	—	—
Sales and marketing	421	335	1,887	594	747	—	—	—
General and administrative	61	129	753	607	90	—	—	—
Total stock-based compensation expense	\$ 845	\$ 739	\$ 3,780	\$ 2,129	\$ 1,814	\$ —	\$ —	\$ —

(3) Includes amortization of acquired intangibles as follows:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Cost of Revenue</b>								
Cost of license - self managed	\$ 346	\$ 347	\$ 158	\$ 97	\$ 97	\$ 96	\$ 97	\$ 97
Cost of subscription - self managed and SaaS	1,763	2,660	861	536	570	638	637	576
Sales and marketing	1,441	1,451	379	29	33	38	40	37
Total amortization of acquired intangibles	\$ 3,550	\$ 4,458	\$ 1,398	\$ 662	\$ 700	\$ 772	\$ 774	\$ 710

(4) Includes acquisition-related expenses as follows:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
Research and development	\$ —	\$ —	\$ —	\$ 34	\$ 168	\$ 173	\$ 174	\$ 174
Sales and marketing	14	395	113	—	—	—	—	—
General and administrative	198	933	13,849	2,438	—	—	53	206
Total acquisition-related expenses	\$ 212	\$ 1,328	\$ 13,962	\$ 2,472	\$ 168	\$ 173	\$ 227	\$ 380

The following table sets forth selected consolidated statements of operations data for each of the periods indicated as a percentage of total revenue:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Revenue</b>								
License - self-managed	14 %	13 %	12 %	11 %	15 %	13 %	16 %	13 %
Subscription - self-managed and SaaS	78 %	79 %	79 %	81 %	76 %	78 %	76 %	78 %
Total subscription revenue	92 %	92 %	91 %	92 %	91 %	91 %	92 %	91 %
Professional services	8 %	8 %	9 %	8 %	9 %	9 %	8 %	9 %
Total revenue	100 %	100 %	100 %	100 %	100 %	100 %	100 %	100 %
<b>Cost of revenue <sup>(1)(2)(3)</sup></b>								
Cost of license - self-managed	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Cost of subscription - self-managed and SaaS	20 %	21 %	20 %	20 %	21 %	20 %	20 %	18 %
Total cost of revenue - subscription	20 %	21 %	20 %	20 %	21 %	20 %	20 %	18 %
Cost of professional services	8 %	9 %	8 %	9 %	8 %	9 %	9 %	9 %
Total cost of revenue	28 %	30 %	28 %	29 %	29 %	29 %	29 %	27 %
Gross profit	72 %	70 %	72 %	71 %	71 %	71 %	71 %	73 %
<b>Operating expenses <sup>(1)(2)(3)(4)</sup></b>								
Research and development	37 %	41 %	38 %	39 %	39 %	36 %	40 %	34 %
Sales and marketing	47 %	48 %	53 %	58 %	56 %	52 %	54 %	54 %
General and administrative	16 %	18 %	31 %	21 %	16 %	16 %	19 %	18 %
Total operating expenses	100 %	107 %	122 %	118 %	111 %	104 %	113 %	106 %
Operating loss <sup>(1)(2)(3)(4)</sup>	(28)%	(37)%	(50)%	(47)%	(40)%	(33)%	(42)%	(33)%
Other income (expense), net	1 %	(2) %	0 %	1 %	1 %	2 %	0 %	1 %
Loss before income taxes	(27)%	(39)%	(50)%	(46)%	(39)%	(31)%	(42)%	(32)%
Provision for (benefit from) income taxes	(2)%	0 %	(1) %	1 %	4 %	(1) %	1 %	1 %
Net loss	(25)%	(39)%	(49)%	(47)%	(43)%	(30)%	(43)%	(33)%

<sup>(1)</sup> Includes stock-based compensation expense as follows:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Cost of Revenue</b>								
Cost of subscription - self managed and SaaS	1 %	1 %	1 %	1 %	1 %	2 %	1 %	1 %
Cost of professional services	1 %	1 %	0 %	1 %	1 %	0 %	0 %	0 %
Research and development	5 %	5 %	6 %	6 %	6 %	7 %	8 %	4 %
Sales and marketing	5 %	4 %	5 %	5 %	5 %	5 %	4 %	3 %
General and administrative	2 %	3 %	2 %	2 %	2 %	2 %	5 %	2 %
Total stock-based compensation expense	14 %	14 %	14 %	15 %	15 %	16 %	18 %	10 %

(2) Includes employer payroll taxes on employee stock transactions as follows (information for periods prior to three months ended April 30, 2019 is not meaningful):

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Cost of Revenue</b>								
Cost of subscription - self managed and SaaS	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Cost of professional services	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Research and development	0 %	0 %	1 %	1 %	1 %	0 %	0 %	0 %
Sales and marketing	1 %	1 %	2 %	1 %	1 %	0 %	0 %	0 %
General and administrative	0 %	0 %	1 %	1 %	0 %	0 %	0 %	0 %
Total stock-based compensation expense	1 %	1 %	4 %	3 %	2 %	0 %	0 %	0 %

(3) Includes amortization of acquired intangibles as follows:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
<b>Cost of Revenue</b>								
Cost of license - self- managed	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Cost of subscription - self- managed and SaaS	2 %	3 %	1 %	1 %	1 %	1 %	1 %	1 %
Sales and marketing	1 %	1 %	0 %	0 %	0 %	0 %	0 %	0 %
Total amortization of acquired intangibles	3 %	4 %	1 %	1 %	1 %	1 %	1 %	1 %

(4) Includes acquisition-related expenses as follows:

	Three Months Ended							
	April 30, 2020	January 31, 2020	October 31, 2019	July 31, 2019	April 30, 2019	January 31, 2018	October 31, 2018	July 31, 2018
Research and development	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
Sales and marketing	0 %	0 %	0 %	0 %	0 %	0 %	0 %	0 %
General and administrative	0 %	1 %	14 %	3 %	0 %	0 %	0 %	1 %
Total acquisition-related expenses	0 %	1 %	14 %	3 %	0 %	0 %	0 %	1 %

### Quarterly Trends in Revenue and Expense

Our quarterly total subscription revenue increased sequentially in each of the periods presented due to the expansion of our existing customer subscription footprint and an increase in the number of new customers. Historically, we have experienced quarterly fluctuations and seasonality based on the timing of entering into new agreements with customers, the timing of renewals, and the mix between annual and monthly contracts entered in each reporting period. Revenue trends are impacted by seasonality in our sales cycle which generally reflects a trend to greater revenue in our second and fourth quarters and lower revenue in our first and third quarters, though we believe this trend has been somewhat masked by our overall revenue growth. Because we generally invoice annually in advance for subscription agreements at least one year in duration, but we recognize the majority of the revenue ratably over the term of those agreements, a substantial portion of the revenue that we report in each period is attributable to the recognition of deferred revenue relating to subscriptions invoiced during previous periods. Consequently, increases or decreases in subscriptions in any one period typically will not be fully reflected in our revenue for that period and will positively or negatively affect our revenue in future periods. Accordingly, the effect of downturns in sales and market acceptance of our products may not be fully reflected in our results of operations until future periods. We may also experience greater variability and reduced comparability of our quarterly revenue and results with respect to timing and size of our monthly SaaS subscription contracts, particularly for smaller customers. The increase in professional services revenue was a result of an increase in standalone consulting and training services due to increased adoption of our offerings.

Our cost of revenue increased sequentially in each of the quarters presented, primarily driven by expanded adoption of Elastic Cloud by existing and new customers, which resulted in increased hosting costs, as well as growth in personnel costs as we grew our support and professional services teams.

Our total gross margin has remained relatively flat. We expect our revenue from Elastic Cloud to continue to increase as a percentage of total revenue, which may adversely impact our gross margin as a result of the associated hosting costs.

Our operating expenses generally increased sequentially over the periods presented as we grew the associated headcount and other costs. General and administrative costs increased in the second quarter of the year ended April 30, 2020 due primarily to the costs associated with closing the Endgame acquisition.

We are subject to income taxes in the Netherlands, the United States, and numerous other jurisdictions. Our tax expense fluctuates between quarters primarily as a result of seasonally higher earnings in the second and fourth quarters and due to the impact of tax rates in foreign jurisdictions, and the relative amounts of income we earn in those jurisdictions.

### Liquidity and Capital Resources

As of April 30, 2020, we had cash and cash equivalents and restricted cash of \$297.1 million and \$2.3 million, respectively, and working capital of \$158.8 million. Our restricted cash constitutes cash deposits with financial institutions in support of letters of credit in favor of landlords for non-cancelable lease agreements.

We have generated significant operating losses from our operations as reflected in our accumulated deficit of \$484.3 million as of April 30, 2020. We have historically incurred, and expect to continue to incur, operating losses and generate negative cash flows from operations on an annual basis for the foreseeable future due to the investments we intend to make as described above, and as a result, we may require additional capital resources to execute on our strategic initiatives to grow our business.

We believe that our existing cash and cash equivalents will be sufficient to fund our operating and capital needs for at least the next 12 months, despite the uncertainty in the changing market and economic conditions related to COVID-19. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary as a result of, and our future capital requirements, both near-term and long-term, will depend on, many factors, including our growth rate, the timing and extent of spending to support our research and development efforts, the expansion of sales and marketing activities, the timing of new introductions of solutions or features, and the continuing market acceptance of our solutions and services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. We may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, operating results and financial condition would be adversely affected.

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

	Year Ended April 30,		
	2020	2019	2018
	(in thousands)		
Net cash used in operating activities	\$ (30,564)	\$ (23,937)	\$ (20,819)
Net cash provided by (used in) investing activities	\$ (29,187)	\$ (8,283)	\$ 8,330
Net cash provided by financing activities	\$ 58,539	\$ 281,788	\$ 3,427

#### Net Cash Used in Operating Activities

Net cash used in operating activities during the year ended April 30, 2020 was \$30.6 million, which resulted from a net loss of \$167.2 million adjusted for non-cash charges of \$117.0 million and net cash inflow of \$19.6 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$60.0 million for stock-based compensation expense, \$28.3 million for amortization of deferred contract acquisition costs, \$12.9 million of depreciation and intangible asset amortization expense, \$8.8 million of non-cash acquisition expense, \$7.4 million in non-cash operating lease costs and \$1.1 million of other non-cash transactions which were partially offset by a \$1.5 million increase in deferred income taxes. The net cash inflow from changes in operating assets and liabilities was the result of a \$85.7 million increase in deferred revenue due to higher billings and a net increase of \$30.9 million in accounts payable, accrued expenses and accrued compensation and benefits due to growth in our business and higher headcount, and a decrease of \$2.7 million in prepaid and other assets. These inflows were partially offset by a \$46.8 million increase in accounts receivable due to higher billings and timing of collections from our customers, an increase in deferred contract acquisition costs of \$46.2 million as our sales commissions increased due to the addition of new customers and expansion of our existing customer subscriptions and a \$6.7 million increase in operating lease liabilities relating to the adoption of the new lease accounting standard.

Net cash used in operating activities during the year ended April 30, 2019 was \$23.9 million, which resulted from a net loss of \$102.3 million adjusted for non-cash charges of \$70.7 million and net cash inflow of \$7.7 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$39.9 million for stock-based compensation expense, \$21.4 million for amortization of deferred contract acquisition costs, \$5.7 million of depreciation and intangible asset amortization expense and a \$3.6 million decrease in deferred income taxes. The net cash inflow from changes in operating assets and liabilities was the result of a \$71.9 million increase in deferred revenue due to higher billings and a net increase of \$16.9 million in accounts payable, accrued expenses and accrued compensation and benefits due to growth in our business and higher headcount. These inflows were partially offset by an increase in deferred contract acquisition costs of \$30.0 million as our sales commissions increased due to the addition of new customers and expansion of our existing customer subscriptions, a \$29.8 million increase in accounts receivable due to higher billings and timing of collections from our customers and a \$21.3 million increase in prepaid expenses and other assets primarily related to an increase in prepaid hosting costs and prepaid software subscription costs driven by the growth in our business.

Net cash used in operating activities during the year ended April 30, 2018 was \$20.8 million, which resulted from a net loss of \$52.7 million adjusted for non-cash charges of \$30.2 million and net cash inflow of \$1.7 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of \$12.7 million for stock-based compensation expense, \$12.7 million for amortization of deferred contract acquisition costs, \$5.1 million of depreciation and intangible asset amortization expense which were partially offset by a \$0.3 million increase in deferred income taxes. The net cash inflow from changes in operating assets and liabilities was the result of a \$45.8 million increase in deferred revenue due to higher billings and a net increase of \$13.4 million in accounts payable, accrued expenses and accrued compensation and benefits due to growth in our business and higher headcount. These inflows were partially offset by a \$21.6 million increase in accounts receivable due to higher billings and timing of collections from our customers, an increase in deferred contract acquisition costs of \$20.5 million as our sales commissions increased due to the addition of new customers and expansion of our existing customer subscriptions, and a \$15.4 million increase in prepaid expenses and other assets primarily related to an increase in prepaid hosting costs and prepaid software subscription costs driven by the growth in our business.

#### **Net Cash (Used in) Provided by Investing Activities**

Net cash used in investing activities of \$29.2 million during the year ended April 30, 2020 was primarily due to \$24.4 million cash used for the acquisition of Endgame and \$5.1 million of capital expenditures during the period.

Net cash used in investing activities of \$8.3 million during the year ended April 30, 2019 was due to cash used for capital expenditures of \$3.4 million, other investing activities of \$2.9 million and business acquisitions, net of cash acquired, of \$2.0 million.

Net cash provided by investing activities of \$8.3 million during the year ended April 30, 2018 was due to the maturity of short-term investments of \$15.0 million, which was partially offset by cash used for business acquisitions, net of cash acquired, of \$3.7 million and capital expenditures of \$3.0 million.

#### **Net Cash Provided by Financing Activities**

Net cash provided by financing activities of \$58.5 million during the year ended April 30, 2020 was due to \$61.5 million proceeds from option exercises during the period, which was partially offset by payment of withholding taxes of \$2.8 million for an acquisition-related expense that was settled in ordinary shares of the Company.

Net cash provided by financing activities of \$281.8 million during the year ended April 30, 2019 was due to net proceeds to us of \$269.5 million, after deducting underwriting discounts and commissions of \$20.3 million as a result of our IPO and \$18.6 million in proceeds from the exercise of stock options. These were partially offset by \$5.7 million of payment of offering costs, a repurchase of unvested early exercised options and \$0.6 million of other financing payments.

Net cash provided by financing activities of \$3.4 million during the year ended April 30, 2018 was due to \$3.8 million of proceeds from the exercise of stock options, which was partially offset by \$0.4 million of other financing payments.

#### **Off Balance Sheet Arrangements**

We did not have, during the periods presented, nor do we currently have any off balance sheet financing arrangements or any relationships with any unconsolidated entities or financial partnerships, including entities 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.



## Contractual Obligations and Commitments

Our principal commitments consist of obligations under operating leases for office space and purchase obligations. The following table summarizes our contractual obligations as of April 30, 2020:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
Purchase obligations <sup>(1)</sup>	\$ 133,902	\$ 33,403	\$ 72,166	\$ 28,333	\$ —
Operating lease commitments <sup>(2)</sup>	40,594	8,636	16,187	12,968	2,803
Total	\$ 174,496	\$ 42,039	\$ 88,353	\$ 41,301	\$ 2,803

(1) Consists of our purchase obligations under non-cancellable agreements for cloud hosting commitments with various vendors. The table above reflects these commitments on an annualized basis, however, the timing for payments may vary depending on services used. Furthermore, actual payments under these capacity commitments may be higher than the total minimum depending on services used.

(2) Consists of future non-cancelable minimum rental payments under operating leases for our offices, excluding rent payments from our sub-tenants and variable operating expenses. Non-cancelable rent payments from our sub-tenants as of April 30, 2020 are expected to be an aggregate of \$1.5 million over the next five years.

In addition to the contractual obligations set forth above, as of April 30, 2020, we had \$2.3 million in letters of credit outstanding in favor of certain landlords for office space. These letters of credit renew annually and expire on various dates through 2023.

The table above does not reflect obligations pursuant to cash-settled restricted stock units issued to certain employees. Refer to Note 11 *Equity Incentive Plans* to our consolidated financial statements elsewhere in this Annual Report on Form 10-K.

The contractual commitment amounts in the table above are associated with agreements that are enforceable and legally binding. Obligations under contracts that we can cancel without a significant penalty are not included in the table above. Purchase orders issued in the ordinary course of business are not included in the table above, as our purchase orders represent authorizations to purchase rather than binding agreements.

## Critical Accounting Policies

We prepare our financial statements in conformity with generally accepted accounting principles in the United States (“GAAP”). The preparation of financial statements in accordance with GAAP requires certain estimates, assumptions and judgments to be made that may affect our consolidated financial statements. Accounting policies that have a significant impact on our results are described in Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The accounting policies discussed in this section are those that we consider to be the most critical. We consider an accounting policy to be critical if the policy is subject to a material level of judgment and if changes in those judgments are reasonably likely to materially impact our results.

## Revenue Recognition

We generate our revenue primarily from the sale of self-managed subscriptions (which include licenses for proprietary features, support, and maintenance) and SaaS subscriptions. We also generate revenue from professional services, which consist of consulting and training.

Under ASC Topic 606, *Revenue from Contracts with Customers*, we recognize revenue when our customer obtains control of promised products or services in an amount that reflects the consideration that we expect to receive in exchange for those goods or services. Our contracts include varying terms and conditions, and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. In determining the appropriate amount of revenue to be recognized as we fulfill our obligations under each of our agreements, we perform the following steps:

(i) *identification of the contract with a customer;*

We contract with customers through order forms, which in some cases are governed by master sales agreements. We determine that we have a contract with a customer when the order form has been approved, each party’s rights regarding the products or services to be transferred can be identified, the payment terms for the services can be identified, we have determined the customer has the ability and intent to pay, and the contract has commercial substance. We apply judgment in determining the customer’s ability and intent to pay, which is based on a variety of factors, including the customer’s historical

payment experience or, in the case of a new customer, credit, reputation, and financial or other information pertaining to the customer. At contract inception we evaluate whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. We have concluded that our contracts with customers do not contain warranties that give rise to a separate performance obligation.

*(ii) determination of whether the promised goods or services are performance obligations;*

Performance obligations promised in a contract are identified based on the products and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the products or services either on their own or together with other resources that are readily available from third parties or from us, and are distinct in the context of the contract, whereby the transfer of the products and services is separately identifiable from other promises in the contract.

Our self-managed subscriptions include both an obligation to provide access to proprietary features in our software, as well as an obligation to provide support (on both open source and proprietary features) and maintenance. Our SaaS products provide access to hosted software as well as support, which we consider to be a single performance obligation.

Services-related performance obligations relate to the provision of consulting and training services. These services are distinct from subscriptions and do not result in significant customization of the software.

*(iii) measurement of the transaction price;*

We measure the transaction price with reference to the standalone selling price (“SSP”), of the various performance obligations inherent within a contract. The SSP is determined based on the prices at which we separately sell these products assuming the majority of these fall within a pricing range. In instances where SSP is not directly observable, such as when we do not sell the software license separately, we derive the SSP using information that may include market conditions and other observable inputs which can require significant judgment. There is typically more than one SSP for individual products and services due to the stratification of those products and services by quantity, term of the subscription, sales channel and other circumstances. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of our contracts contain a significant financing component.

*(iv) allocation of the transaction price to the performance obligations; and*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, we allocate the transaction price to each performance obligation based on a relative SSP. If one of the performance obligations is outside of the SSP range, we allocate SSP considering the midpoint of the range. We also consider if there are any additional material rights inherent in a contract, and if so, we allocate a portion of the transaction price to such rights based on SSP.

*(v) recognition of revenue when we satisfy each performance obligation.*

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer. Our self-managed subscriptions include both upfront revenue recognition when the license is delivered, as well as revenue recognized ratably over the contract period for support and maintenance based on the stand-ready nature of these subscription elements. Revenue from our SaaS products is recognized ratably over the contract period when we satisfy the performance obligation.

Professional services comprise consulting services as well as public and private training. Consulting services are generally time-based arrangements. Revenue from professional services is recognized as these services are performed.

We generate sales directly through our sales team and through our channel partners. Sales to channel partners are made at a discount and revenues are recorded at this discounted price once all the revenue recognition criteria above are met. To the extent that we offer rebates, incentives, or joint marketing funds to such channel partners, recorded revenues are reduced by this amount. Channel partners generally receive an order from an end-customer prior to placing an order with us. Payment from channel partners is not contingent on the partner’s collection from end-customers.

**Contract Balances**

The timing of revenue recognition may differ from the timing of invoicing to customers. For annual contracts, we typically invoice customers at the time of entering into the contract. For multi-year agreements, we generally invoice customers on an annual basis prior to each anniversary of the contract start date. We record unbilled accounts receivable related to revenue

recognized in excess of amounts invoiced as we have an unconditional right to invoice and receive payment in the future related to those fulfilled obligations. Contract liabilities consist of deferred revenue which is recognized over the contractual period.

### ***Deferred Contract Acquisition Costs***

Deferred contract acquisition costs represent costs that are incremental to the acquisition of customer contracts, which consist mainly of sales commissions and associated payroll taxes. We determine whether costs should be deferred based on sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

Effective May 1, 2019, we updated our sales commissions plan by incorporating different commission rates for contracts with new customers and incremental sales to existing customers, and for subsequent subscription renewals. Subsequent to this change, sales commissions for renewal of a subscription contract are not considered commensurate with the commissions paid for contracts with new customers and incremental sales to existing customers given the substantive difference in commission rates in proportion to their respective contract values. Effective May 1, 2019, commissions paid for contracts with new customers and incremental sales to existing customers are amortized over an estimated period of benefit of five years while commissions paid for renewal contracts are amortized based on the pattern of the associated revenue recognition over the related contractual renewal period for the pool of renewal contracts. We determine the period of benefit for commissions paid for contracts with new customers and incremental sales to existing customers by taking into consideration its initial estimated customer life and the technological life of its software and related significant features. Commissions paid on professional services are typically amortized in accordance with the associated revenue as the commissions paid on new and renewal professional services are commensurate with each other. Amortization of deferred contract acquisition costs is recognized in sales and marketing expense in the consolidated statement of operations.

We did not recognize any impairment of deferred contract acquisition costs during the years ended April 30, 2020, 2019 and 2018.

### **Stock-Based Compensation Expense**

Compensation expense related to stock-based awards granted to employees is calculated based on the fair value of such awards on the date of grant. We determine the grant date fair value of the awards using the Black-Scholes option-pricing model. The related stock-based compensation expense is recognized on a straight-line basis over the period in which an employee is required to provide service in exchange for the stock-based award, which is generally four years.

Our use of the Black-Scholes option pricing model requires the input of highly subjective assumptions, including the fair value of the underlying ordinary shares, the expected term of the option, the expected volatility of the price of our ordinary shares, risk-free interest rates and the expected dividend yield of our ordinary shares. The assumptions used to determine the fair value of the awards represent management's best estimates. These estimates involve inherent uncertainties and the application of management's judgment.

These assumptions and estimates are as follows:

- *Fair value of ordinary shares.* See "Ordinary Share Valuations" below.
- *Expected term.* The expected term represents the period that our stock-based awards are expected to be outstanding. The expected term assumptions were determined based on the vesting terms, exercise terms and contractual lives of the options. For option grants that are considered "plain vanilla," the expected term was estimated using the simplified method. The simplified method calculates the expected term as the midpoint between the vesting date and the contractual expiration date of the award.
- *Expected volatility.* Since we have a limited trading history of our ordinary shares, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within our industry that we consider to be comparable to its own business over a period equivalent to the option's expected term.
- *Risk-free interest rate.* We base the risk-free interest rate used in the Black-Scholes option pricing model on the implied yield available on U.S. Treasury zero-coupon issues with a remaining term equivalent to that of the options for each expected term.
- *Dividend yield.* The expected dividend assumption is based on our current expectations about our anticipated dividend policy. As we have no history of paying any dividends, we used an expected dividend yield of zero.

The following table summarizes the assumptions used in the Black-Scholes option pricing model to determine the fair value of our stock options granted and assumed:

	Year Ended April 30,		
	2020	2019	2018
Expected term (in years)	2.00 - 7.27	6.02 - 6.08	6.02 - 6.08
Expected stock price volatility	54.8%	40.5% - 46.7%	40.7% - 44.1%
Risk-free interest rate	1.4% - 2.0%	2.4% - 3.1%	1.8% - 2.6%
Dividend yield	0%	0%	0%

We will continue to use judgment in evaluating the assumptions related to our stock-based compensation on a prospective basis. As we continue to accumulate additional data related to our ordinary shares, we may refine our estimation process, which could materially impact our future stock-based compensation expense.

Prior to our IPO, we also assessed the need to record stock-based compensation expense when certain of our affiliated shareholders purchased shares from our employees and founders in excess of fair value of such shares. We recognized any such excess value as stock-based compensation expense in our consolidated statements of operations.

### Ordinary Share Valuations

For valuations after the completion of the IPO, our compensation committee determines the fair value of the ordinary shares underlying equity awards based on the closing price of our ordinary shares as reported on the date of the grant. Our ordinary shares are publicly traded and are therefore subject to potentially significant fluctuations in the market price. Increases and decreases in the market price of our ordinary shares will also increase and decrease the fair value of our stock-based awards granted in future periods.

Prior to the completion of our IPO, the fair value of the ordinary shares underlying our equity awards was determined by our board of directors, after considering contemporaneous third-party valuations and input from management. The valuations of our ordinary shares were determined in accordance with the guidelines outlined in the American Institute of Certified Public Accountants Practice Aid, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. In the absence of a public trading market, our board of directors, with input from management, exercised significant judgment and considered numerous objective and subjective factors to determine the fair value of our ordinary shares as of the date of each option grant, including the following factors:

- contemporaneous valuations performed at periodic intervals by unrelated third-party valuation firms;
- the prices, rights, preferences and privileges of our redeemable convertible preference shares relative to those of our ordinary shares;
- the lack of marketability of our ordinary shares;
- our actual and expected operating and financial performance;
- current business conditions and projections;
- our hiring of key personnel and the experience of our management;
- our history and the timing of the introduction of new products;
- our stage of development;
- the likelihood of achieving a liquidity event, such as an initial public offering or a merger or acquisition of our business given prevailing market conditions;
- the illiquidity of stock-based awards involving securities in a private company;
- the market performance of comparable publicly traded companies;
- secondary stock transactions, including a secondary stock purchase transaction that included certain of our employees, founders and certain of our affiliated shareholders; and
- U.S. and global capital markets conditions.

In valuing our ordinary shares, the fair value of our business, or enterprise value, was determined using both the income approach and market approach. The income approach estimates value based on the expectation of future cash flows that a company will generate. These future cash flows are discounted to their present values using a discount rate based on the capital rates of return for venture-backed early stage companies and is adjusted to reflect the risks inherent in our cash flows.

The market approach estimates value based on a comparison of the company to comparable public companies in a similar line of business. From the comparable companies, a representative market value multiple is determined and then applied to the company's financial results to estimate the value of the subject company.

The resulting equity value was then allocated to each class of stock using an option pricing methodology and Probability Weighted Expected Return Method or PWERM. The option pricing method is based on a binomial lattice model, which allows for the identification for a range of possible future outcomes, each with an associated probability. The option pricing method is appropriate to use when the range of possible future outcomes is difficult to predict and thus creates highly speculative forecasts. PWERM involves a forward-looking analysis of the possible future outcomes of the enterprise. This method is particularly useful when discrete future outcomes can be predicted at a relatively high confidence level with a probability distribution. Discrete future outcomes considered under the PWERM include an IPO, as well as non-IPO market based outcomes. Determining the fair value of the enterprise using the PWERM requires us to develop assumptions and estimates for both the probability of an IPO liquidity event and stay private outcomes, as well as the values we expect those outcomes could yield. We apply significant judgment in developing these assumptions and estimates, primarily based upon the enterprise value we determined using the income approach and market approach, our knowledge of the business and our reasonable expectations of discrete outcomes occurring. After the equity value is determined and allocated to the various classes of shares, a discount for lack of marketability, or DLOM, is applied to arrive at the fair value of ordinary shares. A DLOM is applied based on the theory that as an owner of a private company stock, the stockholder has limited opportunities to sell this stock and any such sale would involve significant transaction costs, thereby reducing overall fair market value.

Our assessments of the fair value of ordinary shares for grant dates between the dates of the valuations were based in part on the current available financial and operational information and the ordinary share value provided in the most recent valuation as compared to the timing of each grant. For financial reporting purposes, we considered the amount of time between the valuation date and the grant date to determine whether to use the latest ordinary share valuation. This determination included an evaluation of whether the subsequent valuation indicated that any significant change in valuation had occurred between the previous valuation and the grant date.

### **Acquisitions, Goodwill and Intangible Assets**

We allocate the fair value of purchase consideration in a business combination to tangible assets, liabilities assumed and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is allocated to goodwill. The allocation of the purchase consideration requires management to make significant estimates and assumptions, especially with respect to intangible assets. These estimates can include, but are not limited to, future expected cash flows from acquired customers and acquired technology from a market participant perspective, useful lives and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable but which are inherently uncertain and unpredictable, and, as a result, actual results may differ from estimates. During the measurement period, which is up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We assess goodwill for impairment at least annually, in the fourth quarter, and whenever events or changes in circumstances indicate that the carrying value of the asset may not be recoverable. For the purposes of impairment testing, we have determined that we have one reporting unit. Our test of goodwill impairment starts with a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. If qualitative factors indicate that the fair value of the reporting unit is more likely than not less than its carrying amount, then a quantitative goodwill impairment test is performed. For the quantitative analysis, we compare the fair value of our reporting unit to its carrying value. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. However, if the fair value of the reporting unit is less than book value, then under the second step the carrying amount of the goodwill is compared to its implied fair value.

Acquired intangible assets are amortized over their estimated useful lives. We evaluate the recoverability of our intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the intangible assets are expected to generate. If such review indicates that the carrying amount of our intangible assets is not recoverable, the carrying amount of such assets is reduced to fair value.

### **Income Taxes**

We are subject to income taxes in the Netherlands and numerous other jurisdictions including federal, state, and local jurisdictions in the United States and all other tax jurisdictions or countries in which we conduct business. Earnings from our non-Dutch activities are subject to local country income tax.

We follow the asset and liability method of accounting for income taxes. This method requires recognition of deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. We assess whether it is more likely than not that some portion or all of the deferred tax assets will be realized. We record a valuation allowance to our deferred tax assets to the extent we believe they are not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income.

We recognize the tax benefit from uncertain tax positions only if it is more likely than not that the tax position will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that is more likely than not of being realized upon ultimate settlement. We adjust reserves for our uncertain tax positions due to changing facts and circumstances. We recognize interest and penalties due to taxing authorities as a component of provision for income taxes.

We make estimates and judgments about our future taxable income based on assumptions that are consistent with our plans and estimates. Should the actual amounts differ from estimates, the amount of valuation allowance could be materially impacted. Any adjustment to the deferred tax asset valuation allowance would be recorded in the consolidated statement of operations for the periods in which the adjustment is determined to be required.

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

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

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

We had cash, cash equivalents, and restricted cash of \$299.4 million as of April 30, 2020. Our cash, cash equivalents, and restricted cash are held in cash deposits and money market funds. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, we do not believe that an immediate 10% increase or decrease in interest rates would have a material effect on the fair market value of our investment portfolio. Declines in interest rates, however, would reduce our future interest income.

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

Our revenue and expenses are primarily denominated in U.S. dollars. For the year ended April 30, 2020, we recorded a loss of \$2.2 million on foreign exchange transactions. To date, we have not had a formal hedging program with respect to foreign currency, but we may do so in the future if our exposure to foreign currency should become more significant. For business conducted outside of the United States, we may have both revenue and costs incurred in the local currency of the subsidiary, creating a partial natural hedge. Changes to exchange rates therefore have not had a significant impact on the business to date; however, we will continue to reassess our foreign exchange exposure as we continue to grow our business globally. We do not believe that an immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies would have a material effect on operating results.

As of April 30, 2020, our cash, cash equivalents, and restricted cash were primarily denominated in U.S. dollars, Euros, and Great British Pounds. A 10% increase or decrease in current exchange rates would not materially affect our cash, cash equivalents, and restricted cash balances.

##### **Inflation Risk**

We do not believe that inflation has had a material effect on our business, financial condition or results of operations.

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

The supplementary financial information required by this Item 8, is included in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, under the caption "Quarterly Results of Operations Data," which is incorporated herein by reference.

The following financial statements are filed as part of this Annual Report on Form 10-K:

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Elastic N.V.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Elastic N.V. and its subsidiaries (the “Company”) as of April 30, 2020 and 2019, and the related consolidated statements of operations, of comprehensive loss, of redeemable convertible preference shares and shareholders’ equity (deficit), and of cash flows for each of the three years in the period ended April 30, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company's internal control over financial reporting as of April 30, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of April 30, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended April 30, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of April 30, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases as of May 1, 2019.

### ***Basis for Opinions***

The Company's management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company's internal control over financial reporting 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements 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. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the



company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matters communicated below are matters arising from the current period audit of the consolidated financial statements that were communicated or required to be communicated to the audit committee and that (i) relate to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### *Revenue Recognition – Identification and Evaluation of Terms and Conditions in Contracts*

As described in Note 2 to the consolidated financial statements, management applies the following steps in their determination of revenue to be recognized: (i) identification of the contract with a customer; (ii) determination of whether the promised goods or services are performance obligations; (iii) measurement of the transaction price; (iv) allocation of the transaction price to the performance obligations; and (v) recognition of revenue when the Company satisfies each performance obligation. The Company's contracts include varying terms and conditions, and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. For the fiscal year ended April 30, 2020, the Company's revenue was \$427.6 million.

The principal considerations for our determination that performing procedures relating to revenue recognition, specifically the identification and evaluation of terms and conditions in contracts, is a critical audit matter are there was significant judgment by management in identifying and evaluating terms and conditions in contracts that impact revenue recognition. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating the audit evidence to determine whether terms and conditions in contracts were appropriately identified and evaluated by management.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the revenue recognition process, including controls related to the identification and evaluation of terms and conditions in contracts that impact revenue recognition. These procedures also included, among others (i) testing the completeness and accuracy of management's identification and evaluation of the specific terms with customers by examining revenue contracts on a sample basis and (ii) assessing the terms and conditions of the contract including their impact on revenue recognition.

#### *Acquisition of Endgame, Inc. - Valuation of Developed Technology Intangible Asset*

As described in Note 5 to the consolidated financial statements, on October 8, 2019, the Company completed the acquisition of Endgame, Inc. for a total acquisition price of \$234.0 million, of which approximately \$32.7 million of developed technology was recorded. As disclosed by management, a multi-period excess earnings model was used to value the developed technology intangible asset. Management applied significant judgment in estimating the fair value of the developed technology intangible asset, which involved the use of significant estimates related to the revenue growth rate assumption for both existing and any future product offerings.

The principal considerations for our determination that performing procedures relating to the valuation of the developed technology intangible asset as a result of the acquisition of Endgame, Inc. is a critical audit matter are there was significant judgment by management in estimating the fair value of the developed technology intangible asset. This in turn led to a high degree of auditor judgment, subjectivity and effort in performing procedures and in evaluating management's fair value measurement of the developed technology intangible asset, including the revenue growth rate assumption for any future product offerings.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing of the effectiveness of controls relating to the acquisition accounting, including controls over management's valuation of the developed technology intangible asset, as well as controls over the development of significant assumptions and validity of the supporting data related to the developed technology intangible asset, including the revenue growth rate for any future product offerings. These procedures also included, among others (i) testing management's process for estimating the fair value of the developed technology intangible asset, (ii)

evaluating the appropriateness of the multi-period excess earnings model, (iii) testing the completeness, accuracy, and relevance of underlying data used in the model, and (iv) evaluating the reasonableness of the significant assumptions used by management, including the revenue growth rate for any future product offerings. Evaluating the reasonableness of the assumption related to the revenue growth rate for any future product offerings involved considering (i) the past performance of the acquired business, (ii) the consistency with external market and industry data, and (iii) whether this assumption was consistent with other evidence obtained in other areas of the audit.

/s/ PricewaterhouseCoopers LLP

San Jose, California  
June 26, 2020

We have served as the Company's auditor since 2018.

Elastic N.V.

Consolidated Balance Sheets

(in thousands, except share and per share data)

	As of April 30,	
	2020	2019
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 297,081	\$ 298,000
Restricted cash	2,308	2,280
Accounts receivable, net of allowance for doubtful accounts of \$1,247 and \$1,411 as of April 30, 2020 and April 30, 2019, respectively	128,690	81,274
Deferred contract acquisition costs	19,537	17,215
Prepaid expenses and other current assets	32,623	30,872
Total current assets	480,239	429,641
Property and equipment, net	7,760	5,448
Goodwill	197,877	19,846
Operating lease right-of-use assets	32,783	—
Intangible assets, net	50,455	6,723
Deferred contract acquisition costs, non-current	24,012	8,935
Deferred tax assets	3,164	1,748
Other assets	7,621	13,397
Total assets	\$ 803,911	\$ 485,738
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 11,485	\$ 4,450
Accrued expenses and other liabilities	22,210	18,740
Accrued compensation and benefits	48,409	22,147
Operating lease liabilities	7,639	—
Deferred revenue	231,681	158,243
Total current liabilities	321,424	203,580
Deferred revenue, non-current	28,021	12,423
Operating lease liabilities, non-current	27,827	—
Other liabilities, non-current	12,992	6,723
Total liabilities	390,264	222,726
Commitments and contingencies (Note 7)		
Shareholders' equity:		
Convertible preference shares, €0.01 par value; 165,000,000 shares authorized, 0 shares issued and outstanding as of April 30, 2020 and April 30, 2019	—	—
Ordinary shares, par value €0.01 per share; 165,000,000 shares authorized; 82,856,978 shares issued and outstanding as of April 30, 2020 and 73,675,083 shares issued and outstanding as of April 30, 2019	856	754
Treasury stock, 35,937 shares (repurchased at an average price of \$10.30 per share)	(369)	(369)
Additional paid-in capital	898,788	581,135
Accumulated other comprehensive loss	(1,377)	(1,431)
Accumulated deficit	(484,251)	(317,077)
Total shareholders' equity	413,647	263,012
Total liabilities and shareholders' equity	\$ 803,911	\$ 485,738

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

Elastic N.V.

Consolidated Statements of Operations

(in thousands, except share and per share data)

	Year Ended April 30,		
	2020	2019	2018
Revenue			
License - self-managed	\$ 53,536	\$ 39,474	\$ 25,759
Subscription - self-managed and SaaS	338,634	208,780	123,623
Total subscription revenue	392,170	248,254	149,382
Professional services	35,450	23,399	10,553
Total revenue	427,620	271,653	159,935
Cost of revenue			
Cost of license - self-managed	948	387	387
Cost of subscription - self-managed and SaaS	84,819	53,560	27,920
Total cost of revenue - subscription	85,767	53,947	28,307
Cost of professional services	36,923	24,063	12,433
Total cost of revenue	122,690	78,010	40,740
Gross profit	304,930	193,643	119,195
Operating expenses			
Research and development	165,370	101,167	55,641
Sales and marketing	219,040	147,296	82,606
General and administrative	91,625	46,536	28,942
Total operating expenses	476,035	294,999	167,189
Operating loss	(171,105)	(101,356)	(47,994)
Other income (expense), net	1,963	3,441	(1,357)
Loss before income taxes	(169,142)	(97,915)	(49,351)
Provision for (benefit from) income taxes	(1,968)	4,388	3,376
Net loss	\$ (167,174)	\$ (102,303)	\$ (52,727)
Net loss per share attributable to ordinary shareholders, basic and diluted	\$ (2.12)	\$ (1.86)	\$ (1.65)
Weighted-average shares used to compute net loss per share attributable to ordinary shareholders, basic and diluted	78,799,732	54,893,365	32,033,792

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

Elastic N.V.

Consolidated Statements of Comprehensive Loss

(in thousands)

	Year Ended April 30,		
	2020	2019	2018
Net loss	\$ (167,174)	\$(102,303)	\$ (52,727)
Other comprehensive loss:			
Foreign currency translation adjustments	54	(470)	931
Other comprehensive income (loss)	54	(470)	931
Total comprehensive loss	\$ (167,120)	\$ (102,773)	\$ (51,796)

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

**Elastic N.V.**  
**Consolidated Statements of Redeemable Convertible Preference Shares**  
**and Shareholders' Equity (Deficit)**  
*(in thousands, except share data)*

	Redeemable Convertible Preference Shares		Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount					
<b>Balances as of April 30, 2017</b>	28,939,466	\$ 200,921	31,130,047	\$ 31	\$ (25)	\$ 35,395	\$ (1,892)	\$ (162,047)	\$ (128,538)
Issuance of ordinary shares upon exercise of stock options	—	—	668,518	1	—	2,336	—	—	2,337
Issuance of ordinary shares related to early exercised stock options	—	—	148,630	—	—	—	—	—	—
Repurchase of ordinary shares	—	—	(33,937)	—	(344)	—	—	—	(344)
Vesting of early exercised stock options	—	—	—	—	—	109	—	—	109
Ordinary shares issued in connection with the acquisition of Prelert	—	—	98,425	—	—	—	—	—	—
Ordinary shares issued in connection with the acquisition of Opbeat	—	—	488,998	—	—	4,018	—	—	4,018
Ordinary shares issued in connection with the acquisition of Swifttype	—	—	732,274	1	—	8,391	—	—	8,392
Stock-based compensation	—	—	—	—	—	12,293	—	—	12,293
Net loss	—	—	—	—	—	—	—	(52,727)	(52,727)
Foreign currency translation	—	—	—	—	—	—	931	—	931
<b>Balances as of April 30, 2018</b>	28,939,466	200,921	33,232,955	33	(369)	62,542	(961)	(214,774)	(153,529)
Change in par value upon conversion from B.V. to N.V.	—	—	—	303	—	(303)	—	—	—
Conversion of redeemable convertible preference shares to ordinary shares upon initial public offering	(28,939,466)	(200,921)	28,939,466	289	—	200,632	—	—	200,921
Issuance of ordinary shares upon initial public offering, net of underwriting discounts and issuance costs	—	—	8,050,000	93	—	263,749	—	—	263,842
Issuance of ordinary shares upon exercise of stock options	—	—	3,117,320	33	—	18,519	—	—	18,552
Issuance of ordinary shares upon subscription of restricted stock awards	—	—	244,498	3	—	(3)	—	—	—
Vesting of early exercised stock options	—	—	—	—	—	1,019	—	—	1,019
Vesting of ordinary shares subject to repurchase	—	—	—	—	—	449	—	—	449
Repurchase of early exercised stock options	—	—	(43,630)	—	—	—	—	—	—
Ordinary shares issued in connection with the acquisition of Lambda Lab	—	—	134,474	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	34,531	—	—	34,531
Net loss	—	—	—	—	—	—	—	(102,303)	(102,303)
Foreign currency translation	—	—	—	—	—	—	(470)	—	(470)
<b>Balances as of April 30, 2019</b>	—	—	73,675,083	754	(369)	581,135	(1,431)	(317,077)	263,012
Issuance of ordinary shares upon exercise of stock options	—	—	6,815,098	77	—	61,386	—	—	61,463
Issuance of ordinary shares upon release of restricted stock units	—	—	152,688	2	—	—	—	—	2
Ordinary shares issued in connection with the acquisition of Endgame	—	—	1,983,663	21	—	167,316	—	—	167,337
Ordinary shares issued in connection with the acquisition of Endgame held in escrow	—	—	235,031	2	—	19,824	—	—	19,826
Assumption of stock option plan as consideration for acquisition of Endgame	—	—	—	—	—	9,309	—	—	9,309
Repurchase of unvested RSAs	—	—	(4,585)	—	—	—	—	—	—
Vesting of ordinary shares subject to repurchase	—	—	—	—	—	2,730	—	—	2,730
Stock-based compensation	—	—	—	—	—	57,088	—	—	57,088
Net loss	—	—	—	—	—	—	—	(167,174)	(167,174)
Foreign currency translation	—	—	—	—	—	—	54	—	54
<b>Balances as of April 30, 2020</b>	—	\$ —	82,856,978	\$ 856	\$ (369)	\$ 898,788	\$ (1,377)	\$ (484,251)	\$ 413,647

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

**Elastic N.V.**  
**Consolidated Statements of Cash Flows**  
*(in thousands)*

	Year Ended April 30,		
	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net loss	\$ (167,174)	\$ (102,303)	\$ (52,727)
Adjustments to reconcile net loss to cash used in operating activities:			
Depreciation and amortization	12,859	5,695	5,066
Amortization of deferred contract acquisition costs	28,314	21,374	12,731
Non-cash operating lease cost	7,422	—	—
Stock-based compensation expense	60,007	39,942	12,742
Non-cash acquisition expense settled with shares	8,834	—	—
Deferred income taxes	(1,539)	3,621	(323)
Other	1,123	69	1
Changes in operating assets and liabilities, net of impact of business acquisitions:			
Accounts receivable, net	(46,753)	(29,804)	(21,606)
Deferred contract acquisition costs	(46,217)	(30,006)	(20,497)
Prepaid expenses and other current assets	(2,950)	(18,049)	(6,920)
Other assets	5,603	(3,292)	(8,502)
Accounts payable	5,968	2,226	(23)
Accrued expenses and other liabilities	5,220	10,872	5,380
Accrued compensation and benefits	19,710	3,842	8,045
Operating lease liabilities	(6,661)	—	—
Deferred revenue	85,670	71,876	45,814
Net cash used in operating activities	<u>(30,564)</u>	<u>(23,937)</u>	<u>(20,819)</u>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	(5,063)	(3,447)	(2,968)
Maturities of short-term investments	—	—	15,000
Business acquisitions, net of cash acquired	(24,373)	(1,986)	(3,702)
Other	249	(2,850)	—
Net cash provided by (used in) investing activities	<u>(29,187)</u>	<u>(8,283)</u>	<u>8,330</u>
<b>Cash flows from financing activities</b>			
Net proceeds from issuance of ordinary shares in initial public offering	—	269,514	—
Proceeds from issuance of ordinary shares upon exercise of stock options	61,463	18,552	2,337
Proceeds from the issuance of ordinary shares related to early exercise of stock options	—	—	1,566
Repurchase of ordinary shares	—	—	(344)
Repurchase of early exercised options	—	(500)	—
Repayment of notes payable	(90)	(106)	(132)
Payment of deferred offering costs	—	(5,672)	—
Payment of withholding taxes related to acquisition expense settled in shares	(2,834)	—	—
Net cash provided by financing activities	<u>58,539</u>	<u>281,788</u>	<u>3,427</u>
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	321	(897)	781
Net increase (decrease) in cash, cash equivalents, and restricted cash	<u>(891)</u>	<u>248,671</u>	<u>(8,281)</u>
Cash, cash equivalents, and restricted cash, beginning of period	300,280	51,609	59,890
Cash, cash equivalents, and restricted cash, end of period	<u>\$ 299,389</u>	<u>\$ 300,280</u>	<u>\$ 51,609</u>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid for income taxes	\$ 3,497	\$ 3,067	\$ 3,189
Cash paid for operating lease liabilities	\$ 7,371	\$ —	\$ —
Cash paid for interest	\$ 2	\$ 9	\$ 14
<b>Supplemental disclosures of non-cash investing and financing information</b>			
Purchases of property and equipment included in accounts payable	\$ 101	\$ 157	\$ 6
Operating lease right-of-use assets for new lease obligations	\$ 12,332	\$ —	\$ —
Vesting of early exercised stock options	\$ —	\$ 1,019	\$ 109
Vesting of shares subject to repurchase	\$ 2,730	\$ 449	\$ —
Issuance of ordinary shares for business acquisition	\$ 178,329	\$ —	\$ 12,410
Assumption of stock option plan as consideration for business combination	\$ 9,309	\$ —	\$ —
Deferred offering costs accrued, unpaid	\$ —	\$ —	\$ 242

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

## 1. Organization and Description of Business

Elastic N.V. (“Elastic” or the “Company”) was incorporated under the laws of the Netherlands in 2012. Elastic is a search company. It created the Elastic Stack, a powerful set of software products that ingest and store data from any source and in any format, and perform search, analysis, and visualization in milliseconds or less. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. The Company also offers software solutions built on the Elastic Stack: Enterprise Search, Observability, and Security. The Elastic Stack and the Company’s solutions are designed to run in public or private clouds, in hybrid environments, or in traditional on-premises environments.

### *Initial Public Offering*

In October 2018, the Company completed its initial public offering (“IPO”) in which it issued and sold 8,050,000 ordinary shares at an offering price of \$36.00 per share, including 1,050,000 ordinary shares pursuant to the exercise in full of the underwriters’ option to purchase additional shares. The Company received net proceeds of \$263.8 million, after deducting underwriting discounts and commissions of \$20.3 million and offering expenses of \$5.7 million. Immediately prior to the completion of the IPO, all 28,939,466 shares of the Company’s then-outstanding redeemable convertible preference shares automatically converted into 28,939,466 ordinary shares at their respective conversion ratios and the Company reclassified \$200.6 million from temporary equity to additional paid-in capital and \$0.3 million to ordinary shares on its consolidated balance sheet.

The Company’s articles of association designated and authorized the Company to issue 72 million ordinary shares with a par value of €0.001 per share up until immediately prior to the completion of the IPO at which time the authorized ordinary shares increased to 165 million. In addition, the par value of ordinary shares was changed from €0.001 per share to €0.01 per share as required by Dutch law at the time of the Company’s conversion into a Dutch public company with limited liability (*naamloze vennootschap*).

## 2. Summary of Significant Accounting Policies

### *Basis of Presentation*

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and include the financial statements of the Company and its wholly owned subsidiaries. All intercompany transactions and accounts have been eliminated in consolidation.

### *Fiscal Year*

The Company’s fiscal year ends on April 30. References to fiscal 2020, for example, refer to the fiscal year ended April 30, 2020.

### *Use of Estimates and Judgments*

The preparation of the 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, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Such estimates include, but are not limited to, allocation of revenue between recognized and deferred amounts, deferred contract acquisition costs, allowance for doubtful accounts, valuation of stock-based compensation, fair value of ordinary shares in periods prior to the Company’s initial public offering, fair value of acquired intangible assets and goodwill, useful lives of acquired intangible assets and property and equipment, whether an arrangement is or contains a lease, the discount rate used for operating leases and valuation allowance for deferred income taxes. The Company bases these estimates on historical and anticipated results, trends and various other assumptions that it believes are reasonable under the circumstances, including assumptions as to future events.

In March 2020, the World Health Organization declared the 2019 novel Coronavirus Disease (“COVID-19”) a pandemic. The pandemic is expected to result in a global slowdown of economic activity that is likely to decrease demand for a broad variety of goods and services, including from the Company’s customers, while also disrupting sales channels and marketing activities for an unknown period of time. The full extent to which COVID-19 may impact the Company’s financial condition or results of operations is uncertain.

Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, judgments or revise the carrying value



of the Company's assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's financial statements.

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

As a result of the market value of our common stock held by our non-affiliates as of October 31, 2019, the Company ceased to be an "emerging growth company" ("EGC"), as defined in the Jumpstart Our Business Startups Act of 2012, with the Company's transition to a large accelerated filer status as of April 30, 2020. As an EGC, the Company elected not to avail itself of the extended transition periods available for complying with new or revised accounting pronouncements applicable to public companies that are not emerging growth companies. Accordingly, the transition to a large accelerated filer did not have an impact to the Company's consolidated financial statements.

#### ***Foreign Currency***

The reporting currency of the Company is the U.S. dollar. The Company determines the functional currency of each subsidiary in accordance with ASC 830, Foreign Currency Matters, based on the currency of the primary economic environment in which each subsidiary operates. Items included in the financial statements of such subsidiaries are measured using that functional currency.

For the subsidiaries where the U.S. dollar is the functional currency, foreign currency denominated monetary assets and liabilities are re-measured into U.S. dollars at current exchange rates and foreign currency denominated nonmonetary assets and liabilities are re-measured into U.S. dollars at historical exchange rates. Gains or losses from foreign currency re-measurement and settlements are included in other income (expense), net in the consolidated statement of operations. For the years ended April 30, 2020, 2019 and 2018, the Company recognized re-measurement loss of \$2.2 million, \$0.2 million and \$1.3 million, respectively.

For subsidiaries where the functional currency is other than the U.S. dollar, the Company uses the period-end exchange rates to translate assets and liabilities, the average monthly exchange rates to translate revenue and expenses, and historical exchange rates to translate shareholders' equity (deficit), into U.S. dollars. The Company records translation gains and losses in accumulated other comprehensive loss as a component of shareholders' equity in the consolidated balance sheet.

#### ***Comprehensive Loss***

The Company's comprehensive loss includes net loss and unrealized gains and losses on foreign currency translation adjustments.

#### ***Cash, Cash Equivalents and Restricted Cash***

The Company considers all highly liquid investments, including money market funds with an original maturity of three months or less at the date of purchase, to be cash equivalents. The carrying amount of the Company's cash equivalents approximates fair value, due to the short maturities of these instruments. Restricted cash represents cash on deposit with financial institutions in support of letters of credit in favor of certain landlords for non-cancelable lease agreements.

Cash, cash equivalents, and restricted cash as reported in the Company's consolidated statements of cash flows includes the aggregate amounts of cash and cash equivalents and the restricted cash as shown on the consolidated balance sheet. Cash, cash equivalents, and restricted cash as reported in the Company's consolidated statements of cash flows consists of the following (in thousands):

	<b>As of April 30,</b>	
	<b>2020</b>	<b>2019</b>
Cash and cash equivalents	\$ 297,081	\$ 298,000
Restricted cash	2,308	2,280
Cash, cash equivalents and restricted cash	<u>\$ 299,389</u>	<u>\$ 300,280</u>

#### ***Short-Term Investments***

Investments with an original maturity of three months or less at the date of purchase are considered cash equivalents, while all other investments are classified as short-term or long-term based on the nature of the investments, their maturities, and their availability for use in current operations. The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company's short-term investments consisted

of bank deposits with original maturities greater than three months but less than twelve months and are classified as short-term investments within current assets in the consolidated balance sheet.

### ***Fair Value of Financial Instruments***

The Company's financial instruments consist of cash equivalents, accounts receivable, accounts payable, and accrued liabilities. Cash equivalents are stated at amortized cost, which approximates fair value at the balance sheet dates, due to the short period of time to maturity. Accounts receivable, accounts payable and accrued liabilities are stated at their carrying value, which approximates fair value due to the short time to the expected receipt or payment date.

Assets and liabilities recorded at fair value on a recurring basis in the consolidated balance sheet consisting primarily of cash equivalents are categorized based upon the level of judgment associated with the inputs used to measure their fair values. 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. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company measures its financial assets and liabilities at fair value at each reporting period using a fair value hierarchy which requires the Company to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

- Level 1: Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and 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.

The carrying values of the Company's financial instruments, including cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their respective fair values due to the short period of time to maturity, receipt or payment.

### ***Concentration of Credit Risk***

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash, cash equivalents, restricted cash, short-term investments, and accounts receivable. The primary focus of the Company's investment strategy is to preserve capital and meet liquidity requirements. The Company maintains its cash accounts with financial institutions where, at times, deposits exceed federal insurance limits. The Company invests its excess cash in highly-rated money market funds and in short-term investments. The Company extends credit to customers in the normal course of business. The Company performs credit analyses and monitors the financial health of its customers to reduce credit risk. Trade accounts receivable are recorded at the invoiced amount and do not bear interest. Management performs ongoing credit evaluations of customers and maintains allowances for potential credit losses on customers' accounts when deemed necessary.

One customer represented 10% or more of net accounts receivable (11%) as of April 30, 2020, and no customer represented more than 10% or more of net accounts receivable as of April 30, 2019. No customer accounted for more than 10% of the Company's revenue for the years ended April 30, 2020, 2019 and 2018, respectively.

### ***Accounts Receivable, Unbilled Accounts Receivable and Allowance for Doubtful Accounts***

Accounts receivable primarily consists of amounts billed currently due from customers. The Company's accounts receivable are subject to collection risk. Gross accounts receivable are reduced for this risk by an allowance for doubtful accounts. This allowance is for estimated losses resulting from the inability of the Company's customers to make required payments. The Company determines the need for an allowance for doubtful accounts based upon various factors, including past collection experience, credit quality of the customer, age of the receivable balance, and current economic conditions, as well as specific circumstances arising with individual customers. Accounts receivables are written off against the allowance when management determines a balance is uncollectible and the Company no longer actively pursues collection of the receivable.

The Company does not typically offer right of refund in its contracts. The allowance for doubtful accounts reflects the Company's best estimate of probable losses inherent in the Company's receivables portfolio. The Company has not experienced significant credit losses from its accounts receivable. As of April 30, 2020 and 2019, the allowance for doubtful accounts was \$1.2 million and \$1.4 million, respectively. Activity related to the Company's allowance for doubtful accounts was as follows (in thousands):

	Year ended April 30,		
	2020	2019	2018
Beginning balance	\$ 1,411	\$ 776	\$ 357
Bad debt expense	193	1,105	1,265
Accounts written off	(357)	(470)	(846)
Ending balance	<u>\$ 1,247</u>	<u>\$ 1,411</u>	<u>\$ 776</u>

Unbilled accounts receivable represents amounts for which the Company has recognized revenue, pursuant to the Company's revenue recognition policy, for fulfilled obligations, but not yet billed. The unbilled accounts receivable balance was \$2.6 million and \$1.7 million as of April 30, 2020 and 2019, respectively.

#### ***Capitalized Software Costs***

Software development costs for software to be sold, leased, or otherwise marketed are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life of the product. Technological feasibility is established upon the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. To date, costs to develop software that is marketed externally have not been capitalized as the current software development process is essentially completed concurrently with the establishment of technological feasibility. As such, all related software development costs are expensed as incurred and included in research and development expense in the consolidated statement of operations.

Costs related to software acquired, developed, or modified solely to meet the Company's internal requirements, with no substantive plans to market such software at the time of development, or costs related to development of web-based products are capitalized. Costs incurred during the preliminary planning and evaluation stage of the project and during the post implementation operational stage are expensed as incurred. Costs incurred during the application development stage of the project are capitalized. The Company did not capitalize any costs related to software developed for internal use or web-based products in the years ended April 30, 2020, 2019 and 2018.

#### ***Property and Equipment***

Property and equipment are recorded at cost and depreciated over their estimated useful lives using the straight-line method. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the financial statements and any resulting gain or loss is reflected within the consolidated statement of operations. There was no material gain or loss incurred as a result of retirement or sale in the periods presented. Repair and maintenance costs are expensed as incurred.

#### ***Leases***

Leases arise from contractual obligations that convey the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration. The Company determines whether an arrangement is or contains a lease at inception, based on whether there is an identified asset and whether the Company controls the use of the identified asset throughout the period of use. At the lease commencement date, the Company determines the lease classification between finance and operating and recognizes a right-of-use asset and corresponding lease liability for each lease component. A right-of-use asset represents the Company's right to use an underlying asset and a lease liability represents the Company's obligation to make payments during the lease term. The operating lease right-of-use asset also includes any lease payments made and excludes lease incentives. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. The Company accounts for lease components and non-lease components as a single lease component.

The lease liability is initially measured as the present value of the remaining lease payments over the lease term. The discount rate used to determine the present value is the Company's incremental borrowing rate unless the interest rate implicit in the lease is readily determinable. The Company estimates its incremental borrowing rate based on the information available at lease commencement date for borrowings with a similar term. The right-of-use asset is initially measured as the present value of the lease payments, adjusted for initial direct costs, prepaid lease payments to lessors and lease incentives.

### **Acquisitions**

The Company has completed a number of acquisitions of other businesses in the past and may acquire additional businesses or technologies in the future. The results of businesses acquired in a business combination are included in the Company's consolidated financial statements from the date of acquisition. The Company allocates the purchase price, which is the sum of the consideration provided and may consist of cash, equity or a combination of the two, in a business combination to the identifiable assets and liabilities of the acquired business at their acquisition date fair values. The excess of the purchase price over the amount allocated to the identifiable assets and liabilities, if any, is recorded as goodwill. Determining the fair value of assets acquired and liabilities assumed requires management to use significant judgment and estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies.

When the Company issues stock-based or cash awards to an acquired company's shareholders, the Company evaluates whether the awards are consideration or compensation for post-acquisition services. The evaluation includes, among other things, whether the vesting of the awards is contingent on the continued employment of the acquired company's shareholders beyond the acquisition date. If continued employment is required for vesting, the awards are treated as compensation for post-acquisition services and recognized as expense over the requisite service period.

To date, the assets acquired and liabilities assumed in the Company's business combinations have primarily consisted of goodwill and finite-lived intangible assets, consisting primarily of developed technologies, in-process research & development, customer relationships and trade names. The estimated fair values and useful lives of identifiable intangible assets are based on many factors, including estimates and assumptions of future operating performance and cash flows of the acquired business, the nature of the business acquired, and the specific characteristics of the identified intangible assets. The estimates and assumptions used to determine the fair values and useful lives of identified intangible assets could change due to numerous factors, including market conditions, technological developments, economic conditions and competition. In connection with determination of fair values, the Company may engage independent appraisal firms to assist with the valuation of intangible and certain tangible assets acquired and certain assumed obligations.

Acquisition-related transaction costs incurred by the Company are not included as a component of consideration transferred, but are accounted for as an operating expense in the period in which the costs are incurred.

### **Goodwill**

Goodwill represents the excess of the purchase price over the fair value of net assets acquired in business combinations accounted for using the acquisition method for accounting and is not amortized. The Company tests goodwill for impairment at least annually, in the fourth quarter of each year, or more frequently if events or changes in circumstances indicate that this asset may be impaired. For the purposes of impairment testing, the Company has determined that it has one operating segment and one reporting unit. The Company's test of goodwill impairment starts with a qualitative assessment to determine whether it is necessary to perform a quantitative goodwill impairment test. If qualitative factors indicate that the fair value of the reporting unit is more likely than not less than its carrying amount, then a quantitative goodwill impairment test is performed. For the quantitative analysis, the Company compares the fair value of its reporting unit to its carrying value. If the estimated fair value exceeds book value, goodwill is considered not to be impaired and no additional steps are necessary. However, if the fair value of the reporting unit is less than book value, then under the second step the carrying amount of the goodwill is compared to its implied fair value. There was no impairment of goodwill recorded for the years ended April 30, 2020, 2019 and 2018.

### **Acquired Intangible Assets**

Acquired amortizable intangible assets are amortized on a straight-line basis over the estimated useful lives of the assets.

	<b>Useful life (in years)</b>
Developed technology	4-5
Customer relationships	4
Trade names	4

### **Impairment of Long-Lived Assets**

The Company evaluates the recoverability of long-lived assets, including property and equipment and amortizable acquired intangible assets for possible impairment whenever events or circumstances indicate that the carrying amount of such assets may not be fully recoverable. Such events and changes may include: significant changes in performance relative to expected operating results, significant changes in asset use, significant negative industry or economic trends, and changes in the

Company's business strategy. Recoverability of these assets is measured by a comparison of the carrying amounts to the future undiscounted cash flows the assets are expected to generate. If such review indicates that the carrying amount of long-lived assets is not recoverable, the carrying amount of such assets is reduced to fair value. The Company determined that there were no events or changes in circumstances that indicated that its long-lived assets were impaired during the years ended April 30, 2020, 2019 and 2018.

In addition to the recoverability assessment, the Company periodically reviews the remaining estimated useful lives of property and equipment and amortizable intangible assets. If the estimated useful life assumption for any asset is changed, the remaining unamortized balance would be depreciated or amortized over the revised estimated useful life, on a prospective basis.

### ***Deferred Offering Costs***

Deferred offering costs were capitalized and consisted of fees and expenses incurred in connection with the sale of the Company's ordinary shares in its IPO, including the legal, accounting, printing and other IPO-related costs. Upon consummation of the IPO in October 2018, \$0.2 million of previously deferred offering costs along with additional offering costs of \$5.5 million were reclassified to shareholders' equity (deficit) and recorded against the proceeds from the offering.

### ***Revenue Recognition***

The Company generates revenue primarily from the sale of self-managed subscriptions (which include licenses for proprietary features, support, and maintenance) and SaaS subscriptions. The Company also generates revenue from professional services, which consist of consulting and training.

Under ASC Topic 606, Revenue from Contracts with Customers, the Company recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the Company expects to receive in exchange for those goods or services. The Company's contracts include varying terms and conditions, and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Company performs the following steps:

#### *(i) identification of the contract with a customer;*

The Company contracts with its customers through order forms, which in some cases are governed by master sales agreements. The Company determines that it has a contract with a customer when the order form has been approved, each party's rights regarding the products or services to be transferred can be identified, the payment terms for the services can be identified, the Company has determined the customer has the ability and intent to pay and the contract has commercial substance. The Company applies judgment in determining the customer's ability and intent to pay, which is based on a variety of factors, including the customer's historical payment experience or, in the case of a new customer, credit, reputation and financial or other information pertaining to the customer. At contract inception the Company evaluates whether two or more contracts should be combined and accounted for as a single contract and whether the combined or single contract includes more than one performance obligation. The Company has concluded that its contracts with customers do not contain warranties that give rise to a separate performance obligation.

#### *(ii) determination of whether the promised goods or services are performance obligations;*

Performance obligations promised in a contract are identified based on the products and services that will be transferred to the customer that are both capable of being distinct, whereby the customer can benefit from the products or services either on their own or together with other resources that are readily available from third parties or from the Company, and are distinct in the context of the contract, whereby the transfer of the products and services is separately identifiable from other promises in the contract.

The Company's self-managed subscriptions include both an obligation to provide access to proprietary features in its software, as well as an obligation to provide support (on both open source and proprietary features) and maintenance. The Company's SaaS products provide access to hosted software as well as support, which the Company considers to be a single performance obligation.

Services-related performance obligations relate to the provision of consulting and training services. These services are distinct from subscriptions and do not result in significant customization of the software.

#### *(iii) measurement of the transaction price;*

The Company measures the transaction price with reference to the standalone selling price ("SSP") of the various performance obligations inherent within a contract. The SSP is determined based on the prices at which the Company separately sells these products, assuming the majority of these fall within a pricing range. In instances where SSP is not directly observable, such as when the Company does not sell the software license separately, the Company derives the SSP using

information that may include market conditions and other observable inputs that can require significant judgment. There is typically more than one SSP for individual products and services due to the stratification of those products and services by quantity, term of the subscription, sales channel and other circumstances. Variable consideration is included in the transaction price if, in the Company's judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of the Company's contracts contain a significant financing component.

*(iv) allocation of the transaction price to the performance obligations; and*

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, the Company allocates the transaction price to each performance obligation based on a relative SSP. If one of the performance obligations is outside of the SSP range, the Company allocates SSP considering the midpoint of the range. The Company also considers if there are any additional material rights inherent in a contract, and if so, the Company allocates a portion of the transaction price to such rights based on SSP.

*(v) recognition of revenue when the Company satisfies each performance obligation;*

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer. The Company's self-managed subscriptions include both upfront revenue recognition when the license is delivered as well as revenue recognized ratably over the contract period for support and maintenance based on the stand-ready nature of these subscription elements. Revenue on the Company's SaaS products is recognized ratably over the contract period when the Company satisfies the performance obligation.

Professional services comprise consulting services as well as public and private training. Consulting services are generally time-based arrangements. Revenue from professional services is recognized as these services are performed.

The Company generates sales directly through its sales team and through its channel partners. Sales to channel partners are made at a discount and revenues are recorded at this discounted price once all the revenue recognition criteria above are met. To the extent that the Company offers rebates, incentives or joint marketing funds to such channel partners, recorded revenues are reduced by this amount. Channel partners generally receive an order from an end-customer prior to placing an order with the Company. Payment from channel partners is not contingent on the partner's collection from end-customers.

#### ***Deferred Contract Acquisition Costs***

Deferred contract acquisition costs represent costs that are incremental to the acquisition of customer contracts, which consist mainly of sales commissions and associated payroll taxes. The Company determines whether costs should be deferred based on sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

During the fiscal year ended April 30, 2020, the Company updated its sales commissions plan by incorporating different commission rates for contracts with new customers and incremental sales to existing customers, and subsequent subscription renewals. Subsequent to this change, sales commissions for renewal of a subscription contract are not considered commensurate with the commissions paid for contracts with new customers and incremental sales to existing customers given the substantive difference in commission rates in proportion to their respective contract values. Effective May 1, 2019, commissions paid for contracts with new customers and incremental sales to existing customers are amortized over an estimated period of benefit of five years while commissions paid for renewal contracts are amortized based on the pattern of the associated revenue recognition over the related contractual renewal period for the pool of renewal contracts. The Company determines the period of benefit for commissions paid for contracts with new customers and incremental sales to existing customers by taking into consideration its initial estimated customer life and the technological life of its software and related significant features. Commissions paid on professional services are typically amortized in accordance with the associated revenue as the commissions paid on new and renewal professional services are commensurate with each other. Amortization of deferred contract acquisition costs is recognized in sales and marketing expense in the consolidated statement of operations.

The Company periodically reviews the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs.

Further disclosures with respect to the Company's deferred contract acquisition costs are also included in Note 6, *Balance Sheet Components*.

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

Cost of revenue consists primarily of costs related to providing subscription and professional services to the Company's customers, including personnel costs (salaries, bonuses and benefits, and stock-based compensation) and related

expenses for customer support and services personnel, as well as cloud infrastructure costs, third-party expenses, depreciation of fixed assets, amortization associated with acquired intangible assets, and allocated overhead.

### ***Research and Development***

Research and development costs are expensed as incurred and consist primarily of personnel costs, including salaries, bonuses and benefits, and stock-based compensation. Research and development costs also include depreciation and allocated overhead.

### ***Advertising***

Advertising costs are charged to operations as incurred or the first time the advertising takes place, based on the nature of the advertising, and include direct marketing, events, public relations, sales collateral materials and partner programs. Advertising costs were \$7.7 million, \$6.5 million, \$1.7 million for the years ended April 30, 2020, 2019 and 2018 respectively. Advertising costs are recorded in sales and marketing expense in the consolidated statement of operations.

### ***Stock-Based Compensation***

Compensation expense related to stock awards issued to employees, including stock options, restricted stock awards (“RSAs”), and restricted stock units (“RSUs”) is measured at the fair value on the date of the grant and recognized over the requisite service period. The fair value of stock options is estimated on the date of the grant using the Black-Scholes option-pricing model. The fair value of RSAs and RSUs is estimated on the date of the grant based on the fair value of the Company’s underlying ordinary shares.

Compensation expense for stock options and RSUs is recognized on a straight-line basis over the requisite service period. Compensation expense for RSAs is amortized on a graded basis over the requisite service period as long as the underlying performance condition is probable to occur. RSAs issued till date included a performance condition in the form of a specified liquidity event. The liquidity event condition was satisfied upon the effectiveness of the Company’s registration statement on Form S-1 (“IPO registration statement”), on October 4, 2018. On that date, the Company recorded a cumulative stock-based compensation expense of \$1.7 million using the accelerated attribution method for all RSAs, for which the service condition had been fully satisfied as of October 4, 2018. The remaining unrecognized stock-based compensation expense related to the RSAs will be recorded over their remaining requisite service periods. The Company recognizes forfeitures as they occur.

### ***Net Loss per Share Attributable to Ordinary Shareholders***

The Company calculates basic net loss per share by dividing the net loss by the weighted-average number of ordinary shares outstanding during the period, less shares subject to repurchase. Diluted net loss per share is computed by giving effect to all potentially dilutive ordinary share equivalents outstanding for the period, including stock options and restricted stock units.

Prior to the completion of the IPO in October 2018, the Company calculated basic and diluted net loss per share attributable to ordinary shareholders in conformity with the two-class method required for companies with participating securities. The Company considered all series of redeemable convertible preference shares and early exercised stock options to be participating securities as the holders were entitled to receive non-cumulative dividends on a pari passu basis in the event that a dividend was paid on ordinary shares. Under the two-class method, the net loss attributable to ordinary shareholders was not allocated to the redeemable convertible preference shares and early exercised stock options as the holders of redeemable convertible preference shares and early exercised stock options did not have a contractual obligation to share in losses.

Under the two-class method, basic net loss per share attributable to ordinary shareholders was calculated by dividing the net loss by the weighted-average number of ordinary shares outstanding during the period, less shares subject to repurchase. Diluted net loss per share attributable to ordinary shareholders was computed by giving effect to all potentially dilutive ordinary shares outstanding for the period. For purposes of this calculation, redeemable convertible preference shares, stock options to acquire ordinary shares, contingently issuable shares, and early exercised stock options were considered potentially dilutive ordinary shares, but had been excluded from the calculation of diluted net loss per share attributable to ordinary shareholders as their effect was antidilutive.

Upon completion of the IPO, all shares of redeemable convertible preference shares then outstanding were automatically converted into an equivalent number of shares of ordinary shares on a one-to-one basis and their carrying amount reclassified into stockholders’ equity (deficit). As of April 30, 2020, the Company did not have any preference shares issued and outstanding.

### ***Treasury Shares***

Ordinary shares of the Company that are repurchased are recorded as treasury shares at cost and are included as a component of shareholders' equity.

### ***Segments***

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker ("CODM"). The Company's Chief Executive Officer is its CODM. The Company's CODM reviews financial information presented on a consolidated basis for the purposes of making operating decisions, allocating resources and evaluating financial performance. As such, the Company has determined that it operates in one operating and one reportable segment. The Company presents financial information about its operating segment and geographical areas in Note 15 to the consolidated financial statements.

### ***Income Taxes***

The Company is subject to income taxes in the Netherlands and numerous foreign jurisdictions. These foreign jurisdictions may have different statutory rates than the Netherlands. The Company records a provision for income taxes for the anticipated tax consequences of the reported results of operations using the asset and liability method. Under this method, the Company recognizes deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the financial reporting and the tax basis of assets and liabilities, as well as for operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using the tax rates that are expected to apply to taxable income for the years in which those tax assets and liabilities are expected to be realized or settled. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that it believes is more likely than not to be realized.

The calculation of the Company's tax obligations involves dealing with uncertainties in the application of complex tax laws and regulations. ASC 740, Income Taxes, provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. The Company has assessed its income tax positions and recorded tax benefits for all years subject to examination, based upon the Company's evaluation of the facts, circumstances and information available at each period end. For those tax positions where the Company has determined there is a greater than fifty percent likelihood that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is determined there is less than fifty percent likelihood that a tax benefit will be sustained, no tax benefit has been recognized.

Although the Company believes that it has adequately reserved for its uncertain tax positions, the Company can provide no assurance that the final tax outcome of these matters will not be materially different. As the Company expands internationally, it will face increased complexity, and the Company's unrecognized tax benefits may increase in the future. The Company makes adjustments to its reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

### ***Customer Deposits***

Certain of the Company's contracts, acquired via the Endgame, Inc. ("Endgame") acquisition, allow for termination at the customer's convenience, or the Company may receive prepayments on master sales agreements. In these cases, the Company does not consider a contract to exist past the term in which enforceable rights and obligations exist. Amounts received related to these agreements are classified outside of deferred revenue in the consolidated balance sheet, and these amounts do not represent contract balances. As of April 30, 2020, the Company had \$2.6 million of customer deposits included in accrued expenses and other liabilities, and \$8.5 million of non-refundable customer deposits included in other liabilities, non-current on the consolidated balance sheet.

### ***Recently Adopted Accounting Pronouncements***

*Leases:* In February 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") 2016-02, codified as Accounting Standards Codification 842 ("ASC 842"), which requires lessees to record the assets and liabilities arising from all leases, with the exception of short-term leases, on the balance sheet. Under ASC 842, lessees recognize a liability for lease payments and a right-of-use asset. This guidance retains the distinction between finance leases and operating leases and the classification criteria for finance leases remains similar. For finance leases, a lessee recognizes the interest on a lease liability separate from amortization of the right-of-use asset. In addition, repayments of the



principal amount are presented within financing activities, and interest payments are presented within operating activities in the consolidated statements of cash flows. For operating leases, a lessee recognizes a single lease cost on a straight-line basis and classifies all cash payments within operating activities in the consolidated statements of cash flows.

The Company adopted the new lease accounting standard effective May 1, 2019 using the additional transition method described in ASU No. 2018-11, Leases – Targeted Improvements, which was issued in July 2018. Under the additional transition method, the Company recognized the cumulative effect of initially applying the guidance as an adjustment to the operating lease right-of-use assets and operating lease liabilities on its consolidated balance sheet on May 1, 2019 without retrospective application to comparative periods. Upon adoption, the Company elected the following:

- the package of practical expedients which allows for not reassessing (1) whether existing contracts contain leases, (2) the lease classification for existing leases, and (3) whether existing initial direct costs meet the new definition,
- the practical expedient in ASC Subtopic 842-10 to not separate non-lease components from lease components and instead account for each separate lease component and non-lease components associated with that lease component as a single lease component by class of the underlying asset, and
- not to recognize right-of-use assets and lease liabilities for short-term leases, which have a lease term of twelve months or less and do not include an option to purchase the underlying asset that the Company is reasonably certain to exercise.

The adoption of ASC 842 resulted in recognition of right-of-use assets of \$28.1 million, which included the impact of existing deferred rents of \$1.0 million, prepaid rent of \$0.2 million and lease liabilities of \$28.9 million as of May 1, 2019. See Note 9, Leases, for additional details.

The adoption of the new lease accounting standard had no impact on cash provided by or used in operating, investing or financing activities in the Company's consolidated statements of cash flows. The adoption of the new lease accounting standard did not impact the Company's consolidated statements of operations and the Company's Consolidated Statements of Redeemable Convertible Preference Shares and Shareholders' Equity (Deficit) nor previously reported financial results.

*Comprehensive Income:* In February 2018, the FASB issued ASU No. 2018-02, Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income, which provides financial statement preparers with an option to reclassify stranded tax effects within accumulated other comprehensive income to retained earnings in each period in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act (or "TCJA") (or portion thereof) is recorded. The amendments in this ASU can be applied either in the period of adoption or retrospectively to each period (or periods) in which the effect of the change in the U.S. federal corporate income tax rate in the Tax Cuts and Jobs Act is recognized. The Company adopted this guidance on May 1, 2019. No reclassifications out of accumulated other comprehensive loss to net income were recorded in fiscal 2020.

#### ***New Accounting Pronouncements Not Yet Adopted***

*Credit Losses:* In June 2016, the FASB issued ASU No. 2016-13, Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, and has since issued various amendments including ASU No. 2018-19, ASU No. 2019-04, and ASU No. 2019-05. The standard and related amendments modify the accounting for credit losses for most financial assets and require the use of an expected loss model, replacing the currently used incurred loss method. Under this model, entities will be required to estimate the lifetime expected credit loss on such instruments and record an allowance to offset the amortized cost basis of the financial asset, resulting in a net presentation of the amount expected to be collected on the financial asset. The new guidance becomes effective for the Company for the fiscal year ending April 30, 2021, though early adoption is permitted. The Company does not expect the adoption of the new accounting standard will have a material impact on its consolidated financial statements.

*Goodwill Impairment:* In January 2017, the FASB issued ASU No. 2017-04, Intangibles— Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment. The new standard will simplify the measurement of goodwill by eliminating step two of the two-step impairment test. Step two measures a goodwill impairment loss by comparing the implied fair value of a reporting unit's goodwill with the carrying amount of that goodwill. The new guidance requires an entity to compare the fair value of a reporting unit with its carrying amount and recognize an impairment charge for the amount by which the carrying amount exceeds the reporting unit's fair value. Additionally, an entity should consider income tax effects from any tax-deductible goodwill on the carrying amount of the reporting unit when measuring the goodwill impairment loss, if applicable. The new guidance becomes effective for the Company for the year ending April 30, 2021, though early adoption is permitted. The Company does not expect the adoption of the new accounting standard will have a material impact on its consolidated financial statements.

*Fair Value Measurements:* In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820), which modifies, removes and adds certain disclosure requirements on fair value measurements based on the FASB

Concepts Statement, Conceptual Framework for Financial Reporting—Chapter 8: Notes to Financial Statements. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. The new guidance becomes effective for the Company for the fiscal year ending April 30, 2021. Early adoption is permitted. The Company does not expect the adoption of the new accounting standard to have a material impact on its consolidated financial statements.

*Intangible Assets:* In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other— Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The accounting for the service element of a hosting arrangement that is a service contract is not affected by the amendments in this ASU. The new guidance becomes effective for the Company for the fiscal year ending April 30, 2021, though early adoption is permitted. The Company does not expect the adoption of the new accounting standard will have a material impact on its consolidated financial statements.

*Income Taxes:* In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, eliminating certain exceptions to the general principles in ASC 740 related to intra-period tax allocation, deferred tax liability and general methodology for calculating income taxes. Additionally, the ASU makes other changes for matters such as franchise taxes that are partially based on income, transactions with a government that result in a step up in the tax basis of goodwill, separate financial statements of legal entities that are not subject to tax, and enacted changes in tax laws in interim periods. The new guidance becomes effective for the Company for the fiscal year ending April 30, 2022. Early adoption is permitted. The Company does not expect the adoption of the new accounting standard to have a material impact on its consolidated financial statements.

### 3. Revenue and Performance Obligations

#### Disaggregation of Revenue

The following table presents revenue by category (in thousands):

	Year Ended April 30,					
	2020		2019		2018	
	Amount	% of Total Revenue	Amount	% of Total Revenue	Amount	% of Total Revenue
Self-managed subscription	\$ 299,880	70 %	\$ 202,419	74 %	\$ 123,898	77 %
<i>License</i>	53,536	12 %	39,474	14 %	25,759	16 %
<i>Subscription</i>	246,344	58 %	162,945	60 %	98,139	61 %
SaaS	92,290	22 %	45,835	17 %	25,484	16 %
Total subscription revenue	392,170	92 %	248,254	91 %	149,382	93 %
Professional services	35,450	8 %	23,399	9 %	10,553	7 %
Total revenue	\$ 427,620	100 %	\$ 271,653	100 %	\$ 159,935	100 %

#### Remaining Performance Obligations

As of April 30, 2020, the Company had \$535.6 million of remaining performance obligations, which is comprised of product and services revenue not yet delivered. As of April 30, 2020, the Company expects to recognize approximately 83% of its remaining performance obligations as revenue over the next 24 months and the remainder thereafter.

### 4. Fair Value Measurements

The Company measures financial assets and liabilities that are measured at fair value on a recurring basis at each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument’s classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table summarizes assets that are measured at fair value on a recurring basis as of April 30, 2020 (in thousands):

	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash and cash equivalents:				
Money market funds	\$ 197,314	\$ —	\$ —	\$ 197,314

The following table summarizes assets that are measured at fair value on a recurring basis as of April 30, 2019 (in thousands):

	Level 1	Level 2	Level 3	Total
<b>Financial Assets:</b>				
Cash and cash equivalents:				
Money market funds	\$ 261,864	\$ —	\$ —	\$ 261,864

Money market funds consist of cash equivalents with remaining maturities of three months or less at the date of purchase. The Company uses quoted prices in active markets for identical assets to determine the fair value of its Level 1 investments in money market funds.

## 5. Acquisitions

### Fiscal 2020 Acquisition

#### *Endgame, Inc.*

On October 8, 2019, the Company acquired all outstanding shares of Endgame, a security company offering endpoint protection technology, for a total acquisition price of \$234.0 million. Elastic paid the purchase price through (i) the issuance of 2,218,694 ordinary shares in respect of Endgame's outstanding capital stock, warrants, convertible notes, and certain retention awards, (ii) the cash repayment of Endgame's outstanding indebtedness of \$20.4 million, (iii) the assumption of Endgame's outstanding stock options, (iv) a \$0.4 million cash deposit to an expense fund for the fees and expenses of the representative and agent of Endgame securityholders, (v) the cash payment of Endgame's transaction expenses of \$5.9 million, and (vi) the cash payment of withholding taxes related to acquisition expense settled in shares of \$2.8 million. Approximately 11% of the ordinary shares issued, or 235,031 shares, is being held in an indemnity escrow fund for 18 months after the acquisition close date. For purposes of determining the total acquisition price of \$234.0 million, the Company used the ordinary share price of \$89.3836 which was determined on the basis of the volume weighted average price per share rounded to four decimal places for the twenty (20) consecutive trading days ending with the complete trading day ending five (5) trading days prior to the date upon which the acquisition was consummated.

The fair value of the shares transferred as consideration was \$84.12 per share and was determined on the basis of the closing stock price of the Company's ordinary shares on the date of acquisition. The fair value of the assumed stock options was determined by using a Black-Scholes option pricing model with the applicable assumptions as of the acquisition date.

The stock options assumed on the acquisition date will continue to vest as the Endgame employees provide services in the post-acquisition period. The fair value of these awards will be recorded as share-based compensation expense over the respective vesting period of each stock option.

The acquisition was accounted for as a business combination and the total purchase price was allocated to the net tangible and intangible assets and liabilities based on their respective fair values on the acquisition date and the excess was recorded as goodwill. The values assigned to the assets acquired and liabilities assumed are based on preliminary estimates of fair value available as of the date of this Annual Report on Form 10-K. The Company continues to collect information with regards to its estimates and assumptions, including potential liabilities, contingencies, and the allocation of the purchase price. The Company will record adjustments to the fair value of the net assets acquired, liabilities assumed and goodwill within the measurement period, if necessary.

The following table summarizes the components of the U.S. GAAP purchase price and the preliminary allocation of the purchase price at fair value (in thousands):

Cash paid	\$ 26,633
Ordinary shares	178,331
Assumption of stock option plan	9,309
Total consideration	<u>\$ 214,273</u>

The above U.S. GAAP purchase price consideration does not include ordinary shares of Elastic issued as part of acceleration of equity awards and participation in the retention bonus pool.

The following table summarizes the preliminary estimated fair values of assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents	\$ 2,220
Restricted cash	40
Accounts receivable	2,661
Prepaid and other current assets	549
Operating lease right-of-use assets	4,363
Property and equipment	503
Intangible assets	53,800
Other assets	58
Goodwill	178,764
Accounts payable	(1,112)
Accrued expenses and other current liabilities	(3,035)
Accrued compensation and benefits	(5,042)
Operating lease liabilities, current	(981)
Deferred revenue, current	(3,532)
Deferred revenue, non-current	(2,661)
Operating lease liabilities, non-current	(3,551)
Other liabilities, non-current	(8,771)
Total purchase consideration	<u>\$ 214,273</u>

Identifiable intangible assets include (in thousands):

	<b>Total</b>	<b>Useful life (in years)</b>
Developed technology	\$ 32,700	5
Customer relationships	19,200	4
Trade name	1,900	4
Intangible assets	<u>\$ 53,800</u>	

Developed technology consists of software products and security platform developed by Endgame. Customer relationships consists of contracts with platform users that purchase Endgame's products and services that carry distinct value. Trade names represent the Company's right to the Endgame trade names and associated design, as it exists as of the acquisition closing date.

The fair value assigned to developed technology was determined primarily using the multi-period excess earnings model, which estimates the revenue and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. Management applied significant judgment in estimating the fair value of the developed technology intangible asset, which involved the use of significant estimates related to the revenue growth rate assumption for both existing and any future product offerings. The fair value of the Company's customer relationships was determined using the income approach, which discounts expected future cash flows to present value using estimates and assumptions related to revenue and customer growth rate as determined by management. The fair value assigned to trade name

was determined using the relief from royalty method, where the owner of the asset realizes a benefit from owning the intangible asset rather than paying a rental or royalty rate for use of the asset. The acquired intangible assets are being amortized on a straight-line basis over their respective useful lives, which approximates the pattern in which these assets are utilized.

Recognized goodwill of \$178.8 million is not deductible for tax purposes and is primarily attributed to planned growth in new markets, synergies arising from the acquisition and the value of the acquired workforce.

Net tangible assets and liabilities assumed were valued at their respective carrying amounts as of the acquisition date, as the Company believes that these amounts approximate their current fair values.

Endgame has been included in the Company's consolidated results of operations since the acquisition date. Endgame's results were immaterial to the Company's consolidated results for the year ended April 30, 2020.

The following unaudited pro forma condensed consolidated financial information gives effect to the acquisition of Endgame as if it were consummated on May 1, 2018 (the beginning of the comparable prior reporting period), including pro forma adjustments related to the valuation and allocation of the purchase price, primarily amortization of acquired intangible assets and deferred revenue fair value adjustments; share-based compensation expense; alignment of accounting policies; the impact of applying ASC Topic 606, *Revenue From Contracts With Customers*, to Endgame's historical financial statements; and direct transaction costs reflected in the historical financial statements. This data is presented for informational purposes only and is not intended to represent or be indicative of the results of operations that would have been reported had the acquisition occurred on May 1, 2018. It should not be taken as representative of future results of operations of the combined company (in thousands).

	Year Ended April 30,	
	2020	2019
Pro forma revenue (1)	\$ 435,234	\$ 285,917
Pro forma net loss (1)	\$ (176,019)	\$ (152,280)

(1) As if the acquisition of Endgame was consummated on May 1, 2018

Non-recurring acquisition costs incurred by the Company of \$17.5 million, including a non-cash expense settled in the Company's ordinary shares for \$8.8 million and a related cash payment of withholding taxes of \$2.8 million, were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2020, and are reflected in the pro forma net loss presented above for the year ended April 30, 2019. Non-recurring acquisition costs incurred by Endgame of \$1.5 million are also reflected in the pro forma net loss presented above for the year ended April 30, 2019.

## Fiscal 2019 Acquisition

### Lambda Lab Corp.

In July 2018, the Company acquired 100% of the share capital of Lambda Lab Corp. ("Lambda Lab"), a privately held company headquartered in the United States. Lambda Lab was a code search company whose product was built on top of Elasticsearch and focused on building semantic understanding of code, exposed through powerful search features. Purchase consideration for the acquisition was \$2.0 million in cash. Excluded from the purchase consideration were 134,474 ordinary shares of \$2.2 million issued to certain employees of Lambda Lab. These shares were subject to repurchase and were contingent upon these employees' continued employment with the Company. As of April 30, 2020, no shares were subject to repurchase and all stock-based compensation expense had been recognized. During the years ended April 30, 2020 and 2019, the Company recorded stock-based compensation expense of \$0.9 million and \$1.4 million, respectively.

The following table summarizes the components of the Lambda Lab purchase price and the preliminary allocation of the purchase price at fair value (in thousands):

Cash paid	\$ 1,997
Developed technology	\$ 1,339
Trade name	15
Goodwill	1,038
Net liabilities acquired	(395)
Total purchase consideration	\$ 1,997

The amount allocated to developed technology was \$1.3 million. The fair value assigned to developed technology was determined primarily using the multi-period excess earnings model, which estimates the revenue and cash flows derived from

the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. The acquired developed technology is being amortized on a straight-line basis over four years, which approximates the pattern in which these assets are utilized.

Goodwill of \$1.0 million, none of which is deductible for tax purposes, was recorded in connection with the Lambda Lab acquisition, which is primarily attributed to synergies arising from the acquisition and the value of the acquired workforce.

Acquisition costs of \$0.2 million were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2019.

Lambda Lab has been included in the Company's consolidated results of operations since the acquisition date.

## Fiscal 2018 Acquisitions

### *Swifttype, Inc.*

In October 2017, the Company acquired 100% of the share capital of Swifttype, Inc. ("Swifttype"), a privately held company headquartered in the United States. Swifttype provided enterprise search and search engine platforms for organizations, websites and applications. The acquisition has been accounted for as a business combination and the Company has included the financial results of Swifttype in the consolidated financial statements from the date of the acquisition.

The following table summarizes the components of the Swifttype purchase price and the allocation of the purchase price at fair value (in thousands):

Cash paid	\$	1,724
Ordinary shares		8,392
Total consideration	\$	<u>10,116</u>
Developed technology	\$	5,392
Trade name		97
Customer relationships		158
Goodwill		1,885
Net assets acquired		2,584
Total purchase consideration	\$	<u>10,116</u>

Included in net assets acquired was \$1.1 million of cash acquired.

Fifteen percent of the equity consideration, or 109,842 ordinary shares issued to the former shareholders, was subject to repurchase on the fifteen-month anniversary of the close of the acquisition for any indemnity claims. No indemnity claims were made by the Company during the indemnification period that expired in January 2019.

The amounts allocated to developed technology, customer relationships and trade name (the acquired intangible assets) total \$5.6 million. The fair value assigned to developed technology was determined using the multi-period excess earnings model, which estimates the revenue and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. The fair value of the Company's customer relationships was determined using the income approach, which discounts expected future cash flows to present value using estimates and assumptions determined by management. The fair value assigned to trade name was determined using the relief from royalty method, where the owner of the asset realizes a benefit from owning the intangible asset rather than paying a rental or royalty rate for use of the asset. The acquired identifiable intangible assets are being amortized on a straight-line basis over four years, which approximates the pattern in which these assets are utilized.

The following table sets forth the components of identifiable intangible assets acquired and their estimated useful lives as of the date of acquisition (in thousands):

	Fair Value	Useful life (in years)
Developed technology	\$ 5,392	4
Customer relationships	158	4
Trade name	97	4
Total identifiable intangible assets	<u>\$ 5,647</u>	

Goodwill of \$1.9 million, none of which is deductible for tax purposes, was recorded in connection with the Swiftype acquisition, which is primarily attributed to synergies arising from the acquisition and the value of the acquired workforce.

Acquisition costs of \$0.3 million were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2018.

**Opbeat, Inc.**

In May 2017, the Company acquired 100% of the share capital of Opbeat, Inc. (“Opbeat”), a privately-held company headquartered in the United States. Opbeat was an APM company that helped developers find and fix issues faster by monitoring the end-to-end performance impact of changes to the application code.

The following table summarizes the components of the Opbeat purchase price and the allocation of the purchase price at fair value (in thousands):

Cash paid	\$	3,123
Ordinary shares		4,019
<b>Total consideration</b>	<b>\$</b>	<b>7,142</b>
Developed technology	\$	1,846
Goodwill		4,925
Net assets acquired		371
<b>Total purchase consideration</b>	<b>\$</b>	<b>7,142</b>

Included in net assets acquired was \$0.1 million of cash acquired.

Fifteen percent of the equity consideration, or 73,349 ordinary shares, was subject to repurchase on the fifteen-month anniversary of the close of the acquisition for any indemnity claims. No indemnity claims were made by the Company during the indemnification period that expired in August 2018.

The amount allocated to developed technology was \$1.8 million. The fair value assigned to developed technology was determined primarily using the multi-period excess earnings model, which estimates the revenue and cash flows derived from the asset and then deducts portions of the cash flow that can be attributed to supporting assets otherwise recognized. The acquired developed technology is being amortized on a straight-line basis over four years, which approximates the pattern in which these assets are utilized.

The following table sets forth the components of the identifiable intangible asset acquired and its estimated useful life as of the date of acquisition (in thousands):

	<b>Fair Value</b>	<b>Useful life (in years)</b>
Developed technology	\$ 1,846	4

Goodwill of \$4.9 million, none of which is deductible for tax purposes, was recorded in connection with the Opbeat acquisition, which is primarily attributed to synergies arising from the acquisition and the value of the acquired workforce.

Acquisition costs of \$0.3 million were charged to general and administrative expenses in the consolidated statement of operations for the year ended April 30, 2018.

**Founders consideration holdback**

Founders of Opbeat received an aggregate cash payment of \$0.7 million at each of the one and two-year anniversary of the close of the acquisition. These payments were contingent upon continued employment with the Company and therefore were excluded from the purchase consideration. Also excluded from the purchase consideration were 93,052 ordinary shares of \$0.9 million issued to the founders of Opbeat as these were subject to repurchase until the two year anniversary of the close of the acquisition and are contingent upon these founders’ continued employment with the Company. The repurchase option lapsed as to fifty percent of the ordinary shares on each anniversary of the close of the acquisition. The Company recorded stock-based compensation expense of \$0.9 million over the two-year vesting term. For the years ended April 30, 2020 and 2019, the Company recorded stock-based compensation expense of less than \$0.1 million and \$0.5 million, respectively.

### ***Fair Value of Ordinary Shares Used for Purchase Consideration***

The fair value of the ordinary shares issued as part of the consideration paid for the acquisitions prior to the Company's IPO was determined by the Company's board of directors based on numerous subjective and objective factors, including, but not limited to, a contemporaneous valuation performed by an independent third-party valuation firm. Because the Company was not publicly traded at the time the acquisitions were completed, the Company's board of directors considered valuations of comparable companies, sales of redeemable convertible preference shares, sales of ordinary shares to unrelated third parties, operating and financial performance, the lack of liquidity of the Company's ordinary shares, and general and industry-specific economic outlook, among other factors.

## **6. Balance Sheet Components**

### ***Prepaid Expenses and Other Current Assets***

Prepaid expenses and other current assets consisted of the following (in thousands):

	As of April 30,	
	2020	2019
Prepaid hosting costs	\$ 12,228	\$ 12,006
Deposits	1,857	1,268
Prepaid software subscription costs	3,104	4,326
Deferred stock-based compensation expense	—	784
Prepaid taxes	3,612	
Prepaid value added taxes	5,167	4,239
Other	6,655	8,249
Total prepaid expenses and other current assets	<u>\$ 32,623</u>	<u>\$ 30,872</u>

### ***Property and Equipment, Net***

The cost and accumulated depreciation of property and equipment were as follows (in thousands):

	Useful Life (in years)	As of April 30,	
		2020	2019
Leasehold improvements	Lesser of estimated useful life or remaining lease term	\$ 8,405	\$ 6,176
Computer hardware and software	3	5,687	5,393
Furniture and fixtures	3-5	5,072	3,094
Assets under construction		1,661	1,243
Total property and equipment		<u>20,825</u>	<u>15,906</u>
Less: accumulated depreciation		(13,065)	(10,458)
Property and equipment, net		<u>\$ 7,760</u>	<u>\$ 5,448</u>

Depreciation expense related to property and equipment was \$2.8 million, \$2.7 million and \$3.0 million for the years ended April 30, 2020, 2019 and 2018, respectively.

### ***Intangible Assets, Net***

Intangible assets consisted of the following as of April 30, 2020 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (in years)
Developed technology	\$ 44,830	\$ 12,412	\$ 32,418	4.1
Customer relationships	19,598	3,210	16,388	3.4
Trade names	2,872	1,223	1,649	3.4
Total	<u>\$ 67,300</u>	<u>\$ 16,845</u>	<u>\$ 50,455</u>	3.9



Intangible assets consisted of the following as of April 30, 2019 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (in years)
Developed technology	\$ 12,130	\$ 5,646	\$ 6,484	2.5
Customer relationships	398	268	130	2.2
Trade names	972	863	109	2.2
Total	\$ 13,500	\$ 6,777	\$ 6,723	2.5

Amortization expense for the intangible assets for the years ended April 30, 2020, 2019 and 2018 was as follows (in thousands):

	Year Ended April 30,		
	2020	2019	2018
Cost of revenue—cost of license—self-managed	\$ 948	\$ 387	\$ 387
Cost of revenue—cost of subscription—self-managed and SaaS	5,820	2,421	1,521
Sales and marketing	3,300	148	119
Total amortization of acquired intangible assets	\$ 10,068	\$ 2,956	\$ 2,027

The expected future amortization expense related to the intangible assets as of April 30, 2020 was as follows (in thousands, by fiscal year):

2021	\$ 14,167
2022	12,948
2023	11,890
2024	8,716
2025	2,734
Thereafter	—
Total	\$ 50,455

### Goodwill

The following table represents the changes to goodwill (in thousands):

	Carrying Amount
Balance as of April 30, 2018	\$ 19,182
Addition from acquisition	1,038
Foreign currency translation adjustment	(374)
Balance as of April 30, 2019	\$ 19,846
Addition from acquisition	178,764
Foreign currency translation adjustment	(733)
Balance as of April 30, 2020	\$ 197,877

There was no impairment of goodwill during the years ended April 30, 2020, 2019 and 2018.

### Accrued Expenses and Other Liabilities

Accrued expenses and other liabilities consisted of the following (in thousands):

	As of April 30,	
	2020	2019
Accrued expenses	\$ 10,864	\$ 8,124
Income taxes payable	—	149
Value added taxes payable	7,230	4,236
Share repurchase liability	—	1,612
Other	4,116	4,619
Total accrued expenses and other liabilities	\$ 22,210	\$ 18,740

### Accrued Compensation and Benefits

Accrued compensation and benefits consisted of the following (in thousands):

	As of April 30,	
	2020	2019
Accrued vacation	\$ 17,971	\$ 9,655
Accrued commissions	16,259	6,510
Accrued payroll and withholding taxes	7,588	1,868
Post-combination compensation liability	—	655
Other	6,591	3,459
Total accrued compensation and benefits	\$ 48,409	\$ 22,147

### Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to customers. For annual contracts, the Company typically invoices customers at the time of entering into the contract. For multi-year agreements, the Company generally invoices customers on an annual basis prior to each anniversary of the contract start date. The Company records unbilled accounts receivable related to revenue recognized in excess of amounts invoiced as the Company has an unconditional right to invoice and receive payment in the future related to those fulfilled obligations. Contract liabilities consist of deferred revenue which is recognized over the contractual period.

The following table provides information about unbilled accounts receivable, deferred contract acquisition costs, and deferred revenue from contracts with customers (in thousands):

	As of April 30,	
	2020	2019
Unbilled accounts receivable, included in accounts receivable, net	\$ 2,622	\$ 1,710
Deferred contract acquisition costs	\$ 43,549	\$ 26,150
Deferred revenue	\$ 259,702	\$ 170,666

Significant changes in the unbilled accounts receivable and the deferred revenue balances were as follows (in thousands):

	Unbilled Accounts Receivable		
	Year Ended April 30,		
	2020	2019	2018
Beginning balance	\$ 1,710	\$ 1,139	\$ 1,114
Amounts transferred to accounts receivable from unbilled accounts receivable presented at the beginning of the period	(1,710)	(1,139)	(1,114)
Revenue recognized during the period in excess of invoices issued	2,622	1,710	1,139
Ending balance	\$ 2,622	\$ 1,710	\$ 1,139

	Deferred Revenue		
	Year Ended April 30,		
	2020	2019	2018
Beginning balance	\$ 170,666	\$ 102,561	\$ 54,152
Additions through acquisition	6,192	—	859
Increases due to invoices issued, excluding amounts recognized as revenue during the period	242,136	163,963	96,944
Revenue recognized that was included in deferred revenue balance at beginning of period	(159,292)	(95,858)	(49,394)
Ending balance	\$ 259,702	\$ 170,666	\$ 102,561

### Deferred Contract Acquisition Costs

Deferred contract acquisition costs represent costs that are incremental to the acquisition of customer contracts, which consist mainly of sales commissions and associated payroll taxes. The Company determines whether costs should be deferred based on sales compensation plans, if the commissions are in fact incremental and would not have occurred absent the customer contract.

During the fiscal years ended April 30, 2019 and 2018, sales commissions for renewal of a contract were considered commensurate with the commissions paid for contracts with new customers and incremental sales to existing customers given there was no substantive difference in commission rates in proportion to their respective contract values. Effective May 1, 2019, the Company updated its sales commissions plan by incorporating different commission rates for contracts with new customers and incremental sales to existing customers, and for subsequent subscription renewals. Subsequent to this change, sales commissions for renewal of a subscription contract are not considered commensurate with the commissions paid for contracts with new customers and incremental sales to existing customers given the substantive difference in commission rates in proportion to their respective contract values. Accordingly, commissions paid for contracts with new customers and incremental sales to existing customers are now amortized over an estimated period of benefit of five years while commissions paid related to renewal contracts are now amortized based on the pattern of the associated revenue recognition over the related contractual renewal period for the pool of renewal contracts. The Company determines the period of benefit for commissions paid for contracts with new customers and incremental sales to existing customers by taking into consideration its initial estimated customer life and the technological life of its software and related significant features. Commissions paid on professional services are typically amortized in accordance with the associated revenue as the commissions paid on new and renewal professional services are commensurate with each other. Amortization of deferred contract acquisition costs is recognized in sales and marketing expense in the consolidated statement of operations.

The Company periodically reviews the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. The Company did not recognize any impairment of deferred contract acquisition costs during the years ended April 30, 2020, 2019 and 2018.

The following table summarizes the activity of the deferred contract acquisition costs (in thousands):

	Year Ended April 30,		
	2020	2019	2018
Beginning balance	\$ 26,150	\$ 18,079	\$ 10,135
Capitalization of contract acquisition costs	45,713	29,445	20,675
Amortization of deferred contract acquisition costs	(28,314)	(21,374)	(12,731)
Ending balance	\$ 43,549	\$ 26,150	\$ 18,079
Deferred contract acquisition costs, current	19,537	17,215	12,125
Deferred contract acquisition costs, non-current	24,012	8,935	5,954
Total deferred contract acquisition costs	\$ 43,549	\$ 26,150	\$ 18,079

## 7. Commitments and Contingencies

### Cloud Hosting Commitments

In December 2018, the Company entered into an amendment to a non-cancellable cloud hosting capacity agreement, effective January 2019, for a total purchase commitment of \$60.0 million payable over the three years following the date of the agreement. In December 2019, the Company entered into an amendment to a non-cancellable cloud hosting capacity agreement

with a different vendor for a total purchase commitment of \$100.0 million payable over the four years following the effective date of the agreement. In April 2020, the Company entered into a non-cancellable cloud hosting capacity agreement with a new vendor, effective April 2020, for a total purchase commitment of \$4.2 million payable over the three years following the date of the agreement. The table below reflects these commitments on an annualized basis, however, the timing for payments may vary depending on services used. Furthermore, actual payments under these capacity commitments may be higher than the total minimum depending on services used.

Future minimum cloud hosting commitments as of April 30, 2020 were as follows (in thousands):

<b>Years Ending April 30,</b>	<b>Cloud Hosting Commitments</b>
2021	\$ 33,403
2022	37,583
2023	34,583
2024	28,333
<b>Total</b>	<b>\$ 133,902</b>

### ***Letters of Credit***

The Company had a total of \$2.3 million in letters of credit outstanding in favor of certain landlords for office space as of April 30, 2020.

### ***Legal Matters***

From time to time, the Company has become involved in claims and other legal matters arising in the ordinary course of business. The Company investigates these claims as they arise. Although claims are inherently unpredictable, the Company is currently not aware of any matters that, if determined adversely to the Company, would individually or taken together have a material adverse effect on its business, results of operations, financial position or cash flows.

The Company accrues estimates for resolution of legal and other contingencies when losses are probable and reasonably estimable.

Although the results of litigation and claims are inherently unpredictable, the Company does not believe that there were any matters under litigation or claims with a reasonable possibility of the Company incurring a material loss as of April 30, 2020.

### ***Indemnification***

The Company enters into indemnification provisions under its agreements with other companies in the ordinary course of business, including business partners, landlords, contractors and parties performing its research and development. Pursuant to these arrangements, the Company agrees to indemnify, hold harmless, and reimburse the indemnified party for certain losses suffered or incurred by the indemnified party as a result of the Company's activities. The maximum potential amount of future payments the Company could be required to make under these agreements is not determinable. The Company has never incurred costs to defend lawsuits or settle claims related to these indemnification agreements. As a result, the Company believes the fair value of these agreements is not material. The Company maintains commercial general liability insurance and product liability insurance to offset certain of the Company's potential liabilities under these indemnification provisions.

In addition, the Company indemnifies its officers, directors and certain key employees while they are serving in good faith in their respective capacities. To date, there have been no claims under any indemnification provisions.

## **8. Redeemable Convertible Preference Shares**

The Company previously issued redeemable convertible preference shares in one or more series, each with such designations, rights, qualifications, limitations, and restrictions. Immediately prior to the completion of the IPO, all shares of redeemable convertible preference shares then outstanding were automatically converted into an equivalent number of ordinary shares on a one-to-one basis and their carrying amount reclassified into shareholders' equity. As of April 30, 2020, there were no redeemable convertible preference shares issued and outstanding.

## 9. Leases

The Company's leases are comprised of corporate office spaces and various equipment under non-cancelable operating lease agreements that expire at various dates through 2025. As of April 30, 2020, the Company had no finance leases.

Components of lease costs included in the consolidated statement of operations for the year ended April 30, 2020 were as follows (in thousands):

Operating lease cost	\$	8,435
Short-term lease cost		3,111
Variable lease cost		1,883
Total lease cost	\$	<u>13,429</u>

Lease term and discount rate information as of April 30, 2020 are summarized as follows:

Weighted average remaining lease term (years)	4.83
Weighted average discount rate	5.08 %

Future minimum lease payments under non-cancelable operating leases on an undiscounted cash flow basis as of April 30, 2020 were as follows (in thousands):

### Years Ending April 30,

2021	\$	8,636
2022		8,138
2023		8,049
2024		7,112
2025		5,857
Thereafter		2,803
Total minimum lease payments	\$	40,595
Less imputed interest	\$	(5,129)
Present value of future minimum lease payments	\$	35,466
Less current lease liabilities	\$	(7,639)
Operating lease liabilities, non-current	\$	<u>27,827</u>

Future minimum lease payments under non-cancelable financing and operating leases, based on the previous lease accounting standard, as of April 30, 2019 were as follows (in thousands):

### Years Ending April 30,

2020	\$	6,455
2021		5,494
2022		5,106
2023		5,217
2024		4,602
Thereafter		7,020
Total	\$	<u>33,894</u>

## 10. Ordinary Shares

The Company's articles of association designated and authorized the Company to issue 72 million ordinary shares with a par value of €0.001 per share up until immediately prior to the completion of the IPO at which time the authorized ordinary shares increased to 165 million. In addition, the par value per ordinary share was changed from €0.001 per share to €0.01 per share as required by Dutch law at the time of the Company's conversion into a Dutch public company with limited liability (*naamloze vennootschap*).

Each holder of ordinary shares has the right to one vote per ordinary share. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of shares outstanding having priority rights to dividends. No dividends have been declared by the Company's board of directors from inception through the year ended April 30, 2020.

#### *Ordinary Shares Reserved for Issuance*

The Company had reserved shares of ordinary shares for issuance as follows:

	<u>As of April 30,</u>	
	<u>2020</u>	<u>2019</u>
Stock options issued and outstanding	15,260,506	22,866,438
RSUs issued and outstanding	2,472,092	740,467
Remaining shares available for future issuance under the 2012 Plan	12,461,850	9,649,123
Total ordinary shares reserved	<u>30,194,448</u>	<u>33,256,028</u>

#### *Early Exercised Options*

Certain ordinary share option holders have the right to exercise unvested options, subject to a repurchase right held by the Company at the original exercise price, in the event of voluntary or involuntary termination of employment of the shareholder. As of April 30, 2020 and 2019, there were no unvested ordinary shares that had been early exercised and were subject to repurchase. The proceeds related to unvested ordinary shares are recorded as liabilities until the stock vests, at which point they are transferred to additional paid-in capital.

Shares issued for the early exercise of options are included in issued and outstanding shares as they are legally issued and outstanding.

### **11. Equity Incentive Plans**

In September 2012, the Company's board of directors adopted and the Company's shareholders approved the 2012 Stock Option Plan, which was amended and restated in September 2018 (as amended and restated, the "2012 Plan"). Under the 2012 Plan, the board of directors and the compensation committee, as administrator of the 2012 Plan, may grant stock options and other equity-based awards, such as Restricted Stock Awards ("RSAs") or Restricted Stock Units ("RSUs"), to eligible employees, directors, and consultants to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company's business. The Company's board of directors or compensation committee determines the vesting schedule for all equity-based awards. Stock options granted to new employees under the 2012 Plan generally vest over four years with 25% of the option shares vesting one year from the vesting commencement date and then ratably over the following 36 months subject to the employees continued service to the Company. Refresh grants to existing employees generally vest monthly over four years subject to the employees continued service to the Company. Equity settled RSUs granted to new employees generally vest over a period of four years with 25% vesting on the one-year anniversary of the vesting start date and the remainder vesting semi-annually over the next three years, subject to the grantee's continued service to the Company. Equity settled RSUs granted to existing employees generally vest semi-annually over a period of four years, subject to the grantee's continued service to the Company. The Company's compensation committee may explicitly deviate from the general vesting schedules in its approval of an equity-based award, as it may deem appropriate. Stock options expire ten years after the date of grant. Stock options, RSAs and RSUs that are canceled under certain conditions become available for future grant or sale under the 2012 Plan unless the 2012 Plan is terminated.

The equity awards available for grant for the periods presented were as follows:

	Year Ended April 30,	
	2020	2019
Available at beginning of fiscal year	9,649,123	2,061,282
Awards authorized	3,683,754	12,000,000
Options granted	(172,031)	(4,722,404)
Options cancelled	1,181,482	976,130
Options repurchased	—	43,630
RSUs granted	(2,101,271)	(732,701)
RSUs cancelled	216,208	23,186
RSAs repurchased	4,585	—
Available at end of period	12,461,850	9,649,123

#### Endgame Stock Incentive Plan Assumed in Acquisition

In connection with its acquisition of Endgame, the Company assumed all in-the-money stock options issued under Endgame's Amended and Restated 2010 Stock Incentive Plan that were outstanding on the date of acquisition. The assumed stock options will continue to be outstanding and will be governed by the provisions of their respective plan and are included in the stock option activity table below.

#### Stock Options

The following table summarizes stock option activity (in thousands, except share and per share data):

	Stock Options Outstanding			
	Number of Stock Options Outstanding	Weighted- Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value
Balance as of April 30, 2018	22,237,484	\$ 8.65	8.31	\$ 98,365
Stock options granted	4,722,404	\$ 23.27		
Stock options exercised	(3,117,320)	\$ 5.95		
Stock options cancelled	(976,130)	\$ 11.78		
Balance as of April 30, 2019	22,866,438	\$ 11.90	7.98	\$ 1,684,106
Stock options granted	172,031	\$ 81.39		
Stock options assumed in acquisition	245,390	\$ 48.99		
Stock options exercised	(6,815,098)	\$ 9.01		
Stock options cancelled	(1,181,482)	\$ 15.81		
Stock options assumed in acquisition cancelled	(26,773)	\$ 71.35		
Balance as of April 30, 2020	15,260,506	\$ 14.17	7.27	\$ 767,795
Exercisable as of April 30, 2020	8,007,248	\$ 11.29	6.80	\$ 424,133

Stock options exercisable include 352,391 stock options that were unvested as of April 30, 2020.

Aggregate intrinsic value represents the difference between the exercise price of the stock options to purchase ordinary shares and the fair value of the Company's ordinary shares. The weighted-average grant-date fair value per share of stock options granted was \$50.92 and \$10.22 for the years ended April 30, 2020 and 2019, respectively.

As of April 30, 2020, the Company had unrecognized stock-based compensation expense of \$53.8 million related to unvested stock options that the Company expects to recognize over a weighted-average period of 2.14 years.

#### RSAs

In October 2017, the Company acquired 100% of the share capital of Swifttype, a privately-held company headquartered in the United States. As part of the transaction, the Company granted RSAs to certain employees with both service-based and performance-based vesting conditions. The performance-based vesting condition was to be satisfied on the earlier of: (1) a change of control transaction or (2) the expiration of the lock-up period after the effective date of the IPO,

subject to continued service through the end of the lock-up period. The service-based vesting condition was to be satisfied based on one of two vesting schedules: (i) vesting of 50% of the shares upon the closing of the Swifttype acquisition, 25% of the shares on the one-year anniversary of the closing, and 25% of the shares on the two-year anniversary of the closing, or (ii) vesting of 50% of the shares on the one-year anniversary of the closing of the Swifttype acquisition and 50% of the shares on the two-year anniversary of the closing.

The performance-based vesting condition related to these awards was deemed probable upon the effectiveness of the Company's IPO on October 4, 2018. On that date, the Company recorded a cumulative catch-up stock-based compensation expense using the accelerated attribution method for the RSAs that had satisfied the applicable service-based vesting condition on that date with the remaining expense to be recognized over the remaining requisite service period. As of April 30, 2020, the underlying performance-based and service-based vesting conditions were fully satisfied and none of the ordinary shares issued were subject to repurchase by the Company. Stock-based compensation expense related to the RSAs was \$0.2 million for the year ended April 30, 2020.

The following table summarizes RSA activity for the 2012 Plan:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding at April 30, 2018	244,498	\$ 11.46
RSAs subscribed	(244,498)	\$ 11.46
Outstanding at April 30, 2019	—	
Outstanding at April 30, 2020	—	

#### RSUs

During the year ended April 30, 2020, the Company granted 2,101,271 RSUs at a weighted average grant date fair value of \$68.25 per unit, including 1,388 RSUs that are cash settled. Cash settled RSUs will be paid as a cash bonus based on the applicable vesting and payment terms. The cash settled RSUs vest upon the satisfaction of both service-based and performance-based vesting conditions. The service-based vesting condition is generally over four years with 25% vesting on the one-year anniversary of the award and the remainder vesting quarterly over the next 36 months, subject to the grantee's continued service to the Company. The performance-based vesting condition is defined as (i) a change in control where the consideration paid to the Company's equity security holders is cash, publicly traded stock, or a combination of both, or (ii) the expiration of any lock-up period of the IPO, subject in each instance to the grantee's continued service through such date. As a result of the Company's IPO, the performance-based vesting condition was deemed probable and the Company recorded cumulative stock-based compensation expense of \$0.8 million related to the cash settled RSUs in October 2018. As of April 30, 2020, the Company had a liability of \$3.5 million related to the cash settled RSUs recorded in accrued compensation and benefits on the consolidated balance sheet.

Stock-based compensation expense related to RSUs for the year ended April 30, 2020 was \$28.1 million. As of April 30, 2020, the Company had unrecognized stock-based compensation expense of \$144.3 million related to equity settled RSUs that the Company expects to recognize over a weighted-average period of 3.42 years.

The following table summarizes RSU activity for the 2012 Plan:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding and unvested at April 30, 2018	57,000	\$ 13.07
RSUs granted	732,701	\$ 64.55
RSUs released	(26,048)	\$ 14.84
RSUs cancelled	(23,186)	\$ 59.93
Outstanding and unvested at April 30, 2019	740,467	\$ 62.48
RSUs granted	2,101,271	\$ 68.25
RSUs released	(153,438)	\$ 72.55
RSUs cancelled	(216,208)	\$ 62.25
Outstanding and unvested at April 30, 2020	2,472,092	\$ 66.78



### Determination of Fair Value

The determination of the fair value of stock-based options on the date of grant using an option pricing model is affected by the fair value of the Company's ordinary shares, as well as assumptions regarding a number of complex and subjective variables. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options, which requires the use of assumptions including actual and projected employee stock option exercise behaviors, expected price volatility of the Company's ordinary shares, the risk-free interest rate and expected dividends. Each of these inputs is subjective and generally requires significant judgment to determine.

*Fair Value of Ordinary Shares:* Prior to the IPO, the fair value of ordinary shares underlying the stock awards had historically been determined by the board of directors, with input from the Company's management. The board of directors previously determined the fair value of the ordinary shares at the time of grant of the awards by considering a number of objective and subjective factors, including valuations of comparable companies, sales of redeemable convertible preference shares, sales of ordinary shares to unrelated third parties, operating and financial performance, the lack of liquidity of the Company's ordinary shares, and general and industry-specific economic outlook. Subsequent to the IPO, the fair value of the underlying ordinary shares is determined by the closing price, on the date of the grant, of the Company's ordinary shares, which are traded publicly on the New York Stock Exchange.

*Expected Term:* The expected term represents the period that options are expected to be outstanding. For option grants that are considered to be "plain vanilla," the Company determines the expected term using the simplified method. The simplified method deems the term to be the average of the time-to-vesting and the contractual life of the options.

*Expected Volatility:* Since the Company has limited trading history of its ordinary shares, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its own business over a period equivalent to the option's expected term.

*Risk-Free Interest Rate:* 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 option's expected term.

*Dividend Rate:* The expected dividend is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

The Company's expected volatility and expected term involve management's best estimates, both of which impact the fair value of the option calculated under the Black-Scholes option pricing model and, ultimately, the expense that will be recognized over the life of the option.

The fair value of stock options granted and assumed was estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions:

	Year Ended April 30,		
	2020	2019	2018
Expected term (in years)	2.00 - 7.27	6.02 - 6.08	6.02 - 6.08
Expected stock price volatility	54.8%	40.5% - 46.7%	40.7% - 44.1%
Risk-free interest rate	1.4% - 2.0%	2.4% - 3.1%	1.8% - 2.6%
Dividend yield	0%	0%	0%

### Stock-Based Compensation Expense

Total stock-based compensation expense recognized in the Company's consolidated statements of operations was as follows (in thousands):

	Year Ended April 30,		
	2020	2019	2018
Cost of revenue—cost of subscription—self-managed and SaaS	\$ 4,147	\$ 3,383	\$ 699
Cost of revenue—professional services	2,980	1,208	329
Research and development	23,621	16,100	5,045
Sales and marketing	19,334	11,996	3,560
General and administrative	9,925	7,255	3,109
Total stock-based compensation expense	<u>\$ 60,007</u>	<u>\$ 39,942</u>	<u>\$ 12,742</u>

Total stock-based compensation expense for the years ended April 30, 2020, 2019 and 2018 includes a charge of \$3.3 million, \$4.4 million, and \$0.4 million, respectively, related to an expense arising from business combinations.

## 12. Net Loss Per Share Attributable to Ordinary Shareholders

The following table sets forth the computation of basic and diluted net loss per share attributable to ordinary shareholders (in thousands, except share and per share data):

	Year Ended April 30,		
	2020	2019	2018
<b>Numerator:</b>			
Net loss	\$ (167,174)	\$ (102,303)	\$ (52,727)
<b>Denominator:</b>			
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	78,799,732	54,893,365	32,033,792
Net loss per share attributable to ordinary shareholders, basic and diluted	<u>\$ (2.12)</u>	<u>\$ (1.86)</u>	<u>\$ (1.65)</u>

The following outstanding potentially dilutive ordinary shares were excluded from the computation of diluted net loss per share attributable to ordinary shareholders for the periods presented because the impact of including them would have been antidilutive:

	Year Ended April 30,		
	2020	2019	2018
Redeemable convertible preference shares	—	—	28,939,466
Stock options	15,260,506	22,866,438	22,237,484
RSUs	2,368,740	595,503	—
Contingently issuable shares	235,031	—	—
Shares subject to repurchase	—	254,350	276,243
Early exercised stock options	—	—	148,630
Total	<u>17,864,277</u>	<u>23,716,291</u>	<u>51,601,823</u>

## 13. Income Taxes

The Company is incorporated in the Netherlands but operates in various countries with differing tax laws and rates. The geographical breakdown of income (loss) before provision for income taxes is summarized as follows (in thousands):

	Year Ended April 30,		
	2020	2019	2018
Dutch	\$ (173,338)	\$ (121,803)	\$ (58,810)
Foreign	4,196	23,888	9,459
Loss before income taxes	<u>\$ (169,142)</u>	<u>\$ (97,915)</u>	<u>\$ (49,351)</u>

The components of the provision for income taxes were as follows (in thousands):

	Year Ended April 30,		
	2020	2019	2018
<b>Current:</b>			
Dutch	\$ 518	\$ —	\$ —
Foreign	(560)	912	3,731
Total current tax expense	<u>\$ (42)</u>	<u>\$ 912</u>	<u>\$ 3,731</u>
<b>Deferred:</b>			
Dutch	\$ —	\$ (233)	\$ —
Foreign	(1,926)	3,709	(355)
Total deferred tax expense	<u>(1,926)</u>	<u>3,476</u>	<u>(355)</u>
Total provision for income taxes	<u>\$ (1,968)</u>	<u>\$ 4,388</u>	<u>\$ 3,376</u>

The Company's effective tax rate substantially differed from the Dutch statutory tax rate of 25% primarily due to the valuation allowance on the Dutch, United States and United Kingdom deferred tax assets in addition to a deferred tax asset revaluation as a result of enacted tax legislation in the Netherlands, offset by stock based compensation. A reconciliation of

income taxes at the statutory income tax rate to the provision for income taxes included in the consolidated statement of operations is as follows (in thousands, except for rates):

	Year Ended April 30,					
	2020		2019		2018	
	Tax	Rate	Tax	Rate	Tax	Rate
Dutch statutory income tax	\$ (42,286)	25.0 %	\$ (24,479)	25.0 %	\$ (12,338)	25.0 %
Foreign income taxed at different rates	313	(0.2)%	(310)	0.3 %	(670)	1.4 %
Stock-based compensation	(53,050)	31.4 %	(24,848)	25.3 %	4,669	(9.4)%
Research and development credits	(7,771)	4.6 %	(2,161)	2.2 %	(697)	1.4 %
Change in valuation allowance	97,734	(57.8)%	43,071	(44.0)%	11,495	(23.3)%
Deferred tax asset revaluation	1,991	(1.2)%	11,883	(12.1)%	1,081	(2.2)%
Other	1,101	(0.6)%	1,232	(1.2)%	(164)	0.3 %
Provision for income taxes	\$ (1,968)	1.2 %	\$ 4,388	(4.5)%	\$ 3,376	(6.8)%

### Deferred Income Taxes

Deferred tax assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Management assesses whether it is more likely than not that some portion or all of the deferred tax assets will be realized. Deferred tax assets are reduced by valuation allowance to the extent management believes it is not more likely than not to be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management makes estimates and judgments about future taxable income based on assumptions that are consistent with the Company's plans and estimates.

Significant components of the Company's deferred tax assets are summarized as follows (in thousands):

	As of April 30,	
	2020	2019
Deferred tax assets:		
Accrued compensation	\$ 3,267	\$ 1,685
Net operating loss carryforward	208,629	84,194
Deferred revenue	3,876	—
Intangibles/assets	—	2,321
Stock-based compensation	7,203	4,089
Research and development credits	15,333	3,584
Other	3,882	1,875
Gross deferred tax assets	242,190	97,748
Less valuation allowance	(225,197)	(92,309)
Total deferred tax assets	\$ 16,993	\$ 5,439
Deferred tax liabilities:		
Deferred contract acquisition costs	\$ (8,423)	\$ (5,878)
Intangible assets	(8,841)	—
Deferred revenue	—	(858)
Other	(218)	(674)
Gross deferred tax liabilities	(17,482)	(7,410)
Net deferred tax assets (liabilities)	\$ (489)	\$ (1,971)

The valuation allowance for deferred tax assets as of April 30, 2020 and 2019 was \$225.2 million and \$92.3 million, respectively. As the Company has generated losses since inception in the Netherlands and California (United States) jurisdictions, management maintains a full valuation allowance against the net deferred tax assets in these jurisdictions. In addition, the United States and the United Kingdom jurisdictions are anticipated to have cumulative losses for the foreseeable future, and as such a valuation allowance has been established for these regions. The valuation allowance in the Netherlands, the United States and the United Kingdom jurisdictions increased by \$35.3 million, \$94.5 million and \$3.1 million,

respectively, during the year ended April 30, 2020 and \$10.6 million, \$35.0 million and \$0.8 million valuation allowance, respectively, for the year ended April 30, 2019. The valuation allowance for Dutch deferred tax assets as of April 30, 2020 and 2019 was \$88.4 million and \$53.1 million, respectively, the valuation allowance for the United States deferred tax assets as of April 30, 2020 and 2019 was \$132.9 million and \$38.4 million, respectively, and the valuation allowance for the United Kingdom deferred tax assets as of April 30, 2020 was \$3.9 million and there was \$0.8 million valuation allowance as of April 30, 2019.

As of April 30, 2020, the Company had net operating loss (“NOL”) carryforwards for Dutch, United States (Federal and State) and United Kingdom income tax purposes of \$396.2 million, \$490.2 million, \$416.8 million and \$18.6 million, respectively, which begin to expire in the year ending April 30, 2022, April 30, 2031 and April 30, 2024, respectively, with United Kingdom losses being carried forward indefinitely. The Company also has research and development tax credit carryforwards for United States (Federal and State) and Canada, income tax purposes of \$11.3 million, \$1.3 million and \$0.6 million respectively, which begin to expire April 30, 2030, April 30, 2022 and April 30, 2037, respectively. The deferred tax assets associated with the NOL carryforwards and other tax attributes in the Netherlands, the United States, and the United Kingdom are subject to a full valuation allowance.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (the “CARES Act”) Act was signed into United States law. The Act provides emergency assistance, opportunities for additional liquidity and other government programs to support individuals, families and businesses affected by the 2020 coronavirus pandemic, in part through amending United States tax law. Previously limited to 80% of taxable income by the TCJA, section 172(a), the CARES Act removes the limitation and grants taxpayers a five-year carryback period for NOLs arising in tax years beginning after December 31, 2017 and before January 1, 2021. Due to significant losses in the year ended April 30, 2019, and as a result of the CARES Act, the Company is planning to carry back the NOLs from the year ended April 30, 2019 back to five previous fiscal years (April 30, 2014 – April 30, 2018) to fully offset the taxable income in those tax years with an estimated income tax benefit of \$3.3 million.

### Uncertain Tax Positions

The calculation of the Company’s tax obligations involves dealing with uncertainties in the application of complex tax laws and regulations. ASC 740, *Income Taxes*, provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, on the basis of the technical merits. The Company has assessed its income tax positions and recorded tax benefits for all years subject to examination, based upon the Company’s evaluation of the facts, circumstances and information available at each period end.

Although the Company believes that it has adequately reserved for its uncertain tax positions, the Company can provide no assurance that the final tax outcome of these matters will not be materially different. As the Company expands, it will face increased complexity, and the Company’s unrecognized tax benefits may increase in the future. The Company makes adjustments to its reserves when facts and circumstances change, such as the closing of a tax audit or the refinement of an estimate. To the extent that the final tax outcome of these matters is different than the amounts recorded, such differences will affect the provision for income taxes in the period in which such determination is made.

The Company had unrecognized tax benefits of \$9.7 million as of April 30, 2020, of which none would impact the effective tax rate before consideration of any valuation allowance. The activity within the Company’s unrecognized gross tax benefits is summarized as follows (in thousands):

	As of April 30,		
	2020	2019	2018
Balance as of beginning of year	\$ 3,870	\$ 2,019	\$ 1,196
Increase related to tax positions taken in prior periods	2,283	240	6
Increase related to tax positions taken in the current period	3,553	1,611	817
Balance as of end of year	\$ 9,706	\$ 3,870	\$ 2,019

Approximately \$2.3 million of the increase in fiscal 2020 for tax positions taken in prior periods is due to the amended U.S. Federal income tax return the Company is planning to file as part of the enacted CARES Act, which will generate additional research and development tax credit carryforward from prior years. Approximately \$3.6 million of the increase in tax positions related to the current period is from the research and development tax credits from the acquisition of Endgame Inc.

The Company’s policy is to recognize penalties and interests accrued on any unrecognized tax benefits as a component of income tax expense. During the year ended April 30, 2020, 2019 and 2018 the Company recognized less than \$0.1 million, \$0.1 million and \$0.2 million, respectively, of interest and penalties. The amount of accrued interest and penalties recorded on the consolidated balance sheet as of April 30, 2020 and 2019 was \$0.2 million and \$0.3 million, respectively.

The Company is subject to periodic examination of income tax returns by various domestic and international tax authorities. The Company is currently under audit with the Dutch tax authority for the tax years ended April 30, 2015 to April 30, 2017 and the German tax authority for the tax years ended April 30, 2016 to April 30, 2018

The Company does not anticipate any significant increases or decreases in its uncertain tax positions within the next twelve months. The Company files tax returns in multiple jurisdictions, including the Netherlands and United States. The Company's tax filings for fiscal years starting with the year ended April 30, 2014 remain open in various tax jurisdictions. If the examinations are resolved unfavorably, there is a possibility they may have a material negative impact on its results of operations.

Dutch income taxes and non-Dutch withholding taxes associated with the repatriation of earnings or for temporary differences related to investments in non-Dutch subsidiaries, excluding the U.S subsidiaries, have not been provided for, as the Company intends to reinvest the earnings of such subsidiaries indefinitely or the Company has concluded that an immaterial additional tax liability would arise on the distribution of such earnings. Earnings from the Company's U.S. subsidiaries are being treated as being currently repatriated back to the Netherlands though no Dutch income taxes nor U.S. withholding taxes in regard to such repatriations are being recorded due to the Dutch participation exemption provisions and exemption from withholding taxes under the income tax treaty between the Netherlands and the United States. At April 30, 2020, there were cumulative earnings of \$48.9 million, from the non-U.S. subsidiaries. If such earnings were to be repatriated they would be exempt from taxation in the Netherlands and the amount of dividend withholding taxes from such foreign jurisdictions would be \$0.8 million, due to the various income tax treaties between the Netherlands and the respective foreign jurisdictions.

On December 22, 2017, the TCJA was signed into law making significant changes to the United States Internal Revenue code. Changes include, but are not limited to, a U.S. corporate income tax rate ("U.S. federal tax rate") decrease to from 35% to 21% effective January 1, 2018.

The TCJA contains several new tax provisions that became effective on January 1, 2018, such as the introduction of Global Intangible Low Taxed Income ("GILTI"). Due to the Company's net operating loss, GILTI provision was \$0.5 million and did not have a material impact on the Company's results for the year ended April 30, 2020.

#### 14. Employee Benefit Plans

The Company has a defined-contribution plan in the U.S. intended to qualify under Section 401 of the Internal Revenue Code (the "401(k) Plan"). The Company has contracted with a third-party provider to act as a custodian and trustee, and to process and maintain the records of participant data. Substantially all the expenses incurred for administering the 401(k) Plan are paid by the Company. This 401(k) Plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company makes contributions to the 401(k) Plan up to 6% of the participating employee's W-2 earnings and wages. The Company recorded \$8.3 million, \$5.0 million and \$2.8 million of expense related to the 401(k) Plan during the years ended April 30, 2020, 2019 and 2018, respectively.

The Company also has defined-contribution plans in certain other countries for which the Company recorded \$3.6 million, \$1.9 million and \$1.4 million of expense during the years ended April 30, 2020, 2019 and 2018, respectively.

#### 15. Segment Information

The following table summarizes the Company's total revenue by geographic area based on the billing address of the customers (in thousands):

	Year Ended April 30,		
	2020	2019	2018
United States	\$ 241,648	\$ 155,935	\$ 97,006
Rest of world	185,972	115,718	62,929
Total revenue	\$ 427,620	\$ 271,653	\$ 159,935

Other than the United States, no other individual country exceeded 10% or more of total revenue during the periods presented.

The following table presents the Company’s long-lived assets, including property and equipment, net, and operating lease right-of-use assets, by geographic region (in thousands):

	As of April 30,	
	2020	2019
United States	\$ 30,373	\$ 3,219
The Netherlands	3,529	1,769
United Kingdom	5,854	251
Rest of world	787	209
Total long-lived assets	\$ 40,543	\$ 5,448

**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 Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to provide reasonable assurance that information required to be disclosed by us in the reports we file or submit 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 provide reasonable assurance 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 our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that as of April 30, 2020, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms and (b) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

*Management’s Report on Internal Control Over Financial Reporting*

Our management is responsible for establishing and maintaining adequate “internal control over financial reporting,” as defined in Rule 13a-15(f) and Rule 15d-15(f) under the Exchange Act. Our management conducted an evaluation of the effectiveness of our internal control over financial reporting as of April 30, 2020 based on the criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Based on the results of its evaluation, management concluded that our internal control over financial reporting was effective as of April 30, 2020. The effectiveness of our internal control over financial reporting as of April 30, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in its report which is included in Item 8 of this Form 10-K.

*Changes in Internal Control Over Financial Reporting*

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the quarter ended April 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Inherent Limitations on Effectiveness of Controls*

Our management, including our Chief Executive Officer and Chief Financial Officer, believes that our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives and are effective at the reasonable assurance level. However, our management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of

the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. 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, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. 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 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.

**Item 9B. Other Information.**

None.

### PART III

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

The information required by this Item (other than the information set forth in the next paragraph) will be included in our definitive proxy statement for our 2020 annual general meeting of shareholders (the "2020 Proxy Statement"), which will be filed with the SEC within 120 days after the end of our year ended April 30, 2020, and is incorporated herein by reference.

We have adopted a Code of Business Conduct and Ethics (the "Code of Conduct"), applicable to all of our employees, officers and directors, including our chief executive officer, chief financial officer and other executive and senior financial officers. The full text of the Code of Conduct is available on our website at elastic.co. The audit committee of our board of directors is responsible for overseeing the Code of Conduct. The board of directors, or its designated committee, must approve any waivers of the Code of Conduct for members of the board of directors or executive officers, and the General Counsel, or, if the General Counsel is not available, the Chief Financial Officer must approve any waiver of the Code of Conduct for employees, agents or contractors. We expect that any amendments to the Code of Conduct, or any waivers of its requirements, will be disclosed on our website, as required by applicable law or the listing standards of The NYSE. The inclusion of our website address in this Form 10-K does not include or incorporate by reference into this Form 10-K the information on or accessible through our website.

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

The information required by this item will be set forth in the 2020 Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be set forth in the 2020 Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be set forth in the 2020 Proxy Statement and is incorporated herein by reference.

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

The information required by this item will be set forth in the 2020 Proxy Statement and is incorporated herein by reference.



**PART IV**

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

**(a)(1) Financial Statements**

See Index to Financial Statements in Item 8 of this Annual Report on Form 10-K.

**(a)(2) Financial Statement Schedule**

All financial statement schedules have been omitted as the information is not required under the related instructions or is not applicable or because the information required is already included in the financial statements or the notes to those financial statements.

**(a)(3) Exhibits**

We have filed or incorporated by reference the exhibits listed on the accompanying Exhibit Index.

**Exhibit Index**

Incorporated by Reference

Exhibit No.	Description of Exhibit	Incorporated by Reference				
		Form	File No.	Exhibit	Filing Date	Filed Herewith
2.1	<a href="#">Agreement and Plan of Reorganization, dated as of June 5, 2019, by and among Elastic N.V., Avengers Acquisition Corp., Endgame, Inc. and Shareholder Representative Services LLC, solely in its capacity as the representative of the securityholders of Endgame.</a>	8-K	001-38675	2.1	6/5/2019	
3.1	<a href="#">Articles of Association of Elastic N.V. (English translation).</a>	10-Q	001-38675	3.1	12/12/2018	
3.2	<a href="#">Deed of Amendment of the Articles of Association of Elastic N.V. (English translation).</a>	10-Q	001-38675	3.2	12/12/2018	
3.3	<a href="#">Deed of Conversion and Amendment of the Articles of Association of Elastic N.V. Articles of Association (English translation).</a>	10-Q	001-38675	3.3	12/12/2018	
4.1	<a href="#">Amended and Restated Investors' Rights Agreement among the Company and certain holders of its ordinary shares, dated as of July 19, 2016.</a>	S-1	333-227191	4.1	9/5/2018	
4.2	<a href="#">Description of share capital.</a>	10-K	001-38675	4.2	6/28/2019	
10.1+	<a href="#">Form of Indemnification Agreement between the Registrant and each of its directors and executive officers.</a>	S-1/A	333-227191	10.1	9/24/2018	
10.2+	<a href="#">2012 Stock Option Plan and related form agreements.</a>					X
10.3+	<a href="#">Form of Change in Control and Severance Agreement.</a>	S-1	333-227191	10.3	9/5/2018	
10.4+	<a href="#">Change in Control and Severance Agreement between the Company and Janesh Moorjani, dated as of August 1, 2018.</a>	S-1	333-227191	10.4	9/5/2018	
10.5+	<a href="#">Employment Agreement between the Company and Shay Banon, dated as of September 4, 2018.</a>	S-1	333-227191	10.5	9/5/2018	
10.6+	<a href="#">Employment Letter between the Company and Janesh Moorjani, dated as of August 1, 2018.</a>	S-1	333-227191	10.6	9/5/2018	
10.7+	<a href="#">Employment Letter between the Company and Kevin Kluge, dated as of August 1, 2018.</a>	S-1	333-227191	10.8	9/5/2018	
10.8+	<a href="#">Employment Letter between the Company and W.H. Baird Garrett, dated as of July 31, 2018.</a>	S-1	333-227191	10.9	9/5/2018	



10.9+	<a href="#">Offer Letter between the Company and Jonathan Chadwick, dated as of July 27, 2018.</a>	S-1	333-227191	10.10	9/5/2018	
10.10+	<a href="#">Office Lease Agreement, by and between the Company and Asset Growth Partners, L.P., dated as of July 9, 2014.</a>	S-1	333-227191	10.11	9/5/2018	
10.11	<a href="#">First Amendment to Office Lease Agreement, by and between the Registrant and Asset Growth Partners, L.P., dated as of March 30, 2015.</a>	S-1	333-227191	10.12	9/5/2018	
10.12	<a href="#">Second Amendment to Office Lease Agreement, by and between the Registrant and Asset Growth Partners, L.P., dated as of September 16, 2015.</a>	S-1	333-227191	10.13	9/5/2018	
10.13	<a href="#">Third Amendment to Office Lease Agreement, by and between the Registrant and Asset Growth Partners, L.P., dated as of April 18, 2018.</a>	S-1	333-227191	10.14	9/5/2018	
10.14+	<a href="#">Separation and Transition Agreement between the Company and Aaron Katz, dated February 26, 2020.</a>	8-K	001-38675	10.1	2/26/2020	
10.15+	<a href="#">Endgame, Inc. Amended and Restated 2010 Stock Incentive Plan, as amended, and related form agreements.</a>	S-8	333-234152	4.2	10/10/2019	
21.1	<a href="#">List of subsidiaries of the Registrant.</a>					X
23.1	<a href="#">Consent of PricewaterhouseCoopers LLP, Independent Registered Public Accounting Firm.</a>					X
24.1	Power of Attorney (contained in the signature page of this report).					X
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>					X
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>					X
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>					X
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>					X
101	The following financial information from Elastic N.V.'s Annual Report on Form 10-K for the fiscal year ended April 30, 2020 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of April 30, 2020 and April 30, 2019; (ii) Consolidated Statements of Operations for the fiscal years ended April 30, 2020, April 30, 2019, and April 30, 2018; (iii) Consolidated Statements of Comprehensive Loss for the fiscal years ended April 30, 2020, April 30, 2019, and April 30, 2018; (iv) Consolidated Statements of Redeemable Convertible Preference Shares and Shareholders' Equity (Deficit) for the fiscal years ended April 30, 2020, April 30, 2019, and April 30, 2018; (v) Consolidated Statements of Cash Flows for the fiscal years ended April 30, 2020, April 30, 2019, and April 30, 2018; and (vi) Notes to the Consolidated Financial Statements					X

104 The cover page from Elastic N.V.'s Annual Report on Form 10-K for the fiscal year ended April 30, 2020 formatted in Inline XBRL (included as Exhibit 101).

X

+ Indicates a management contract or compensatory plan or arrangement.

\* The certifications attached as Exhibits 32.1 and 32.2 hereto accompany this Annual Report on Form 10-K pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the Registrant for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or the Exchange Act, and are not to be incorporated by reference into any of the Registrant's filings under the Securities Act, irrespective of any general incorporation language contained in any such filing.

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

None.



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**Michelangelo Volpi**

## ELASTIC N.V.

**Amended and Restated 2012 Stock Option Plan**

1. **Purposes of the Plan.** The purposes of this Amended and Restated 2012 Stock Option Plan are to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to Employees and Consultants, and to promote the success of the Company's business. Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant of an Option and subject to the applicable provisions of Section 422 of the Code and the regulations promulgated thereunder. Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares may also be granted under the Plan.
  2. **Definitions.** As used herein, the following definitions shall apply:
    - (a) "**Administrator**" means the Board or any of its Committees if authorized to administer the Plan, in accordance with Section 4 of the Plan.
    - (b) "**Affiliate**" means (i) an entity other than a Subsidiary which, together with the Company, is under common control of a third person or entity and (ii) an entity other than a Subsidiary in which the Company and /or one or more Subsidiaries own a controlling interest.
    - (c) "**Applicable Laws**" means all applicable laws, rules, regulations and requirements, including, but not limited to, all applicable U.S. federal and state corporate laws, U.S. federal and state securities laws, the Code, any Stock Exchange rules or regulations, and the applicable laws, rules or regulations of any other country or jurisdiction where Awards are granted under the Plan or Participants reside or provide services, as such laws, rules, and regulations shall be in effect from time to time.
    - (d) "**Award**" means any award of an Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares under the Plan.
    - (e) "**Award Agreement**" means an Option Agreement, Stock Appreciation Right Agreement, Restricted Stock Purchase Agreement, Restricted Stock Unit Agreement, Performance Share Agreement, or Performance Unit Agreement.
    - (f) "**Board**" means the Board of Directors of the Company.
    - (g) "**Board Rules**" means the regulations adopted by the Board governing its internal organization, the manner in which decisions are taken, the composition, the duties and organization of committees and any other matters concerning the Board.
    - (h) "**Cashless Exercise**" means a program approved by the Administrator in which payment of the Option exercise price or tax withholding obligations or other required deductions may be satisfied, in whole or in part, with Shares subject to the Option, including by delivery of an irrevocable direction to a securities broker (on a form prescribed by the Company) to sell Shares and to deliver all or part of the sale proceeds to the Company in payment of such amount, provided that, unless specifically permitted by the Company, any such Cashless Exercise must be an approved broker-assisted Cashless Exercise or the Shares withheld in the Cashless Exercise must be limited to avoid financial accounting charges under applicable accounting guidance and any such surrendered Shares must have been previously held for any
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minimum duration required to avoid financial accounting charges under applicable accounting guidance.

- (i) **“Cause”** for termination of a Participant’s Continuous Service Status will exist (unless another definition is provided in an applicable Award Agreement, employment agreement or other applicable written agreement) if the Participant’s Continuous Service Status is terminated for any of the following reasons: (i) any material breach by Participant of any material written agreement between Participant and the Company and Participant’s failure to cure such breach within 30 days after receiving written notice thereof; (ii) any failure by Participant to comply with the Company’s material written policies or rules as they may be in effect from time to time; (iii) neglect or persistent unsatisfactory performance of Participant’s duties and Participant’s failure to cure such condition within 30 days after receiving written notice thereof; (iv) Participant’s repeated failure to follow reasonable and lawful instructions from the Board or Chief Executive Officer and Participant’s failure to cure such condition within 30 days after receiving written notice thereof; (v) Participant’s conviction of, or plea of guilty or nolo contendere to, any felony or crime that results in, or is reasonably expected to result in, a material adverse effect on the business or reputation of the Company; (vi) Participant’s commission of or participation in an act of fraud against the Company; (vii) Participant’s intentional material damage to the Company’s business, property or reputation; or (viii) Participant’s unauthorized use or disclosure of any proprietary information or trade secrets of the Company or any other party to whom the Participant owes an obligation of nondisclosure as a result of his or her relationship with the Company. For purposes of clarity, a termination without “Cause” does not include any termination that occurs as a result of Participant’s death or Disability. The determination as to whether a Participant’s Continuous Service Status has been terminated for Cause shall be made in good faith by the Company and shall be final and binding on the Participant. The foregoing definition does not in any way limit the Company’s ability to terminate a Participant’s employment or consulting relationship at any time, and the term “Company” will be interpreted to include any Subsidiary, Parent, Affiliate, or any successor thereto, if appropriate.

- (j) **“Change of Control”** means:

- i. A change in the ownership of the Company which occurs on the date that any one person, or more than one person acting as a group (“Person”), acquires ownership of the Shares in the capital of the Company that, together with the Shares in the capital of the Company held by such Person, constitutes more than 50% of the total voting power of the Shares in the capital of the Company; provided, however, that for purposes of this subsection, (A) the acquisition of additional Shares in the capital of the Company by any one Person, who is considered to own more than 50% of the total voting power of the Shares in the capital of the Company will not be considered a Change in Control, and (B) if the holders of Shares in the capital of the Company immediately before such change in ownership continue to retain immediately after the change in ownership, in substantially the same proportions as their ownership of Shares in the capital of the Company immediately prior to the change in ownership, the direct or indirect beneficial ownership of 50% or more of the total voting power of the Shares in the capital of the Company or the total voting power of shares in the capital of the ultimate Parent of the Company, such event will not be considered a Change in Control under this subsection (i). For this purpose, indirect beneficial ownership will include, without limitation, an interest resulting from ownership of the voting securities of one or more corporations or other business entities which own the Company, as the case may be, either directly or through one or more subsidiary corporations or other business entities; or



- ii. A change in the effective control of the Company which occurs on the date that a majority of members of the Board is replaced during any 12-month period by members of the Board whose appointment or election is not endorsed by a majority of the members of the Board prior to the date of the appointment or election. For purposes of this subsection (ii), if any Person is considered to be in effective control of the Company, the acquisition of additional control of the Company by the same Person will not be considered a Change in Control; or
  
- iii. A change in the ownership of a substantial portion of the Company's assets which occurs on the date that any Person acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such person or persons) assets from the Company that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of the Company immediately prior to such acquisition or acquisitions; provided, however, that for purposes of this subsection (iii), the following will not constitute a change in the ownership of a substantial portion of the Company's assets: (A) a transfer to an entity that is controlled by the holders of the shares in the capital of the Company immediately after the transfer, or (B) a transfer of assets by the Company to: (1) a holder of shares in the capital of the Company (immediately before the asset transfer) in exchange for or with respect to the Company's shares in the capital, (2) an entity, 50% or more of the total value or voting power of which is owned, directly or indirectly, by the Company, (3) a Person, that owns, directly or indirectly, 50% or more of the total value or voting power of all the outstanding shares in the capital of the Company, or (4) an entity, at least 50% of the total value or voting power of which is owned, directly or indirectly, by a Person described in this subsection (iii)(B)(3). For purposes of this subsection (iii), gross fair market value means the value of the assets of the Company, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

For purposes of this definition, persons will be considered to be acting as a group if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of shares in the capital of the Company, or similar capital reorganization or business combination transaction with the Company.

Notwithstanding the foregoing, a transaction will not be deemed a Change in Control unless the transaction qualifies as a change in control event within the meaning of Section 409A of the Code.

Further and for the avoidance of doubt, a transaction will not constitute a Change in Control if: (x) its sole purpose is to change the state of the Company's incorporation, (y) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction, or (z) its sole purpose is to effect a private financing of the Company through a change in the ownership of the shares in the capital of the Company that is approved by the Board.

- (k) "**Code**" means the Internal Revenue Code of 1986, as amended. Reference to a specific section of the Code or regulation thereunder will include such section or regulation, any valid regulation promulgated under such section, and any comparable provision of any future legislation or regulation amending, supplementing or superseding such section or regulation.

- (l) “**Committee**” means a committee of Directors or of other individuals satisfying Applicable Laws appointed by the Board, or a duly authorized committee of the Board, in accordance with Section 4 below.
- (m) “**Company**” means Elastic N.V., a Dutch public limited company (*naamloze vennootschap*).
- (n) “**Consultant**” means any natural person, including an advisor or Director, engaged by the Company or a Parent, Affiliate, or Subsidiary to render bona fide services to such entity, provided the services (i) are not in connection with the offer or sale of securities in a capital raising transaction, and (ii) do not directly promote or maintain a market for the Company’s securities, in each case, within the meaning of Form S-8 promulgated under the Securities Act, and provided, further, that a Consultant will include only those persons to whom the issuance of Shares may be registered under Form S-8 promulgated under the Securities Act.
- (o) “**Continuous Service Status**” means the absence of any interruption or termination of service as an Employee or Consultant. Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of: (i) Company approved sick leave; (ii) military leave; (iii) any other bona fide leave of absence approved by the Company, provided that, if an Employee is holding an Incentive Stock Option and such leave exceeds 3 months, such Employee’s service as an Employee shall be deemed terminated on the 1st day following such 3-month period and the Incentive Stock Option shall thereafter automatically become a Nonstatutory Stock Option in accordance with Applicable Laws, unless reemployment upon the expiration of such leave is guaranteed by contract or statute, or unless provided otherwise pursuant to a written Company policy. Also, Continuous Service Status as an Employee or Consultant shall not be considered interrupted or terminated in the case of a transfer between locations of the Company or between the Company, its Parents, Subsidiaries or Affiliates, or their respective successors, or a change in status from an Employee to a Consultant or from a Consultant to an Employee.
- (p) “**Director**” means a member of the Board.
- (q) “**Disability**” means total and permanent disability as defined in Section 22(e)(3) of the Code, provided that in the case of Awards other than Incentive Stock Options, the Administrator in its discretion may determine whether a permanent and total disability exists in accordance with uniform and non-discriminatory standards adopted by the Administrator from time to time.
- (r) “**Employee**” means any person employed by the Company, or any Parent, Subsidiary or Affiliate, with the status of employment determined pursuant to such factors as are deemed appropriate by the Company in its sole discretion, subject to any requirements of Applicable Laws, including the Code. Neither service as a Director or the payment by the Company of a Director’s fee shall be sufficient to constitute “employment” of such Director by the Company or any Parent, Subsidiary or Affiliate.
- (s) “**Exchange Act**” means the Securities Exchange Act of 1934, as amended.
- (t) “**Exchange Program**” means a program under which (i) outstanding Awards are surrendered or reacquired in exchange for awards of the same type (which may have higher or lower exercise prices and different terms), awards of a different type, and/or cash, (ii) Participants would have the opportunity to transfer any outstanding Awards to a financial institution or other person or entity selected by the Administrator, and/or (iii) the exercise price

of an outstanding Award is increased or reduced. The Administrator will determine the terms and conditions of any Exchange Program in its sole discretion.

(u) “**Fair Market Value**” means, as of any date, the value of Ordinary Shares determined as follows:

- i. For purposes of any Awards granted on the Registration Date, the Fair Market Value will be the initial price to the public as set forth in the final prospectus included within the registration statement in Form S-1 filed with the Securities and Exchange Commission for the initial public offering of the Company’s Ordinary Shares.
- ii. For purposes of any Awards granted on any other date, the Fair Market Value will be the closing sales price for Ordinary Shares as quoted on any established Stock Exchange or national market system (including without limitation the New York Stock Exchange, NASDAQ Global Select Market, the NASDAQ Global Market or the NASDAQ Capital Market of The NASDAQ Stock Market) on which the Ordinary Shares are listed on the date of determination (or the closing bid, if no sales were reported), as reported in The Wall Street Journal or such other source as the Administrator deems reliable. If the determination date for the Fair Market Value occurs on a non-trading day (i.e., a weekend or holiday), the Fair Market Value will be such price on the immediately preceding trading day, unless otherwise determined by the Administrator. In the absence of an established market for the Ordinary Shares, the Fair Market Value thereof will be determined in good faith by the Administrator.

The determination of Fair Market Value for purposes of tax withholding may be made in the Administrator’s discretion subject to Applicable Laws and is not required to be consistent with the determination of Fair Market Value for other purposes.

(v) “**Family Members**” means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law (including adoptive relationships) of the Participant, any person sharing the Participant’s household (other than a tenant or employee), a trust in which these persons (or the Participant) have more than 50% of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests.

(w) “**Fiscal Year**” means the fiscal year of the Company, as included in the articles of association of the Company.

(x) “**Incentive Stock Option**” means an Option intended to, and which does, in fact, qualify as an incentive stock option within the meaning of Section 422 of the Code.

(y) “**Involuntary Termination**” means (unless another definition is provided in the applicable Award Agreement, employment agreement or other applicable written agreement) the termination of a Participant’s Continuous Service Status other than for (i) death, (ii) Disability or (iii) for Cause by the Company or a Parent, Subsidiary, Affiliate or successor thereto, as appropriate.

(z) “**Listed Security**” means any security of the Company that is listed or approved for listing on a national securities exchange or designated or approved for designation as a national

market system security on an interdealer quotation system by the Financial Industry Regulatory Authority (or any successor thereto).

- (aa) “**Non-Executive Director**” means a Director appointed as non-executive director who is not an Employee.
- (bb) “**Nonstatutory Stock Option**” means an Option that is not intended to, or does not, in fact, qualify as an Incentive Stock Option.
- (cc) “**Option**” means an option to acquire Shares granted pursuant to the Plan.
- (dd) “**Option Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of an Option granted under the Plan and includes any documents attached to or incorporated into such Option Agreement, including, but not limited to, a notice of stock option grant and a form of exercise notice.
- (ee) “**Ordinary Shares**” means the Company’s ordinary shares, par value €0.01 per share, as adjusted in accordance with Section 15 below.
- (ff) “**Parent**” means any corporation (other than the Company), whether now or hereafter existing, in an unbroken chain of corporations ending with the Company if, at the time of grant of the Award, each of the corporations other than the Company owns shares in the capital of the Company possessing 50% or more of the total combined voting power of all classes of shares in the capital of the Company in one of the other corporations in such chain. A corporation that attains the status of a Parent on a date after the adoption of the Plan shall be considered a Parent commencing as of such date.
- (gg) “**Participant**” means any holder of one or more Awards or Shares issued pursuant to an Award.
- (hh) “**Performance Share**” means an Award denominated in Shares which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine pursuant to Section 11.
- (ii) “**Performance Share Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Performance Shares granted under the Plan and includes any documents attached to such agreement.
- (jj) “**Performance Unit**” means an Award which may be earned in whole or in part upon attainment of performance goals or other vesting criteria as the Administrator may determine and which may be settled for cash, Shares or other securities or a combination of the foregoing pursuant to Section 11.
- (kk) “**Performance Unit Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Performance Units granted under the Plan and includes any documents attached to such agreement.
- (ll) “**Plan**” means this Amended and Restated 2012 Stock Option Plan.

- (mm) “**Registration Date**” means the effective date of the first registration statement that is filed by the Company and declared effective pursuant to Section 12(b) of the Exchange Act, with respect to any class of the Company’s securities.
- (nn) “**Remuneration Policy**” means the Remuneration Policy for Directors approved by the general meeting of the Company on September 28, 2018.
- (oo) “**Restricted Stock**” means Shares acquired pursuant to a right to purchase or receive Ordinary Shares granted pursuant to Section 9 below.
- (pp) “**Restricted Stock Purchase Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock granted under the Plan and includes any documents attached to such agreement.
- (qq) “**Restricted Stock Unit**” means a bookkeeping entry representing an amount equal to the Fair Market Value of one Share, granted pursuant to Section 10. Each Restricted Stock Unit represents an unfunded and unsecured obligation of the Company.
- (rr) “**Restricted Stock Unit Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Restricted Stock Units granted under the Plan and includes any documents attached to such agreement.
- (ss) “**Rule 16b-3**” means Rule 16b-3 promulgated under the Exchange Act, as amended from time to time, or any successor provision.
- (tt) “**Section 16(b)**” means Section 16(b) of the Exchange Act.
- (uu) “**Section 409A**” means Code Section 409A, as it has been and may be amended from time to time, and any proposed or final Treasury Regulations and Internal Revenue Service guidance that has been promulgated or may be promulgated thereunder from time to time.
- (vv) “**Securities Act**” means the Securities Act of 1933, as amended.
- (ww) “**Share**” means a share of the Ordinary Shares, as adjusted in accordance with Section 15 below.
- (xx) “**Stock Appreciation Right**” means an Award, granted alone or in connection with an Option, that pursuant to Section 8 is designated as a Stock Appreciation Right.
- (yy) “**Stock Appreciation Right Agreement**” means a written document, the form(s) of which shall be approved from time to time by the Administrator, reflecting the terms of Stock Appreciation Rights granted under the Plan and includes any documents attached to such agreement.
- (zz) “**Stock Exchange**” means any stock exchange or consolidated stock price reporting system on which prices for the Ordinary Shares are quoted at any given time.
- (aaa) “**Subsidiary**” means any corporation (other than the Company), whether now or hereafter existing, in an unbroken chain of corporations beginning with the Company if, at the time of grant of the Award, each of the corporations other than the last corporation in the

unbroken chain owns shares in the capital of the Company possessing 50% or more of the total combined voting power of all classes of shares in the capital of the Company in one of the other corporations in such chain. A corporation that attains the status of a Subsidiary on a date after the adoption of the Plan shall be considered a Subsidiary commencing as of such date.

(bbb) “**Ten Percent Holder**” means a person who owns shares in the capital of the Company representing more than 10% of the voting power of Shares in the capital of the Company or of all classes of shares in the capital of any Parent or Subsidiary measured as of an Award’s date of grant.

### 3. **Ordinary Shares Subject to the Plan.**

- (a) **Ordinary Shares Subject to the Plan.** Subject to the provisions of Section 15 below, the maximum aggregate number of Shares that may be issued under the Plan is 39,685,602 Shares, all of which Shares may be issued under the Plan pursuant to Incentive Stock Options and under the condition that the Company’s authorized capital provides for such issue of Shares. The Shares issued under the Plan may be authorized, but unissued, or reacquired Shares.
- (b) **Automatic Share Reserve Increase.** Subject to the provisions of Section 15 of the Plan, the number of Shares available for issuance under the Plan will be increased on the first day of each Fiscal Year beginning with the 2020 Fiscal Year, in an amount equal to the lesser of (i) 9 million Shares, (ii) 5% of the outstanding Shares on the last day of the immediately preceding Fiscal Year or (iii) such number of Shares determined by the Board.
- (c) **Lapsed Awards.** If an Award expires or becomes unexercisable without having been exercised in full, is surrendered pursuant to an Exchange Program, or, with respect to Restricted Stock, Restricted Stock Units, Performance Units or Performance Shares, is reacquired or repurchased by the Company due to failure to vest, the unpurchased Shares (or for Awards other than Options or Stock Appreciation Rights the reacquired or repurchased Shares), which were subject thereto will become available for future grant or sale under the Plan (unless the Plan has terminated). With respect to Stock Appreciation Rights, only Shares actually issued (i.e., the net Shares issued) pursuant to a Stock Appreciation Right will cease to be available under the Plan; all remaining Shares under Stock Appreciation Rights will remain available for future grant or sale under the Plan (unless the Plan has terminated). Shares that have actually been issued under the Plan under any Award will not be returned to the Plan and will not become available for future distribution under the Plan; provided, however, that if Shares issued pursuant to Awards of Restricted Stock, Restricted Stock Units, Performance Shares or Performance Units are repurchased by the Company or are forfeited to or canceled by the Company, such Shares will become available for future grant under the Plan. Shares used to pay the exercise price of an Award or to satisfy the tax withholding obligations related to an Award will become available for future grant or sale under the Plan. To the extent an Award under the Plan is paid out in cash rather than Shares, such cash payment will not result in reducing the number of Shares available for issuance under the Plan. Notwithstanding the foregoing and, subject to adjustment as provided in Section 15, the maximum number of Shares that may be issued upon the exercise of Incentive Stock Options will equal the aggregate Share number stated in Section 3(a), plus, to the extent allowable under Section 422 of the Code and the Treasury Regulations promulgated thereunder, any Shares that become available for issuance under the Plan pursuant to Sections 3(b) and 3(c).
- (d) **Share Reserve.** The Company, during the term of this Plan, will at all times reserve and keep available such number of Shares as will be sufficient to satisfy the requirements of the Plan.

4. **Administration of the Plan.**

(a) **Procedure.**

- i. **General.** The Plan shall be administered by the Board. The Plan may be administered by different Committees with respect to different classes of Participants, and, if permitted by Applicable Laws, the Board may authorize a Committee comprised of one or more officers of the Company to make Awards under the Plan to Employees and Consultants (who are not subject to Section 16 of the Exchange Act) within parameters specified by the Board.
- ii. **Committee Composition.** If a Committee has been appointed pursuant to this Section 4, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of any Committee and appoint additional members thereof, remove members (with or without cause) and appoint new members in substitution therefor, fill vacancies (however caused) and dissolve a Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws and, in the case of a Committee administering the Plan in accordance with the requirements of Rule 16b3 of the Code, to the extent permitted or required by such provisions.
- iii. Rule 16b-3. To the extent desirable to qualify transactions hereunder as exempt under Rule 16b-3, the transactions contemplated hereunder will be structured to satisfy the requirements for exemption under Rule 16b-3.

(b) **Powers of the Administrator.** Subject to the provisions of the Plan, and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its sole discretion:

- i. to determine the Fair Market Value in accordance with Section 2(u) above, provided that such determination shall be applied consistently with respect to Participants under the Plan;
- ii. to select the Employees and Consultants to whom Awards may from time to time be granted, in the case of granting Awards to Directors with due observance of the Board Rules and Applicable Laws on conflict of interest and the Remuneration Policy;
- iii. to determine the number of Shares to be covered by each Award;
- iv. to approve the form(s) of agreement(s) and other related documents used under the Plan;
- v. to determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder, which terms and conditions include but are not limited to the exercise or purchase price, the time or times when Awards may vest and/or be exercised (which may be based on performance criteria), the circumstances (if any) when vesting will be accelerated or cancellation restrictions will be waived, and any restriction or limitation regarding any Award or Shares that are covered by an Award;

- vi. to amend any outstanding Award or agreement related to any Shares covered by an Award, including any amendment adjusting vesting (e.g., in connection with a change in the terms or conditions under which such person is providing services to the Company), provided that no amendment shall be made that would materially and adversely affect the rights of any Participant without his or her consent;
- vii. to determine whether and under what circumstances an Award may be settled in cash instead of Ordinary Shares, subject to Applicable Laws;
- viii. subject to Applicable Laws, to implement an Exchange Program and establish the terms and conditions of such Exchange Program without consent of the holders of shares in the capital of the Company, provided that no amendment or adjustment to an Option that would materially and adversely affect the rights of any Participant shall be made without his or her consent;
- ix. to approve addenda pursuant to Section 21 below or to grant Awards to, or to modify the terms of, any outstanding Award Agreement or any agreement related to any Shares covered by an Award held by Participants who are foreign nationals or employed outside of the United States with such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in this Plan to the extent necessary or appropriate to accommodate such differences;
- x. to construe and interpret the terms of the Plan, any Award Agreement and any agreement related to any Shares covered by an Award, which constructions, interpretations and decisions shall be final and binding on all Participants;
- xi. to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Award previously granted by the Administrator;
- xii. to allow Participants to satisfy tax withholding obligations in such manner as prescribed in Section 13; and
- xiii. to make all other determinations deemed necessary or advisable for administering the Plan.

(c) **Effect of Administrator's Decision.** The Administrator's decisions, determinations and interpretations will be final and binding on all Participants and any other holders.

(d) **Indemnification.** To the maximum extent permitted by Applicable Laws, each member of the Board, as applicable, shall be indemnified and held harmless by the Company against and from (i) any loss, cost, liability, or expense that may be imposed upon or reasonably incurred by him or her in connection with or resulting from any claim, action, suit, or proceeding to which he or she may be a party or in which he or she may be involved by reason of any action taken or failure to act under the Plan or pursuant to the terms and conditions of any Award except for actions taken in bad faith or failures to act in bad faith, and (ii) any and all amounts paid by him or her in settlement thereof, with the Company's approval, or paid by him or her in satisfaction of any judgment in any such claim, action, suit, or proceeding against him or her, provided that such member shall give the Company an opportunity, at its own expense, to handle and defend any such claim, action, suit or proceeding before he or she undertakes to handle and defend it on his or her own behalf. The foregoing right of indemnification shall not be exclusive of any other rights of indemnification to which such



persons may be entitled under the Company's Articles of Association, Board Rules, by contract, as a matter of law, or otherwise, or under any other power that the Company may have to indemnify or hold harmless each such person.

5. **Eligibility.**

- (a) **Recipients of Grants.** Nonstatutory Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Shares and Performance Units may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees, provided that Employees of Affiliates shall not be eligible to receive Incentive Stock Options.
- (b) **No Employment Rights.** Neither the Plan nor any Award shall confer upon any Employee or Consultant any right with respect to continuation of an employment or consulting relationship with the Company (any Parent, Subsidiary or Affiliate), nor shall it interfere in any way with such Employee's or Consultant's right or the Company's (Parent's, Subsidiary's or Affiliate's) right to terminate his or her employment or consulting relationship at any time, with or without cause.

6. **Term of Plan.** Subject to Section 23 of the Plan, the Plan will become effective upon the later to occur of (i) its adoption by the Board or (ii) the business day immediately prior to the Registration Date. It will continue in effect for a term of ten (10) years from the date it becomes effective, unless terminated earlier under Section 17 of the Plan.

7. **Options.**

- (a) **Term of Option.** The term of each Option shall be the term stated in the Option Agreement; provided that the term shall be no more than 10 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement and provided further that, in the case of an Incentive Stock Option granted to a person who at the time of such grant is a Ten Percent Holder, the term of the Option shall be 5 years from the date of grant thereof or such shorter term as may be provided in the Option Agreement.

- (b) **Type of Option.**

- i. Each Option shall be designated in the Option Agreement as either an Incentive Stock Option or a Nonstatutory Stock Option.
- ii. Notwithstanding any designation under Section 7(b)(i) above, to the extent that the aggregate Fair Market Value of Shares with respect to which Options designated as Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under all plans of the Company or any Parent or Subsidiary) exceeds \$100,000, such excess Options shall be treated as Nonstatutory Stock Options. For purposes of this Section 7(b), Incentive Stock Options shall be taken into account in the order in which they were granted, and the Fair Market Value of the Shares subject to an Incentive Stock Option shall be determined as of the date of the grant of such Option.

- (c) **Option Exercise Price and Consideration.**

- i. **Exercise Price.** The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be such price as is determined by the

Administrator and set forth in the Option Agreement, but shall be subject to the following:

(1) In the case of an Incentive Stock Option

- a. granted to an Employee who at the time of grant is a Ten Percent Holder, the per Share exercise price shall be no less than 110% of the Fair Market Value on the date of grant;
- b. granted to any other Employee, the per Share exercise price shall be no less than 100% of the Fair Market Value on the date of grant;

(2) Except as provided in subsection (3) below, in the case of a Nonstatutory Stock Option the per Share exercise price shall be such price as is determined by the Administrator, provided that, if the per Share exercise price is less than 100% of the Fair Market Value on the date of grant, it shall otherwise comply with all Applicable Laws, including Section 409A; and

(3) Notwithstanding the foregoing, Options may be granted with a per Share exercise price other than as required above pursuant to a merger or other corporate transaction.

- ii. **Permissible Consideration.** The consideration to be paid for the Shares to be issued upon exercise of an Option, including the method of payment, shall be determined by the Administrator (and, in the case of an Incentive Stock Option and to the extent required by Applicable Laws, shall be determined at the time of grant) and may consist entirely of (1) cash; (2) check; (3) to the extent permitted under, and in accordance with, Applicable Laws, delivery of a promissory note with such recourse, interest, security and redemption provisions as the Administrator determines to be appropriate (subject to the provisions of Section 152 of the General Corporation Law); (4) cancellation of indebtedness; (5) other previously owned Shares that have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which the Option is exercised; (6) a Cashless Exercise; (7) such other consideration and method of payment permitted under Applicable Laws; or (8) any combination of the foregoing methods of payment. In making its determination as to the type of consideration to accept, the Administrator shall consider if acceptance of such consideration may be reasonably expected to benefit the Company and the Administrator may, in its sole discretion, refuse to accept a particular form of consideration at the time of any Option exercise.

(d) **Exercise of Option.**

i. **General.**

- (1) **Exercisability.** Any Option granted hereunder shall be exercisable at such times and under such conditions as determined by the Administrator, consistent with the terms of the Plan and reflected in the Option Agreement, including vesting requirements and/or performance criteria with respect to the Company, and Parent, Subsidiary or Affiliate, and/or the Participant.

- (2) **Leave of Absence.** The Administrator shall have the discretion to determine whether and to what extent the vesting of Options shall be tolled during any leave of absence; provided, however, that in the absence of such determination, vesting of Options shall be tolled during any leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, vesting shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Options to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.
- (3) **Minimum Exercise Requirements.** An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement shall not prevent a Participant from exercising the full number of Shares as to which the Option is then exercisable.
- (4) **Procedures for and Results of Exercise.** An Option shall be deemed exercised when written notice of such exercise has been received by the Company in accordance with the terms of the Option Agreement by the person entitled to exercise the Option and the Company has received full payment for the Shares with respect to which the Option is exercised and has paid, or made arrangements to satisfy, any applicable taxes, withholding, required deductions or other required payments in accordance with Section 13 below. The exercise of an Option shall result in a decrease in the number of Shares that thereafter may be available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.
- (5) **Rights as Holder of Shares in the Capital of the Company.** Until the effective issuance of the Shares (including by way of a transfer of treasury shares), no right to vote or receive dividends or any other rights as a holder of shares in the capital of the Company shall exist with respect to the Shares subject to an Option, notwithstanding the exercise of the Option. No adjustment will be made for a dividend or other right for which the record date is prior to the date ownership is recorded in the Company's shareholder register, except as provided in Section 15 below.
- ii. **Termination of Continuous Service Status.** The Administrator shall establish and set forth in the applicable Option Agreement the terms and conditions upon which an Option shall remain exercisable, if at all, following termination of a Participant's Continuous Service Status, which provisions may be waived or modified by the Administrator at any time. To the extent that an Option Agreement does not specify the terms and conditions upon which an Option shall terminate upon termination of a Participant's Continuous Service Status, the following provisions shall apply:
- (1) **General Provisions.** If the Participant (or other person entitled to exercise the Option) does not exercise the Option to the extent so entitled within the time specified below, the Option shall terminate and the Shares

subject to the Option underlying the unexercised portion of the Option shall revert to the Plan. In no event may any Option be exercised after the expiration of the Option term as set forth in the Option Agreement (and subject to this Section 7).

- (2) **Termination other than Upon Disability or Death or for Cause.** In the event of termination of a Participant's Continuous Service Status other than under the circumstances set forth in the subsections (3) through (5) below, such Participant may exercise any outstanding Option at any time within 3 month(s) following such termination to the extent the Participant is vested in the Shares subject to the Option.
- (3) **Disability of Participant.** In the event of termination of a Participant's Continuous Service Status as a result of his or her Disability, such Participant may exercise any outstanding Option at any time within 12 month(s) following such termination to the extent the Participant is vested in the Shares subject to the Option.
- (4) **Death of Participant.** In the event of the death of a Participant during the period of Continuous Service Status since the date of grant of any outstanding Option, or within 3 month(s) following termination of the Participant's Continuous Service Status, the Option may be exercised by any beneficiaries designated in accordance with Section 19 below, or if there are no such beneficiaries, by the Participant's estate, or by a person who acquired the right to exercise the Option by bequest or inheritance, at any time within 12 month(s) following the date the Participant's Continuous Service Status terminated, but only to the extent the Participant is vested in the Shares subject to the Option.
- (5) **Termination for Cause.** In the event of termination of a Participant's Continuous Service Status for Cause, any outstanding Option (including any vested portion thereof) held by such Participant shall immediately terminate in its entirety upon first notification to the Participant of termination of the Participant's Continuous Service Status for Cause. If a Participant's Continuous Service Status is suspended pending an investigation of whether the Participant's Continuous Service Status will be terminated for Cause, all the Participant's rights under any Option, including the right to exercise the Option, shall be suspended during the investigation period. Nothing in this Section 7(d)(ii)(5) shall in any way limit the Company's right to purchase unvested Shares issued upon exercise of an Option as set forth in the applicable Option Agreement.
- (6) **Tolling Expiration.** A Participant's Option Agreement may also provide that:
  - a. if the exercise of the Option following the termination of Participant's Continuous Service Status (other than upon the Participant's death or Disability) would result in liability under Section 16(b), then the Option will terminate on the earlier of (A) the expiration of the term of the Option set forth in the Option Agreement, or (B) the tenth (10th) day after the last date on which such exercise would result in liability under Section 16(b); or

- b. if the exercise of the Option following the termination of the Participant's Continuous Service Status (other than upon the Participant's death or Disability) would be prohibited at any time solely because the issuance of Shares would violate the registration requirements under the Securities Act, then the Option will terminate on the earlier of (A) the expiration of the term of the Option or (B) the expiration of a period of thirty (30)-day period after the termination of the Participant's Continuous Service Status during which the exercise of the Option would not be in violation of such registration requirements.

## 8. **Stock Appreciation Rights**

- (a) **Grant of Stock Appreciation Rights**. Subject to the terms and conditions of the Plan, a Stock Appreciation Right may be granted at any time and from time to time as will be determined by the Administrator, in its sole discretion.
- (b) **Number of Shares**. The Administrator will have complete discretion to determine the number of Shares subject to any Stock Appreciation Right.
- (c) **Exercise Price and Other Terms**. The per Share exercise price for the Shares that will determine the amount of the payment to be received upon exercise of a Stock Appreciation Right as set forth in Section 8(f) will be determined by the Administrator and will be no less than 100% of the Fair Market Value per Share on the date of grant. Otherwise, the Administrator, subject to the provisions of the Plan, will have complete discretion to determine the terms and conditions of Stock Appreciation Rights granted under the Plan.
- (d) **Stock Appreciation Right Agreement**. Each Stock Appreciation Right will be evidenced by a Stock Appreciation Right Agreement that will specify the exercise price, the term of the Stock Appreciation Right, the conditions of exercise, and such other terms and conditions as the Administrator, in its sole discretion, will determine.
- (e) **Expiration of Stock Appreciation Rights**. A Stock Appreciation Right granted under the Plan will expire upon the date determined by the Administrator, in its sole discretion, and set forth in the Stock Appreciation Right Agreement. Notwithstanding the foregoing, the rules of Section 7(a) relating to the maximum term and Section 7(d) relating to exercise also will apply to Stock Appreciation Rights.
- (f) **Payment of Stock Appreciation Right Amount**. Upon exercise of a Stock Appreciation Right, a Participant will be entitled to receive payment from the Company in an amount determined by multiplying:
  - i. The difference between the Fair Market Value of a Share on the date of exercise over the exercise price; times
  - ii. The number of Shares with respect to which the Stock Appreciation Right is exercised.

At the discretion of the Administrator, the payment upon Stock Appreciation Right exercise may be in cash, in Shares of equivalent value, or in some combination thereof.

## 9. Restricted Stock.

- (a) **Rights to Purchase.** When a right to purchase or receive Restricted Stock is granted under the Plan, the Company shall advise the recipient in writing of the terms, conditions and restrictions related to the offer, including the number of Shares that such person shall be entitled to purchase, the price to be paid, if any (which shall be as determined by the Administrator, subject to Applicable Laws, including any applicable securities laws), and the time within which such person must accept such offer. The permissible consideration for Restricted Stock shall be determined by the Administrator and shall be the same as is set forth in Section 7(c)(ii) above with respect to exercise of Options. The offer to purchase Shares shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator.
- (b) **Repurchase Option.**
- i. **General.** Unless the Administrator determines otherwise, the Restricted Stock Purchase Agreement shall grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the Participant's Continuous Service Status for any reason (including death or Disability) at a purchase price for Shares equal to the original purchase price paid by the purchaser to the Company for such Shares and may be paid by cancellation of any indebtedness of the purchaser to the Company. The repurchase option shall lapse at such rate or pursuant to such vesting criteria as the Administrator may determine.
  - ii. **Leave of Absence.** The Administrator shall have the discretion to determine whether and to what extent the lapsing of Company repurchase rights shall be tolled during any leave of absence; provided, however, that in the absence of such determination, such lapsing shall be tolled during any leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, the lapsing of Company repurchase rights shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Shares purchased pursuant to the Restricted Stock Purchase Agreement to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.
- (c) **Other Provisions.** The Restricted Stock Purchase Agreement shall contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each Participant.
- (d) **Rights as a Holder of Shares in the Capital of the Company.** Once the Restricted Stock is purchased, the Participant shall have the rights equivalent to those of a holder of shares in the capital of the Company, and shall be a record holder when his or her purchase and the issuance of the Shares is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Restricted Stock is purchased, except as provided in Section 15 below.

## 10. Restricted Stock Units

- (a) **Grant.** Restricted Stock Units may be granted at any time and from time to time as determined by the Administrator. After the Administrator determines that it will grant Restricted Stock Units, it will advise the Participant in a Restricted Stock Unit Agreement of the terms, conditions, and restrictions related to the grant, including the number of Restricted Stock Units.
- (b) **Vesting Criteria and Other Terms.** The Administrator will set vesting criteria in its discretion, which, depending on the extent to which the criteria are met, will determine the number of Restricted Stock Units that will be paid out to the Participant. The Administrator may set vesting criteria based upon the achievement of Company-wide, business unit, or individual goals (including, but not limited to, continued employment or service), or any other basis determined by the Administrator in its discretion.
- (c) **Earning Restricted Stock Units.** Upon meeting the applicable vesting criteria, the Participant will be entitled to receive a payout as determined by the Administrator. Notwithstanding the foregoing, at any time after the grant of Restricted Stock Units, the Administrator, in its sole discretion, may reduce or waive any vesting criteria that must be met to receive a payout.
- (d) **Form and Timing of Payment.** Payment of earned Restricted Stock Units will be made as soon as practicable after the date(s) determined by the Administrator and set forth in the Restricted Stock Unit Agreement. The Administrator, in its sole discretion, may settle earned Restricted Stock Units in cash, Shares, or a combination of both.
- (e) **Cancellation.** On the date set forth in the Restricted Stock Unit Agreement, all unearned Restricted Stock Units will be reacquired by the Company.
- (f) **Leave of Absence.** The Administrator shall have the discretion to determine whether and to what extent the vesting of Restricted Stock Units shall be tolled during any leave of absence; provided, however, that in the absence of such determination, such vesting shall be tolled during any leave (unless otherwise required by Applicable Laws). Notwithstanding the foregoing, in the event of military leave, the vesting of Restricted Stock Units shall toll during any unpaid portion of such leave, provided that, upon a Participant's returning from military leave (under conditions that would entitle him or her to protection upon such return under the Uniform Services Employment and Reemployment Rights Act), he or she shall be given vesting credit with respect to Restricted Stock Units to the same extent as would have applied had the Participant continued to provide services to the Company (or any Parent, Subsidiary or Affiliate, if applicable) throughout the leave on the same terms as he or she was providing services immediately prior to such leave.

#### 11. **Performance Units and Performance Shares.**

- (a) **Grant of Performance Units/Shares.** Performance Units and Performance Shares may be granted to Employees or Consultants at any time and from time to time, as will be determined by the Administrator, in its sole discretion. The Administrator will have complete discretion in determining the number of Performance Units and Performance Shares granted to each Participant.
- (b) **Value of Performance Units/Shares.** Each Performance Unit will have an initial value that is established by the Administrator on or before the date of grant. Each Performance Share will have an initial value equal to the Fair Market Value of a Share on the date of grant.

- (c) **Performance Objectives and Other Terms.** The Administrator will set performance objectives or other vesting provisions (including, without limitation, Continuing Service Status) in its discretion which, depending on the extent to which they are met, will determine the number or value of Performance Units/Shares that will be paid out to the Participant. The time period during which the performance objectives or other vesting provisions must be met will be called the “Performance Period.” Each Award of Performance Units/Shares will be evidenced by a Performance Unit Agreement or Performance Share Agreement, as applicable, that will specify the Performance Period, and such other terms and conditions as the Administrator, in its sole discretion, will determine. The Administrator may set performance objectives based upon the achievement of Company-wide, divisional, business unit or individual goals (including, but not limited to, continued employment or service), applicable federal or state securities laws, or any other basis determined by the Administrator in its discretion.
- (d) **Earning of Performance Units/Shares.** After the applicable Performance Period has ended, the holder of Performance Units/Shares will be entitled to receive a payout of the number of Performance Units/Shares earned by the Participant over the Performance Period, to be determined as a function of the extent to which the corresponding performance objectives or other vesting provisions have been achieved. After the grant of a Performance Unit/Share, the Administrator, in its sole discretion, may reduce or waive any performance objectives or other vesting provisions for such Performance Unit/Share.
- (e) **Form and Timing of Payment of Performance Units/Shares.** Payment of earned Performance Units/Shares will be made as soon as practicable after the expiration of the applicable Performance Period. The Administrator, in its sole discretion, may pay earned Performance Units/Shares in the form of cash, in Shares (which have an aggregate Fair Market Value equal to the value of the earned Performance Units/Shares at the close of the applicable Performance Period) or in a combination thereof.
- (f) **Cancellation of Performance Units/Shares.** On the date set forth in the Performance Unit Agreement or Performance Share Agreement, all unearned or unvested Performance Units/Shares will be reacquired by the Company, and again will be available for grant under the Plan.

12. **Non-Executive Director Limitations.** All Awards under the Plan granted to Non-Executive Directors will be subject to the limitations of the Remuneration Policy.

13. **Taxes.**

- (a) As a condition of the grant, vesting and exercise of an Award, and prior to the delivery of Shares or cash pursuant to an Award, the Company will have the power and right to deduct or withhold, or require Participant (or in the case of the Participant’s death or a permitted transferee, the person holding or exercising the Award) to remit to the Company, an amount sufficient to satisfy U.S. federal, state or local taxes, non-U.S. taxes, or other taxes (including social security contributions and social security premiums and Participant’s FICA obligation) required to be withheld with respect to such Award (or exercise thereof). The Company shall not be required to issue any Shares or other consideration under the Plan until such obligations are satisfied.
- (b) The Administrator may, to the extent permitted under Applicable Laws, permit a Participant (or in the case of the Participant’s death or a permitted transferee, the person



holding or exercising the Award) to satisfy all or part of his or her tax and social security contributions and social security premiums,, withholding, or any other required deductions or payments by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable cash or Shares having a fair market value not in excess of the maximum statutory amount required to be withheld (including through a Cashless Exercise), or (iii) delivering to the Company already-owned Shares having a Fair Market Value not in excess of the maximum statutory amount required to be withheld. Any payment of taxes, social security contributions and social security premiums by Surrendering Shares to the Company may be subject to restrictions, including, but not limited to, any restrictions required by rules of the Securities and Exchange Commission.

- (c) Awards will be designed and operated in such a manner that they are either exempt from the application of, or comply with, the requirements of Section 409A such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A, except as otherwise determined in the sole discretion of the Administrator. The Plan and each Award Agreement under the Plan is intended to meet the requirements of Section 409A and will be construed and interpreted in accordance with such intent, except as otherwise determined in the sole discretion of the Administrator. To the extent that an Award or payment, or the settlement or deferral thereof, is subject to Section 409A the Award will be granted, paid, settled or deferred in a manner that will meet the requirements of Section 409A, such that the grant, payment, settlement or deferral will not be subject to the additional tax or interest applicable under Section 409A. In no event will the Company (or any Parent, Subsidiary, or Affiliate of the Company, as applicable) reimburse a Participant for any taxes imposed or other costs incurred as a result of Section 409A.

14. **Non-Transferability of Awards.**

- (a) **General.** Unless determined otherwise by the Administrator, Awards may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner other than by will or by the laws of descent or distribution. The designation of a beneficiary by a Participant will not constitute a transfer. An Option may be exercised, during the lifetime of the Participant, only by the Participant. If the Administrator makes an Award transferable, such Award will contain such additional terms and conditions as the Administrator deems appropriate.

15. **Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions.**

- (a) **Changes in Capitalization.** Subject to any action required under Applicable Laws by the holders of shares in the capital of the Company, (i) the numbers and class of Shares or other shares in the capital of the Company or securities: (x) available for future Awards under Section 3 above and (y) covered by each outstanding Award, (ii) the exercise price per Share of each such outstanding Option or Stock Appreciation Right, and (iii) any repurchase price per Share applicable to Shares issued pursuant to any Award, shall, in order to prevent diminution or enlargement of the benefits or potential benefits intended to be made available under the Plan, be adjusted by the Administrator in the event of a stock split, reverse stock split, dividend or other distribution (whether in the form of cash, Shares, securities, or other property), recapitalization, reorganization, merger, split-up, spin-off, combination, consolidation, reclassification of the Shares or subdivision of the Shares or other securities of the Company, repurchase or exchange of Shares or other securities of the Company, or other change in the corporate structure of the Company affecting the Shares. Any such adjustment by the Administrator shall be made in the Administrator's sole and absolute discretion and shall be final, binding on the shares of capital of the Company of any class, or securities convertible into shares of in the capital of the Company of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an

Award. If, by reason of a transaction described in this Section 15(a) or an adjustment pursuant to this Section 15(a), a Participant's Award Agreement or agreement related to any Shares covered by an Award covers additional or different shares in the capital of the Company or securities, then such additional or different shares, and the Award Agreement or agreement related to the Shares covered by an Award in respect thereof, shall be subject to all of the terms, conditions and restrictions which were applicable to the Award or Shares covered by the Award prior to such adjustment.

- (b) **Dissolution or Liquidation.** In the event of the dissolution or liquidation of the Company, each Award, to the extent it has not been previously exercised, will terminate immediately prior to the consummation of such action, unless otherwise determined by the Administrator. The Administrator will notify each Participant as soon as practicable prior to the effective date of such proposed transaction.
- (c) **Corporate Transactions.** In the event of a merger of the Company with or into another corporation or other entity or a Change in Control, each outstanding Award (vested or unvested) will be treated as the Administrator determines (subject to the restriction in the following paragraph), which determination may be made without the consent of any Participant and need not treat all outstanding Awards (or portion thereof) in an identical manner, including, without limitation, that each Award be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation.

If any Award, or any agreement applicable to any Award, provides for accelerated vesting in connection with any termination of Continuous Service Status that occurs on or after a Change in Control, and the successor does not agree to assume the Award, or to substitute an equivalent award or right for the Award, then any acceleration of vesting that would otherwise occur upon such termination of Continuous Service Status shall occur immediately prior to, and contingent upon, the consummation of such Change in Control.

In the event that the successor corporation does not assume or substitute for the Award (or portion thereof), the Participant will fully vest in and have the right to exercise all of his or her outstanding Options and Stock Appreciation Rights, including Shares as to which such Awards would not otherwise be vested or exercisable, all restrictions on Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares will lapse, and, with respect to Awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met, in all cases, unless specifically provided otherwise under the applicable Award Agreement or other written agreement between the Participant and the Company or any of its Subsidiaries or Parents, as applicable. In addition, if an Option or Stock Appreciation Right is not assumed or substituted in the event of a merger or Change in Control, the Administrator will notify the Participant in writing or electronically that the Option or Stock Appreciation Right will be exercisable for a period of time determined by the Administrator in its sole discretion, and the Option or Stock Appreciation Right will terminate upon the expiration of such period.

For the purposes of this subsection (c), an Award will be considered assumed if, following the Change in Control, the Award confers the right to purchase or receive, for each Share subject to the Award immediately prior to the Change in Control, the consideration (whether shares in the capital of the Company, cash, or other securities or property) received in the Change in Control by holders of Ordinary Shares for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the Change in Control is not solely ordinary shares of the successor

corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of an Option or Stock Appreciation Right or upon the payout of a Restricted Stock Unit, Performance Unit or Performance Share, for each Share subject to such Award, to be solely ordinary shares of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Ordinary Shares in the Change in Control.

Notwithstanding anything in this Section 15(c) to the contrary, an Award that vests, is earned or paid-out upon the satisfaction of one or more performance goals will not be considered assumed if the Company or its successor modifies any of such performance goals without the Participant's consent; provided, however, a modification to such performance goals only to reflect the successor corporation's post-Change in Control corporate structure will not be deemed to invalidate an otherwise valid Award assumption.

(d) **Non-Executive Director Awards.** With respect to Awards granted to a Non-Executive Director, in the event of a Change in Control, then the Participant will fully vest in and have the right to exercise Options and/or Stock Appreciation Rights as to all of the Shares underlying such Award, including those Shares which would not otherwise be vested or exercisable, all restrictions on Restricted Stock and Restricted Stock Units will lapse, and, with respect to Awards with performance-based vesting, unless specifically provided otherwise under the applicable Award Agreement, a Company policy applicable to the Participant, or other written agreement between the Participant and the Company, all performance goals or other vesting criteria will be deemed achieved at one hundred percent (100%) of target levels and all other terms and conditions met.

16. **Time of Granting Awards.** The date of grant of an Award shall, for all purposes, be the date on which the Board makes the determination granting such Award, or such other date as is determined by the Administrator.

17. **Amendment and Termination of the Plan.** The Board may at any time amend or terminate the Plan, but no amendment or termination shall be made that would materially and adversely affect the rights of any Participant under any outstanding Award, without his or her consent. In addition, to the extent necessary and desirable to comply with Applicable Laws, the Company shall obtain the approval of holders of shares in the capital of the Company with respect to any Plan amendment in such a manner and to such a degree as required.

18. **Conditions Upon Issuance of Shares.** Notwithstanding any other provision of the Plan or any agreement entered into by the Company pursuant to the Plan, the Company shall not be obligated, and shall have no liability for failure, to issue or deliver any Shares under the Plan unless such issuance or delivery would comply with Applicable Laws, with such compliance determined by the Company in consultation with its legal counsel. As a condition to the exercise of any Option or Stock Appreciation Right or purchase or receipt of any Restricted Stock or Restricted Stock Units, the Company may require the person exercising, purchasing or receiving the applicable Award to represent and warrant at the time of any such exercise, purchase or receipt that the Shares subject to the Award are being exercised, purchased or received only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is advisable or required by Applicable Laws. Shares issued in connection with an Award prior to the date, if ever, on which the Ordinary Shares becomes a Listed Security shall be subject to a right of first refusal in favor of the Company pursuant to which the Participant will be required to offer Shares to the Company before selling or transferring them to any third party on such terms and subject to such conditions as is reflected in the applicable Award Agreement.

19. **Beneficiaries.** Participant may designate one or more beneficiaries with respect to an Award by timely filing the prescribed form with the Company. A beneficiary designation may be changed by filing the prescribed form with the Company at any time before the Participant's death. Except as otherwise provided in an Award Agreement, if no beneficiary was designated or if no designated beneficiary survives the Participant, then after a Participant's death any vested Award(s) shall be transferred or distributed to the Participant's estate or to any person who has the right to acquire the Award by bequest or inheritance.
20. **Approval of Holders of Shares in the Capital of the Company.** If required by Applicable Laws, continuance of the Plan shall be subject to approval by the holders of shares in the capital of the Company at the general meeting of the Company within 12 months before or after the date the Plan is adopted or, to the extent required by Applicable Laws, any date the Plan is amended. Such approval shall be obtained in the manner and to the degree required under Applicable Laws.
21. **Addenda.** The Administrator may approve such addenda to the Plan as it may consider necessary or appropriate for the purpose of granting Awards to Employees or Consultants, which Awards may contain such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom, which may deviate from the terms and conditions set forth in this Plan. The terms of any such addenda shall supersede the terms of the Plan to the extent necessary to accommodate such differences but shall not otherwise affect the terms of the Plan as in effect for any other purpose.
22. **Approval of the Holders of Shares in the Capital of the Company.** The Plan will be subject to approval by the holders of the shares in the capital of the Company at the general meeting of the Company within twelve (12) months after the date the Plan is adopted by the Board. Such approval of the holders of shares in the capital of the Company will be obtained in the manner and to the degree required under Applicable Laws.
23. **Clawback.** The Administrator may specify in an Award Agreement that the Participant's rights, payments, and/or benefits with respect to an Award will be subject to reduction, cancellation, reacquisition, and/or recoupment upon the occurrence of certain specified events, in addition to any applicable vesting, performance or other conditions and restrictions of an Award. Notwithstanding any provisions to the contrary under this Plan, an Award granted under the Plan shall be subject to the Company's clawback policy (if any) as may be established and/or amended from time to time. The Board may require a Participant to cancel or return to and/or reimburse the Company all or a portion of the Award and/or Shares issued under the Award, any amounts paid under the Award, and any payments or proceeds paid or provided upon disposition of the Shares issued under the Award, pursuant to the terms of such Company policy or as necessary or appropriate to comply with Applicable Laws.

**ADDENDUM A**  
**AMENDED AND RESTATED 2012 STOCK OPTION PLAN**  
**UK COMPANY SHARE OPTION PLAN (THE "PLAN")**  
**ADOPTED BY THE BOARD OF ELASTIC N.V ON SEPTEMBER 18, 2018**

- (A) This Plan forms part of the Elastic N.V. Amended and Restated 2012 Stock Option Plan including, without limitation Section 3 (Stock Subject to the Plan).
- (B) The purpose of this scheme is to provide benefits to employees and directors in the form of share options, in accordance with Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003.
- (C) In this Plan the words and expressions defined herein shall have the same meaning when used in the Plan and the provisions of the Elastic N.V. Amended and Restated 2012 Stock Option Plan shall apply to the provisions of the Plan except where expressly varied herein.
- (D) Notwithstanding anything in the Plan or any Option Agreement, no variation may be made to the terms of an outstanding Option other than as follows:
- (i) any variation to the Exercise Price must be carried out in accordance with paragraph 22 of Schedule 4;
  - (ii) any variation to the number or description of shares subject to the Option must be carried out in accordance with paragraph 22 of Schedule 4 or with the prior written consent of the relevant UK Participant;
  - (iii) any variation to the restrictions applicable to shares subject to Option must be carried out in accordance with paragraph 22 of Schedule 4 or as a result of amendments to such restrictions generally approved by the Company's shareholders;
  - (iv) any variation to the times at which the Option may be exercised, in whole or in part, must be carried out in accordance with paragraph 22 of Schedule 4 or with the prior written consent of the relevant UK Participant;
  - (v) any variation to the circumstances under which the Option will lapse must be carried out in accordance with paragraph 22 of Schedule 4 or with the prior written consent of the relevant UK Participant;
- (E) The mechanisms described in paragraph (D) above in connection with certain changes to the terms of outstanding Options must be applied in a way that is fair and reasonable.
- (F) Notwithstanding anything in the Plan or any Option Agreement, no variations whatsoever may be made to any outstanding Options where this would result in the requirements of the paragraphs of Schedule 4 to the Act no longer being met.
- (G) Restricted Stock may not be provided under the Plan. All provisions relating to Restricted Stock in the Elastic N.V. Amended and Restated 2012 Stock Option Plan shall not apply to the Plan.
- (H) For the purposes of the Plan, the following terms shall have the following meanings:

"Act"	the Income Tax (Earnings and Pensions) Act 2003;
"Appropriate Period"	the relevant period as specified in paragraph 26(3) of Schedule 4;
"Associated Company"	an associated company of the Company within the meaning that expression bears in paragraph 35 of Schedule 4;

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"Control"	the meaning given by section 719 of the Act;
"Date of Grant"	the date on which an Option is, was or is to be granted under the Plan;
"Eligible Employee"	any individual who at the Date of Grant is a director (who is required to work at least 25 hours a week exclusive of meal breaks) or an employee of a Participating Company;
"Exercise Price"	<p>the price per Share, as determined by the Administrator, at which an Eligible Employee may acquire Shares upon the exercise of an Option being not less than the Market Value of a Share:</p> <p>(1) subject to (2) below, on the day the Date of Grant; or</p> <p>(2) if the Administrator so determines, at such earlier time or times as the Administrator may determine (with previous agreement in writing of HMRC);</p> <p>but subject to any adjustment pursuant to Section 12(a) as applied in this Plan;</p>
"HMRC"	HM Revenue & Customs;
"Individual Approved Limit"	the limit specified from time to time in paragraph 6 of Schedule 4;
"London Stock Exchange"	the London Stock Exchange plc or any successor company or body carrying on the business of the London Stock Exchange plc;
"Market Value"	<p>in relation to a Share on any day:</p> <p>(1) if so long as the Shares are traded on NASDAQ, its last reported sale price and agreed for the purposes of this Plan with the Shares &amp; Assets Valuation of HMRC on or before that day; or</p> <p>(2) if and so long as the Shares are listed on the London Stock Exchange or the New York Stock Exchange, its middle market quotation; or</p> <p>(3) subject to (1) and (2) above, its market value, determined in accordance with Part 8 of the Taxation and Chargeable Gains Act 1992 and agreed for the purposes of this Plan with the Shares &amp; Assets Valuation of HMRC on or before that day;</p>
"Option"	the right to acquire Shares granted in accordance with and subject to the rules of the Plan;

"Ordinary Share Capital"	the meaning given in section 989 Income Tax Act 2007;
"Original Market Value"	in relation to any Share to be taken into account for the purposes of the limit in Section 4(c)(iii) as applied in this Plan, its Market Value as determined for the purposes of the relevant grant of options;
"Participating Company"	(1) the Company; and  (2) any other company which is under the Control of the Company or is a Subsidiary of the Company;
"Plan"	this UK Company Share Option Plan;
"Schedule 4"	Schedule 4 to the Act;
"Share"	a share of the Company's Ordinary Share Capital which complies with the conditions set forth in Part 4 of Schedule 4;
"Subsidiary"	the meaning given by Section 1159 of the Companies Act 2006;
"UK Participant"	a director or employee, or former director or employee, to whom an Option under this Plan has been granted or (where the context so admits or requires) the personal representatives of any such person.

(I) Options under this Plan may only be granted to Eligible Employees.

(J) For the purposes of this Plan the following Sections of the Plan shall be amended, modified or deleted as follows:

1. Section 4(b)(i) shall not apply to this Plan.

2. Section 4(b)(iii) shall not apply to this Plan and shall be replaced by the following:

“to determine the number of Shares to be covered by each Option provided that any Option granted to an Eligible Employee shall be limited to take effect so that immediately following such grant the aggregate Original Market Value of all Shares over which he or she has been granted option rights under the Plan or any other share option plan approved under Schedule 4 adopted by the Company or an Associated Company, shall not exceed or further exceed the Individual Approved Option Limit;”

3. Section 4(b)(v) shall not apply to this Plan and shall be replaced by the following:

“to determine the terms and conditions, not inconsistent with the terms of the Plan, if any Option granted hereunder, which terms and conditions include but are not limited to the time or times when Options vest and/or be exercised (which may be based on performance criteria) provided any such terms and conditions are objective and are stated in writing at the Date of Grant.”

4. Section 4(b)(vii) shall not apply to this Plan.

5. Section 4(b)(viii) shall not apply to this Plan.

6. Section 4(b)(ix) shall not apply to this Plan.

7. Section 5(a) shall not apply to this Plan and shall be replaced by the following:  
“Options may only be granted to Eligible Employees.”

8. Section 5(b) shall not apply to this Plan.

9. Section 7(b) shall not apply to this Plan.

10. Section 7(c)(i) shall not apply to this Plan and shall be replaced by the following:

“The per Share exercise price for the Shares to be issued pursuant to the exercise of an Option shall be determined by the Administrator and set forth in the Option Agreement, but shall not be less than the Market Value of a Share on the Date of Grant or, if the Administrator so determines, at such earlier time or times as the Administrator may determine (with the prior agreement in writing of HMRC).”

11. Section 7(c)(ii) shall not apply to this Plan and shall be replaced by the following:

“The consideration to be paid for the Shares to be issued upon the exercise of an Option, including the method of payment, shall be determined by the Administrator and may consist entirely of (1) cash; (2) check or (3) such other consideration and method of payment that does not affect the approved status under Schedule 4 of the Option.”

12. Section 7(d)(i)(2) shall not apply to this Plan.

13. Section 7(d)(i)(3) shall not apply to this Plan and shall be replaced by the following:

“**Minimum Exercise Requirements.** An Option may not be exercised for a fraction of a Share. The Administrator may require that an Option be exercised as to a minimum number of Shares, provided that such requirement is set forth in the applicable Option Agreement and does not prevent a UK Participant from exercising the full number of Shares as to which the Option is exercisable from time to time”.

14. Section 7(d)(i)(4) shall apply to this Plan but with the addition of the following:

“Shares delivered to a UK Participant pursuant to the Plan will rank *pari passu* in all respects with Shares then in issue.”

15. Section 7(d)(ii) shall apply to this Plan but shall not enable the Administrator to waive or modify provisions regarding termination of Continuous Service Status in relation to an Option which has been granted.

16. Section 7(d)(ii)(3) shall apply to this Plan but modified such that the reference to “12 month(s)” shall be replaced with “6 months”.

17. Section 7(d)(ii)(4) shall apply to this Plan but modified such that Options may only be exercised by the UK Participant’s personal representatives.

18. Section 7(d)(iii)(6) shall not apply to this Plan.



19. Section 8 to 11 shall not apply to this Plan.

20. Section 14(a) shall not apply to this Plan and shall be replaced by the following:

**General.** Options may not be sold, pledged, assigned, hypothecated, transferred or disposed of in any manner. This Section shall not prevent the personal representatives of a deceased UK Participant from exercising the Option in accordance with the Plan and applicable Option Agreement(s)".

21. Section 15(a) shall apply to this Plan provided that any variation or variations made in accordance with that Section must secure:

- (A) that the total market value of the Shares which may be acquired by the exercise of an Option is immediately after the variation or variations substantially the same as what it was immediately before the variation or variations; and
- (B) that the total price at which Shares may be acquired on the Exercise of an Option is immediately after the variation or variations substantially the same as what it was immediately before the variation or variations.

22. Section 15(b) shall apply to this Plan but with the words "unless otherwise determined by the Administrator" replaced with the following: "unless otherwise determined by the Administrator acting fairly and reasonably".

23. Section 15(c) shall not apply to this Plan and shall be replaced by the following:

**Certain Corporate Transactions.**

- (i) If as a result of a Corporate Transaction that falls with paragraph 25A of Schedule 4 and the Option is exercisable, then it may, if the Administrator so determines, be exercisable by virtue of this provision during such period as the Administrator may determine provided such period does not exceed any of the periods (as relevant) permitted under paragraph 25A of Schedule 4. In exercising its discretion, the Administrator shall act fairly and reasonably.

**Approved rollover of Options.**

- (ii) If as a result of a Corporation Transaction that falls within paragraph 26(2) of Schedule 4, a company (the "Acquiring Company") obtains Control of the Company any UK Participant may at any time within the Appropriate Period, by agreement with the Acquiring Company, release any Option which has not lapsed (the "Old Option") in consideration for the grant to him of an option (the "New Option") which (for the purposes of paragraph 27 of Schedule 4) is equivalent to the Old Option but relates to Shares in a different company (whether the Acquiring Company itself or some other company falling within paragraph 16(b) or 16(c) of Schedule 4).
- (iii) The New Option shall not be regarded for the purposes of Section 13(d)(i) (as applied to this Plan) unless the conditions set out in paragraph 27(4) of Schedule 4 are satisfied, but so that the provisions of the Plan shall for this purpose be construed as if (A) the New Option were an Option granted under the Plan at the same time as the Old Option; and (B) except for the definitions of "Participating Company" and "Subsidiary", the reference to "Elastic N.V." in the definition of

the Company in Section 2 of the Plan were a reference to the different company mentioned in Section 13(d)(i) of the Plan (as applied to this Plan).”

24. Section 15(d) shall not apply to this Plan.

24. Section 19 shall not apply to this Plan.

**ADDENDUM B**

**Israeli Addendum**

**Adopted by the Compensation Committee of the Board of Directors of Elastic N.V. on April 28, 2020  
to**

**ELASTIC N.V.**

**Amended and Restated 2012 Stock Option Plan**

This Israeli Addendum (the “**Addendum**”) to the Amended and Restated 2012 Stock Option Plan (as amended from time to time, the “**Plan**”) of Elastic N.V. (the “**Company**”) shall apply only to persons who are, or are deemed to be, residents of the State of Israel for Israeli tax purposes (“Israeli Tax Residents”).

**1. GENERAL**

1.1. Unless otherwise defined in this Addendum, capitalized terms contained herein shall have the same meanings given to them in the Plan.

1.2. The Administrator in its discretion, may grant Awards to eligible Participants and shall determine whether Awards granted under the Plan to Israeli Tax Residents are intended to be 102 Awards or 3(i) Awards. Each Award granted to an Israeli Tax Resident shall be evidenced by an Award Agreement, which shall expressly identify the Award type, and be in such form and contain such provisions, as the Administrator shall from time to time deem appropriate.

1.3. The Plan shall apply to any Awards granted pursuant to this Addendum, provided, that the provisions of this Addendum shall supersede and govern in the case of any inconsistency or conflict, either explicit or implied, arising between the provisions of this Addendum and the Plan.

**2. DEFINITIONS.**

2.1. “**3(i) Award**” means any Award granted to any Participant who is not an Employee pursuant to Section 3(i) of the Ordinance.

2.2. “**102 Award**” means any Award intended to qualify (as set forth in the applicable Award Agreement) and which qualifies under Section 102, provided it is settled only in Shares.

2.3. “**102 Capital Gain Track Award**” means any 102 Award granted to an Employee pursuant to Section 102(b)(2) or (3) (as applicable) of the Ordinance under the capital gain track.

2.4. “**102 Non-Trustee Award**” means any Award granted to an Employee pursuant to Section 102(c) of the Ordinance without a Trustee.

2.5. “**102 Ordinary Income Track Award**” means any 102 Award granted to an Employee pursuant to Section 102(b)(1) of the Ordinance under the ordinary income track.

2.6. “**102 Trustee Awards**” means, collectively, 102 Capital Gain Track Awards and 102 Ordinary Income Track Awards.

2.7. “**Award**” means any award of an Option or Restricted Stock Units under the Plan.

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2.8. “**Controlling Shareholder**” has the meaning set forth in Section 32(9) of the Ordinance.

2.9. “**Election**” has the meaning set forth in Section 3.2 of this Addendum.

2.10. “**Employee**” means an “employee” within the meaning of Section 102(a) of the Ordinance (which as of the date of the adoption of this Addendum means (i) an individual employed by an Employer, and (ii) an individual who is serving and is engaged personally (and not through an entity) as an “office holder” by an Employer, excluding any Controlling Shareholder), provided such Employee also satisfies the eligibility requirements under the Plan.

2.11. “**Employer**” means, for purpose of a 102 Trustee Award, an Affiliate, Subsidiary or Parent which is an “employing company” within the meaning and subject to the conditions of Section 102(a) of the Ordinance.

2.12. “**ITA**” means the Israel Tax Authority.

2.13. “**Ordinance**” means the Israeli Income Tax Ordinance (New Version), 1961, including the Rules and any other regulations, rules, orders or procedures promulgated thereunder, as may be amended or replaced from time to time.

2.14. “**Required Holding Period**” has the meaning set forth in Section 3.5.1 of this Addendum.

2.15. “**Rules**” means the Income Tax Rules (Tax Benefits in Stock Issuance to Employees) 5763-2003.

2.16. “**Section 102**” means Section 102 of the Ordinance.

2.17. “**Trust Agreement**” means the agreement to be signed between the Company, an Employer and the Trustee for the purposes of Section 102.

2.18. “**Trustee**” means the trustee appointed by the Administrator and approved by the ITA to hold certain Awards granted to Israeli Tax Residents and the Shares issued pursuant to such Awards.

2.19. “**Withholding Obligations**” as defined in Section 5.5 below.

### 3. 102 AWARDS

3.1. Tracks. Awards granted pursuant to this Section 3 are intended to be granted as either 102 Capital Gain Track Awards or 102 Ordinary Income Track Awards. 102 Trustee Awards shall be granted subject to the special terms and conditions contained in this Section 3 and the general terms and conditions of the Plan and applicable Award Agreement, except to the extent such provisions of the Plan and applicable Award Agreement conflict with the tax laws or regulations applicable to the Israeli Tax Residents.

3.2. Election of Track. Subject to Applicable Laws, the Company may grant only one type of 102 Trustee Award at any given time to all Employees who are to be granted 102 Trustee Awards pursuant to this Addendum, and shall file an election with the ITA regarding the type of 102 Trustee Award it elects to grant before the date of grant of any 102 Trustee Award (the “**Election**”). Such Election shall also apply to any other securities received by any Employee as a result of holding the 102 Trustee Awards. The Company may change the type of 102 Trustee Award that it elects to grant only after the expiration of at least 12 months from the end of the year in which the first grant was made in accordance with the Election that was in effect at the time of such grant, or as otherwise provided by Applicable Laws. The Election shall not prevent the Company from granting 102 Non-Trustee Awards.

3.3. Eligibility for Awards. Subject to Applicable Laws, 102 Awards may be granted only to Employees. 102 Awards may be granted either with a Trustee or without a Trustee.

3.4. 102 Award Grant Date.

3.4.1. Each 102 Award will be deemed granted on the date determined by the Administrator, subject to the provisions of the Plan, provided that (i) the Employee signs all documents required by the Company or pursuant to Applicable Laws, and (ii) with respect to any 102 Trustee Award, the Company provides all applicable documents to the Trustee in accordance with the guidelines published by the ITA.

3.4.2. Unless otherwise permitted by the Ordinance, any grants of 102 Trustee Awards that are made on or after the date of the adoption of the Plan and this Addendum or an amendment to the Plan or this Addendum, as the case may be, that may become effective only at the expiration of thirty (30) days after the filing of the Plan and this Addendum or any amendment thereof (as the case may be) with the ITA in accordance with the Ordinance shall be conditional upon the expiration of such 30-day period, and such condition shall be read and is incorporated by reference into any corporate resolutions approving such grants and into any Award Agreement evidencing such grants (whether or not explicitly referring to such condition), and the date of grant shall be at the expiration of such 30-day period, whether or not the date of grant indicated therein corresponds with this Section. In the case of any contradiction, this provision and the date of grant determined pursuant hereto shall supersede and be deemed to amend any date of grant indicated in any corporate resolution or Award Agreement.

### 3.5. 102 Trustee Awards.

3.5.1. Each 102 Trustee Award, each Ordinary Share issued pursuant to any 102 Trustee Award and any rights granted thereunder, shall be allocated or issued to and registered in the name of the Trustee and shall be held in trust or controlled by the Trustee for the benefit of the Participant for the requisite period prescribed by the Ordinance (the “**Required Holding Period**”). In the event that the requirements under Section 102 to qualify an Award as a 102 Trustee Award are not met, then the Award may be treated as a 102 Non-Trustee Award or 3(i) Award (as determined by the Company in its discretion), all in accordance with the provisions of the Ordinance. After the expiration of the Required Holding Period, the Trustee may release such 102 Trustee Awards and any Shares issued pursuant to such 102 Trustee Awards, provided that (i) the Trustee has received an acknowledgment from the ITA that the Participant has paid any applicable taxes due pursuant to the Ordinance, or (ii) the Trustee and/or the Company and/or the Employer withhold(s) all applicable taxes and compulsory payments due pursuant to the Ordinance arising from the 102 Trustee Awards and/or any Shares issued upon exercise or (if applicable) vesting of such 102 Trustee Awards. The Trustee shall not release any 102 Trustee Awards or Shares issued upon exercise or (if applicable) vesting thereof prior to the payment in full of the Participant’s tax and compulsory payments arising from such 102 Trustee Awards and/or Shares or the withholding referred to in (ii) above.

3.5.2. Each 102 Trustee Award shall be subject to the relevant terms of the Ordinance, the Rules and any determinations, rulings or approvals issued by the ITA, which shall be deemed an integral part of the 102 Trustee Awards and shall prevail over any term contained in the Plan, this Addendum or the applicable Award Agreement that is not consistent therewith. Any provision of the Ordinance, the Rules and any determinations, rulings or approvals by the ITA not expressly specified in the Plan, this Addendum or the applicable Award Agreement that are necessary to receive or maintain any tax benefit pursuant to Section 102 shall be binding on the Participant. Any Participant granted a 102 Trustee Award shall comply with the Ordinance and the terms and conditions of the Trust Agreement entered into between the Company and the Trustee. The Participant shall execute any and all documents that the Company, the Employer and/or the Trustee determine from time to time to be necessary in order to comply with the Ordinance and the Rules.

3.5.3. During the Required Holding Period, the Participant shall not release from trust or sell, assign, transfer or give as collateral, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Trustee Award and/or any securities issued or distributed with respect thereto, until the expiration of the Required Holding Period. Notwithstanding the above, if any such sale, release or other action occurs during the Required Holding Period it may result in adverse tax consequences to the Participant under Section 102 and the Rules, which shall apply to and shall be borne solely by such Participant. Subject to the foregoing, the Trustee may, pursuant to a written request from the Participant, but subject to the terms of the Plan and this Addendum, release and transfer such Shares to a designated third party, provided that both of the following conditions have been fulfilled prior to such release or transfer: (i) payment has been made to the ITA of all taxes and compulsory payments required to be paid upon the release and transfer of the Shares, and confirmation of such payment has been received by the Trustee and the

Company, and (ii) the Trustee has received written confirmation from the Company that all requirements for such release and transfer have been fulfilled according to the terms of the Company's corporate documents, any agreement governing the Shares, the Plan, this Addendum, the applicable Award Agreement and any Applicable Laws.

3.5.4. If a 102 Trustee Award is exercised or (if applicable) vests, the Shares issued upon such exercise or (if applicable) vesting shall be issued in the name of the Trustee for the benefit of the Participant.

3.5.5. Upon or after receipt of a 102 Trustee Award, if required, the Participant may be required to sign an undertaking to release the Trustee from any liability with respect to any action or decision duly taken and executed in good faith by the Trustee in relation to the Plan, this Addendum, or any 102 Trustee Awards granted to such Participant hereunder.

3.6. 102 Non-Trustee Awards. The foregoing provisions of this Section 3 relating to 102 Trustee Awards shall not apply with respect to 102 Non-Trustee Awards, which shall, however, be subject to the relevant provisions of Section 102 and the applicable Rules. The Administrator may determine, at its discretion, that 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto, shall be allocated or issued to the Trustee, who shall hold such 102 Non-Trustee Award and all accrued rights thereon (if any) in trust for the benefit of the Participant and/or the Company, as the case may be, until the full payment of tax arising from the 102 Non-Trustee Awards, the Shares issuable upon the exercise or (if applicable) vesting of a 102 Non-Trustee Award and/or any securities issued or distributed with respect thereto. The Company, without limitation, may require the Participant to provide the Company with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, with respect to the Participant's tax obligations.

3.7. Written Participant Undertaking. With respect to any 102 Trustee Award, as required by Section 102 and the Rules, by virtue of the receipt of such Award, the Participant is deemed to have provided, undertaken and confirmed the following written undertaking (and such undertaking is deemed incorporated into any documents signed by the Participant in connection with the grant of such 102 Trustee Award), and which undertaking shall be deemed to apply and relate to all 102 Trustee Awards granted to the Participant, whether under the Plan and this Addendum or other plans maintained by the Company, and whether prior to or after the date hereof:

3.7.1. The Participant shall comply with all terms and conditions set forth in Section 102 with regard to the "Capital Gain Track" or the "Ordinary Income Track", as applicable, and the applicable rules and regulations promulgated thereunder, as amended from time to time;

3.7.2. The Participant is familiar with, and understands the provisions of, Section 102 in general, and the tax arrangement under the "Capital Gain Track" or the "Ordinary Income Track" in particular, and its tax consequences; the Participant agrees that the 102 Trustee Awards and Shares that may be issued upon exercise or (if applicable) vesting of the 102 Trustee Awards (or otherwise in relation to the Awards), will be held by a Trustee appointed pursuant to Section 102 for at least the duration of the "Holding Period" (as such term is defined in Section 102) under the "Capital Gain Track" or the "Ordinary Income Track", as applicable. The Participant understands that any release of such 102 Trustee Awards or Shares from trust, or any sale of the Shares prior to the termination of the Holding Period, as defined above, will result in taxation at the marginal tax rate, in addition to deductions of appropriate social security, health tax contributions or other compulsory payments; and

3.7.3. The Participant agrees to the Trust Agreement signed between the Company, the Employer and the Trustee appointed pursuant to Section 102.

#### **4. 3(i) AWARDS**

4.1. Awards granted pursuant to this Section 4 are intended to constitute 3(i) Awards and shall be granted subject to the general terms and conditions of the Plan, and applicable Award Agreement, except to the extent such provisions of the Plan and applicable Award Agreement conflict with the tax laws or regulations

applicable to Israeli Tax Residents. In the event of any inconsistency or contradictions between the provisions of this Section 4 and the other terms of the Plan, this Section 4 shall prevail.

4.2. To the extent required by the Ordinance or the ITA or otherwise deemed by the Administrator to be advisable, the 3(i) Awards and/or any shares or other securities issued or distributed with respect thereto granted pursuant to this Plan shall be issued to a Trustee nominated by the Administrator in accordance with the provisions of the Ordinance or the terms of a trustee agreement, as applicable. In such event, the Trustee shall hold such Awards and/or other securities issued or distributed with respect thereto in trust, until exercised or (if applicable) vested by the Participant and the full payment of tax arising therefrom, pursuant to the Company's instructions from time to time as set forth in a trust agreement, which will have been entered into between the Company and the Trustee. If determined by the Administrator in its discretion, and subject to such trustee agreement, the Trustee will also hold the shares issuable upon exercise or (if applicable) vesting of the 3(i) Awards, as long as they are held by the Participant. If determined by the Board or the Committee, and subject to such trust agreement, the Trustee shall be responsible for withholding any taxes to which a Participant may become liable upon issuance of Shares, whether due to the exercise or (if applicable) vesting of Awards.

## **5. AGREEMENT REGARDING TAXES; DISCLAIMER**

5.1. If the Company shall so require, as a condition of exercise or (if applicable) vesting of an Award or the release of Shares by the Trustee, a Participant shall agree that, no later than the date of such occurrence, the Participant will pay to the Company (or the Trustee, as applicable) or make arrangements satisfactory to the Company and the Trustee (if applicable) regarding payment of any applicable taxes and compulsory payments of any kind required by Applicable Laws to be withheld or paid.

5.2. **TAX LIABILITY.** ALL TAX CONSEQUENCES UNDER ANY APPLICABLE LAW WHICH MAY ARISE FROM THE GRANT OF ANY AWARDS OR THE EXERCISE OR (IF APPLICABLE) VESTING THEREOF, THE SALE OR DISPOSITION OF ANY SHARES GRANTED HEREUNDER OR ISSUED UPON EXERCISE OR (IF APPLICABLE) VESTING OF ANY AWARD, THE ASSUMPTION, SUBSTITUTION, CANCELLATION OR PAYMENT IN LIEU OF AWARDS OR FROM ANY OTHER ACTION IN CONNECTION WITH THE FOREGOING (INCLUDING WITHOUT LIMITATION ANY TAXES AND COMPULSORY PAYMENTS, SUCH AS SOCIAL SECURITY OR HEALTH TAX PAYABLE BY THE PARTICIPANT OR THE COMPANY IN CONNECTION THEREWITH) SHALL BE BORNE AND PAID SOLELY BY THE PARTICIPANT, AND THE PARTICIPANT SHALL INDEMNIFY THE COMPANY, ITS PARENT, SUBSIDIARIES AND AFFILIATES (INCLUDING THE EMPLOYER) AND THE TRUSTEE, AND SHALL HOLD THEM HARMLESS AGAINST AND FROM ANY LIABILITY FOR ANY SUCH TAX OR PAYMENT OR ANY PENALTY, INTEREST OR INDEXATION THEREON. EACH PARTICIPANT AGREES TO, AND UNDERTAKES TO COMPLY WITH, ANY RULING, SETTLEMENT, CLOSING AGREEMENT OR OTHER SIMILAR AGREEMENT OR ARRANGEMENT WITH ANY TAX AUTHORITY IN CONNECTION WITH THE FOREGOING WHICH IS APPROVED BY THE COMPANY.

5.3. **NO TAX ADVICE.** THE PARTICIPANT IS ADVISED TO CONSULT WITH A TAX ADVISOR WITH RESPECT TO THE TAX CONSEQUENCES OF RECEIVING, EXERCISING, VESTING OR DISPOSING OF AWARDS HEREUNDER. THE COMPANY DOES NOT ASSUME ANY RESPONSIBILITY TO ADVISE THE PARTICIPANT ON SUCH MATTERS, WHICH SHALL REMAIN SOLELY THE RESPONSIBILITY OF THE PARTICIPANT.

5.4. **TAX TREATMENT.** THE COMPANY AND ITS PARENT, SUBSIDIARIES AND AFFILIATES (INCLUDING THE EMPLOYER) DOES NOT UNDERTAKE OR ASSUME ANY LIABILITY OR RESPONSIBILITY TO THE EFFECT THAT ANY AWARD SHALL QUALIFY WITH ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT, OR BENEFIT FROM ANY PARTICULAR TAX TREATMENT OR TAX ADVANTAGE OF ANY TYPE AND THE COMPANY AND ITS PARENT, SUBSIDIARIES AND AFFILIATES (INCLUDING THE EMPLOYER) SHALL BEAR NO LIABILITY IN CONNECTION WITH THE MANNER IN WHICH ANY AWARD IS EVENTUALLY TREATED FOR TAX PURPOSES, REGARDLESS OF WHETHER THE AWARD WAS GRANTED OR WAS INTENDED

TO QUALIFY UNDER ANY PARTICULAR TAX REGIME OR TREATMENT. THIS PROVISION SHALL SUPERSEDE ANY DESIGNATION OF AWARDS OR TAX QUALIFICATION INDICATED IN ANY CORPORATE RESOLUTION OR AWARD AGREEMENT, WHICH SHALL AT ALL TIMES BE SUBJECT TO THE REQUIREMENTS OF APPLICABLE LAWS. THE COMPANY AND ITS PARENT, SUBSIDIARIES AND AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE AND SHALL NOT BE REQUIRED TO TAKE ANY ACTION IN ORDER TO QUALIFY ANY AWARD WITH THE REQUIREMENTS OF ANY PARTICULAR TAX TREATMENT AND NO INDICATION IN ANY DOCUMENT TO THE EFFECT THAT ANY AWARD IS INTENDED TO QUALIFY FOR ANY TAX TREATMENT SHALL IMPLY SUCH AN UNDERTAKING. NO ASSURANCE IS MADE BY THE COMPANY, ANY OF ITS PARENT, SUBSIDIARIES OR AFFILIATES (INCLUDING THE EMPLOYER) THAT ANY PARTICULAR TAX TREATMENT ON THE DATE OF GRANT WILL CONTINUE TO EXIST OR THAT THE AWARD WILL QUALIFY AT THE TIME OF VESTING, EXERCISE OR DISPOSITION THEREOF WITH ANY PARTICULAR TAX TREATMENT. THE COMPANY AND ITS PARENT, SUBSIDIARIES AND AFFILIATES (INCLUDING THE EMPLOYER) SHALL NOT HAVE ANY LIABILITY OR OBLIGATION OF ANY NATURE IN THE EVENT THAT AN AWARD DOES NOT QUALIFY FOR ANY PARTICULAR TAX TREATMENT, REGARDLESS WHETHER THE COMPANY OR ITS PARENT, SUBSIDIARIES OR AFFILIATES (INCLUDING THE EMPLOYER) COULD HAVE TAKEN ANY ACTION TO CAUSE SUCH QUALIFICATION TO BE MET AND SUCH QUALIFICATION REMAINS AT ALL TIMES AND UNDER ALL CIRCUMSTANCES AT THE RISK OF THE PARTICIPANT. THE COMPANY AND ITS PARENT, SUBSIDIARIES AND AFFILIATES (INCLUDING THE EMPLOYER) DO NOT UNDERTAKE OR ASSUME ANY LIABILITY TO CONTEST A DETERMINATION OR INTERPRETATION (WHETHER WRITTEN OR UNWRITTEN) OF ANY TAX AUTHORITY, INCLUDING IN RESPECT OF THE QUALIFICATION UNDER ANY PARTICULAR TAX REGIME OR RULES APPLYING TO PARTICULAR TAX TREATMENT. IF THE AWARDS DO NOT QUALIFY UNDER ANY PARTICULAR TAX TREATMENT IT COULD RESULT IN ADVERSE TAX CONSEQUENCES TO THE PARTICIPANT.

5.5. The Company or its Parents, Subsidiaries and Affiliates (including the Employer) may take such action as they may deem necessary or appropriate, in their discretion, for the purpose of or in connection with withholding of any taxes and compulsory payments which the Trustee, the Company or any Parent, Subsidiary or Affiliate (including the Employer) is required by any Applicable Laws to withhold in connection with any Awards, including, without limitations, any income tax, social benefits, social insurance, health tax, pension, payroll tax, fringe benefits, excise tax, payment on account or other tax-related items related to the Participant's participation in the Plan and applicable by law to the Participant (collectively, "**Withholding Obligations**"). Such actions may include, without limitation, (i) requiring Participants to remit to the Company or the Employer in cash an amount sufficient to satisfy such Withholding Obligations and any other taxes and compulsory payments, payable by the Company or the Employer in connection with the Award or the exercise or (if applicable) vesting thereof; (ii) subject to Applicable Laws, allowing the Participants to surrender Shares, in an amount that at such time, reflects a value that the Administrator determines to be sufficient to satisfy such Withholding Obligations; (iii) withholding Shares otherwise issuable upon the exercise of an Award at a value which is determined by the Company to be sufficient to satisfy such Withholding Obligations; or (iv) any combination of the foregoing. The Company shall not be obligated to allow the exercise or vesting of any Award by or on behalf of a Participant until all tax consequences arising therefrom are resolved in a manner acceptable to the Company.

5.6. Each Participant shall notify the Company in writing promptly and in any event within ten (10) days after the date on which such Participant first obtains knowledge of any tax bureau inquiry, audit, assertion, determination, investigation, or question relating in any manner to the Awards granted or received hereunder or Shares issued thereunder and shall continuously inform the Company of any developments, proceedings, discussions and negotiations relating to such matter, and shall allow the Company and its representatives to participate in any proceedings and discussions concerning such matters. Upon request, a Participant shall provide to the Company any information or document relating to any matter described in the preceding sentence, which the Company, in its discretion, requires.

5.7. With respect to 102 Non-Trustee Awards, if the Participant ceases to be employed by the Company or any Parent, Subsidiary or Affiliate (including the Employer), the Participant shall extend to the



Company and/or the Employer a security or guarantee for the payment of taxes due at the time of sale of Shares, all in accordance with the provisions of Section 102 and the Rules.

## **6. RIGHTS AND OBLIGATIONS AS A SHAREHOLDER**

6.1. In the case of 102 Awards or 3(i) Awards (if such Awards are being held by a Trustee), the Trustee shall have no rights as a shareholder of the Company with respect to the Shares covered by such Award until the Trustee becomes the record holder for such Shares for the Participant's benefit, and the Participant shall not be deemed to be a shareholder and shall have no rights as a shareholder of the Company with respect to the Shares covered by the Award until the date of the release of such Shares from the Trustee to the Participant and the transfer of record ownership of such Shares to the Participant (provided however that the Participant shall be entitled to receive from the Trustee any cash dividend or distribution made on account of the Shares held by the Trustee for such Participant's benefit, subject to any tax withholding and compulsory payment). No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash, securities or other property) or distribution of other rights for which the record date is prior to the date on which the Participant or Trustee (as applicable) becomes the record holder of the Shares covered by an Award, except as provided in the Plan.

## **7. GOVERNING LAW**

7.1. This Addendum shall be governed by the internal substantive laws, but not the choice of law rules, of Delaware; provided, however, that the corporate law aspects of issuance shall be governed by the laws of the Netherlands, and that any mandatory tax matters arising hereunder shall be governed by applicable Israeli laws, rules and regulations (as amended).

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## ADDENDUM C

### FRENCH ADDENDUM

ADOPTED BY THE COMPENSATION COMMITTEE OF THE BOARD OF DIRECTORS OF ELASTIC N.V. ON JUNE 1, 2020

to the

ELASTIC N.V.

### Amended and Restated 2012 Stock Option Plan

#### 1. Introduction

Elastic N.V. (the “*Company*”) has established the Amended and Restated 2012 Stock Option Plan (the “*Plan*”), as approved by shareholders of the Company on September 28, 2018 and as may be subsequently amended from time to time, for the benefit of certain employees and other service providers of the Company or a Parent, Subsidiary or Affiliate, including employees of a Subsidiary or Affiliate of which the Company holds directly or indirectly at least 10% of the share capital (a “*French Entity*”).

The Plan authorizes the Administrator to grant Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Units and Performance Shares. Sections 4(b)(ix) (“Powers of the Administrator”) and 21 (“Addenda”) of the Plan authorize the Administrator to approve addenda or to grant Awards to, or to modify the terms of, any outstanding Award Agreement or any agreement related to any Shares covered by an Award held by Participants who are foreign nationals or employed outside of the United States with such terms and conditions as the Administrator deems necessary or appropriate to accommodate differences in local law, tax policy or custom which deviate from the terms and conditions set forth in the Plan to the extent necessary or appropriate to accommodate such differences. Pursuant to the foregoing authority, the Administrator, therefore, intends to establish an addendum to the Plan for the purpose of granting Options that qualify for the specific tax and social security treatment under Sections L. 225-177 to L. 225-186-1 of the French Commercial Code, as amended (“*French-qualified Options*”), and Restricted Stock Units (including Performance Units) that qualify for the specific tax and social security treatment under Sections L. 225-197-1 to L. 225-197-6 of the French Commercial Code, as amended (“*French-qualified RSUs*”), to qualifying Participants who are resident in France for French tax purposes and/or subject to the French social security regime (“*French Participants*”).

The terms of the Plan (to which this addendum is attached) shall, subject to the limitations set forth herein, constitute the rules of the Plan for French Participants (the “*French Addendum*”). Options and Restricted Stock Units granted to French Participants pursuant to the French Addendum shall be French-qualified Options and French-qualified RSUs. However, Options and Restricted Stock Units may be granted to French Participants under the Plan and not under the French Addendum, at the Administrator’s discretion.

#### 2. Definitions

Capitalized terms not otherwise defined herein shall have the same meanings as set forth in the Plan. The terms set forth below shall have the following meanings:

(a) The term “*Closed Period*” means:

(i) For French-qualified Options, “*Closed Periods*” shall mean the specific periods set forth in Section L. 225-177 of the French Commercial Code, as amended, during which French-qualified Options cannot be granted, as described in Section 9(a) below, including: (A) the ten (10)

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quotation day period preceding the date on which the annual and interim consolidated financial statements or the annual and half-yearly accounts of the Company are made public, and the day of publication; and (B) any period during which the corporate management of the Company possesses confidential information within the meaning of Article 7 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and cancelling the Directive 2003/6/UE and Directives 2003/124/CE Parliament and 2004/72/CE of the Commission, until the date on which this information is disclosed to the public, and (C) the twenty (20) quotation day period following a distribution of a dividend (*i.e.*, the ex-dividend date) that offers the right to a dividend or capital increase.

(ii) For French-qualified RSUs, “Closed Periods” shall mean the specific periods set forth by Section L. 225-197-1 of the French Commercial Code as amended from time to time, during which the sale or transfer of Shares acquired at vesting of French-qualified RSUs cannot be sold or transferred, as described in Section 10(c) below, including: (A) the thirty (30) calendar day period before the announcement of an interim financial report or end-of-year report that the Company is required to make public; and (B) with respect to such persons, any period during which the chief executive officer (*directeur général*), any deputy chief executive officer (*directeur général délégué*), or any member of the board of directors (*conseil d’administration*), the supervisory board (*conseil de surveillance*) or the executive board (*directoire*) of the Company, or any Employee possesses knowledge of inside information (within the meaning of Article 7 of the Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse (Market Abuse Regulation) and cancelling the Directive 2003/6/UE and Directives 2003/124/CE Parliament and 2004/72/CE of the Commission) which has not been disclosed to the public.

If, after adoption of the French Addendum, French law or regulations are amended to modify the definition and/or applicability of Closed Periods to French-qualified Options and/or French-qualified RSUs, such amendments shall apply to any French-qualified Options and French-qualified RSUs granted under this French Addendum, to the extent permitted or required under French law.

(b) The term “**Exercise Price**” shall be the per Share price to purchase Shares pursuant to the exercise of an Option.

(c) The term “**Qualified Disability**” shall mean a Disability that meets the requirements of categories 2 and 3 under Section L. 341-4 of the French Social Security Code, as amended, subject to the fulfillment of related conditions.

(d) The term “**Grant Date**” shall mean the date on which the Administrator both (i) designates the French Participants, and (ii) specifies the terms and conditions of the French-qualified Options or French-qualified RSUs being granted, such as the number of Shares subject to each Award of French-qualified Options or French-qualified RSUs, the vesting conditions of the French-qualified Options or French-qualified RSUs, the conditions for exercising the French-qualified Options and any restrictions on the sale of Shares subject to the French-qualified Options or French-qualified RSUs.

(e) The term “**Vesting Date**” shall mean the relevant date on which French-qualified RSUs have met all vesting conditions specified by the Administrator and the French Participant holding such French-qualified RSUs becomes entitled to receive the Shares underlying such French-qualified RSUs for no cash consideration.

### 3. Eligibility

Notwithstanding any other term of this French Addendum, French-qualified Options and French-qualified RSUs may be granted only to employees or corporate directors of the French Entities who hold less than ten percent (10%)

of the outstanding Shares of the Company and who otherwise satisfy the eligibility conditions of Section 5(a) (“Recipients of Grants”) of the Plan.

Subject to the paragraph below, any French Participant who, on the Grant Date of an Option and/or Restricted Stock Units, and to the extent required under French law, is employed under the terms and conditions of an employment contract (“*contrat de travail*”) by a French Entity or who is a corporate officer of a French Entity shall be eligible to receive, at the discretion of the Administrator, French-qualified Options and/or French-qualified RSUs under this French Addendum, provided he or she also satisfies the eligibility conditions of Section 5(a) (“Recipients of Grants”) of the Plan.

French-qualified Options and French-qualified RSUs may not be issued to corporate officers of French Entities, other than the managing directors (*Président du Conseil d’Administration, Directeur Général, Directeur Général Délégué, Membre du Directoire, Gérant de Sociétés par actions*) unless the corporate officer is an employee of a French Entity, as defined by French law.

Notwithstanding the foregoing, to the extent permissible under French tax and social security laws, including guidelines and specific tax or social security rulings issued by French tax and social security authorities, any individual who is employed by the Company or a French Entity or another Subsidiary or Affiliate of the Company shall be eligible to receive French-qualified Options and/or French-qualified RSUs under the French Addendum (provided that he or she also satisfies the eligibility conditions of Section 5(a) (“Recipients of Grants”) of the Plan) even if the individual is not a French tax resident and/or subject to the French social contribution regime at the Grant Date and such an individual shall be considered, to the extent applicable (as determined by the Administrator in its sole discretion), as a French Participant for purposes of this French Addendum.

#### 4. Employment Rights

The adoption of this French Addendum shall not confer upon the French Participant, or any employees of a French Entity, any employment rights and shall not be construed as a part of any employment contracts that a French Entity has with its employees.

#### 5. Delivery of Shares Only

Only Shares and not cash payments may be delivered to any French Participant in settlement of French-qualified Options and French-qualified RSUs granted under this French Addendum.

#### 6. Non-Transferability

Notwithstanding any provision in the Plan to the contrary and except in the case of death, French-qualified Options and French-qualified RSUs cannot be transferred to any third party. In addition, during the lifetime of the French Participant, the French-qualified Options are exercisable only by the French Participant, subject to Sections 9(c)(iii) and 9(d) below; and Shares underlying French-qualified RSUs may be issued by the Company only to the French Participant, subject to Sections 10(b) and 10(g) below.

#### 7. Disqualification of French-qualified Options and French-qualified RSUs

In the event changes are made to the terms and conditions of the French-qualified Options and/or French-qualified RSUs due to any requirements under applicable laws, or by decision of the Company’s shareholders or the Administrator, the Options and/or Restricted Stock Units granted under this French Addendum may no longer qualify as French-qualified Options and French-qualified RSUs.

If the Options and/or Restricted Stock Units granted under this French Addendum no longer qualify as French-qualified Options and/or French-qualified RSUs, the Administrator may, in its sole discretion, determine to lift, shorten or terminate certain restrictions applicable to the vesting or exercisability of such Options, the vesting of such Restricted Stock Units or the sale of the Shares underlying such Options and/or Restricted Stock Units, which

have been imposed under this French Addendum or in the applicable Award Agreement for the purpose of obtaining the specific tax and social security treatment applicable to French-qualified Options and/or French-qualified RSUs. Should the awards no longer be qualified, the French Participant shall be responsible for paying any applicable French tax and social security contributions, to the extent permissible under French law.

#### 8. Amendments

Subject to the terms of the Plan, the Administrator reserves the right to amend or terminate the French Addendum at any time.

#### 9. French-Qualified Options

##### (a) Closed Periods for French-qualified Options

French-qualified Options may not be granted during a Closed Period to the extent such Closed Periods are applicable to French-qualified Options granted by the Company. If the Company grants Options on a date during an applicable Closed Period, the Grant Date for French Participants shall be the first date following the expiration of the Closed Period, provided the grant of Options on such date is not prohibited under the Plan.

##### (b) Terms and Conditions of French Qualified Options

(i) Options may be “purchase stock options,” which are rights to acquire Shares repurchased by the Company prior to the date on which the Options become exercisable or “subscription stock options,” which are rights to subscribe for newly-issued Shares.

(ii) The Exercise Price of and number of Shares underlying the Options shall not be modified after the Grant Date, except as provided in Section 9(e) of this French Addendum, or as otherwise authorized by French law. Any other modification permitted under the Plan may result in the Options no longer qualifying as French-qualified Options.

(iii) The French-qualified Options will vest and become exercisable pursuant to the terms and conditions set forth in the Plan, this French Addendum, and the applicable Award Agreement.

(iv) The Exercise Price per Share payable pursuant to French-qualified Options granted under this French Addendum shall be fixed by the Administrator on the Grant Date. In no event shall the Exercise Price be less than the greatest of:

(A) with respect to purchase stock options: the higher of either 80% of the average of the closing price of the Shares during the 20 quotation day period immediately preceding the Grant Date or 80% of the average of the purchase price paid for such Shares by the Company;

(B) with respect to subscription stock options: 80% of the average of the closing price of such Shares during the 20 quotation day period immediately preceding the Grant Date; and

(C) the minimum Exercise Price permitted under the Plan.

##### (c) Exercise of French-qualified Options

(i) At the time French-qualified Options are effectively granted, the Administrator shall fix the period, if any, within which the French-qualified Options vest and may be exercised and shall determine any conditions that must be satisfied before the French-qualified Options may be

exercised. Such restriction period for the vesting or the exercise of French-qualified Options shall be set forth in the applicable Award Agreement.

(ii) Upon exercise of French-qualified Options, the full Exercise Price shall be paid by the French Participant as set forth in the applicable Award Agreement.

(iii) In the event of the death of a French Participant, his or her French-qualified Options shall thereafter be immediately vested and exercisable in full under the conditions set forth in Section 9(d) of this French Addendum.

(iv) If a French Participant's employment is terminated or the French Participant otherwise ceases to provide services to the Company or a French Entity, his or her French-qualified Options will be exercisable according to the provisions of the Award Agreement.

(v) The Shares acquired upon exercise of French-qualified Options shall be fully owned by the French Participant and recorded in an account in his or her name and must be held with the Company or a broker or in such manner as the Company may otherwise determine to ensure compliance with French laws.

(vi) To the extent and as long as applicable to French-qualified Options granted by the Company, a restriction on exercise of the Options shall be imposed in the Award Agreement for any French Participant who qualifies as a managing director of the Company.

#### (d) Death

In the event of the death of a French Participant while he or she is actively employed by the Company or a French Entity, all French-qualified Options held by such Participant shall become immediately vested and exercisable and may be exercised in full by the French Participant's heirs or the legal representative of his or her estate for the six (6) month period following the date of the French Participant's death or such other period as may be required to comply with French law. In the event of the death of a French Participant after termination of active employment with the Company or a French Entity, the French-qualified Options will be treated as set forth in the applicable Award Agreement. Any French-qualified Options that remain unexercised shall expire six (6) months following the date of the French Participant's death or after expiration of such other period as may be required to comply with French law. The six (6) month exercise period (or such other period as may be required to comply with French law) will apply without regard to the term of the French-qualified Options as described in Section 9(f) of this French Addendum.

#### (e) Adjustments – Change in Control

Adjustments to French-qualified Options granted under this French Addendum to preclude the dilution or enlargement of benefits under the French-qualified Options shall be made only in respect of transactions listed under Section L. 225-181 of the French Commercial Code, as amended, and in case of a repurchase of Shares by the Company at a price that is higher than the stock quotation price in the open market, and according to the provisions of Section L. 228-99 of the French Commercial Code, as amended, as well as according to specific decrees. Adjustment to French-qualified Options granted pursuant to this French Addendum other than as described above may cause such Options to no longer qualify for specific tax and social security treatment under French law.

Nevertheless, the Administrator, at its discretion, may decide to make adjustments to French-qualified Options granted pursuant to this French Addendum in the case of a transaction or event, as described in Section 15 ("Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions") of the Plan, for which adjustments may not be authorized under French law, in which case, such Options may no longer qualify as French-qualified Options and the specific tax and social security treatment may be lost.

(f) Term of French-Qualified Option

French-qualified Options granted pursuant to this French Addendum will expire no later than nine and a half (9.5) years from the Grant Date, unless otherwise specified in the applicable Award Agreement. The French-qualified Option term will be extended only in the event of the death of a French Participant, but in no event will any French-qualified Option be exercisable beyond six (6) months following the date of the French Participant's death or such other period as may be required to comply with French law.

10. French-qualified RSUs

(a) Nature of French-qualified RSUs

Each French-qualified RSU represents the right to receive one Share (or, in the case of French-qualified RSUs that are Performance Units under the Plan, a specified number or percentage of Shares subject to the Award), subject to meeting all applicable vesting criteria established by the Administrator and all other applicable terms and conditions under the Plan and applicable Award Agreement. Until the effective issuance of the Shares, no right to vote or receive dividends or any other rights as a holder of shares in the capital of the Company shall exist with respect to the Shares subject to Restricted Stock Units, notwithstanding vesting of the Restricted Stock Units.

(b) Vesting of French-Qualified RSUs

Notwithstanding any other provision of the Plan, French-qualified RSUs shall not vest and the Shares underlying French-qualified RSUs shall not be delivered to French Participants prior to the expiration of a minimum one-year period calculated from the Grant Date, or such other period as required to comply with the minimum mandatory vesting period applicable to French-qualified RSUs under Section L. 225-197-1 of the French Commercial Code, as amended, or the relevant sections of the French Tax Code or the French Social Security Code, as amended, to benefit from the specific tax and social security regime for French-qualified restricted stock units. However, notwithstanding the vesting requirements described above, in the event of the death of a French Participant, all of his or her outstanding French-qualified RSUs shall become vested under the conditions set forth in Section 10(g) of this French Addendum.

(c) Holding Period for Shares

The sale or transfer of Shares issued pursuant to French-qualified RSUs may not occur prior to the relevant anniversary of the Grant Date specified by the Administrator and in no case prior to the expiration of a minimum two-year period calculated from the Grant Date (or, if later, the date on which the Shares underlying the French-qualified RSUs are issued to the French Participant), or such other period as required to comply with the minimum mandatory holding period applicable to French-qualified RSUs under Section L. 225-197-1 of the French Commercial Code, as amended, or the relevant sections of the French Tax Code or the French Social Security Code, as amended, to benefit from the specific tax and social security regime for French-qualified restricted stock units, even if the French Participant is no longer an employee or corporate officer of the Company or a French Entity.

In addition, the Shares issued pursuant to the French-qualified RSUs may not be sold or transferred during a Closed Period, so long as those Closed Periods are applicable to Shares underlying French-qualified RSUs.

(d) Managing Director Restriction

To the extent and as long as applicable to French-qualified RSUs granted by the Company, a specific holding period for the sale or transfer of Shares shall be imposed in the applicable Award Agreement for any French Participant who qualifies as a managing director of the Company.

(e) French Participant's Account

The Shares issued pursuant to the French-qualified RSUs shall be fully owned by the French Participant and recorded and held in an account in his or her name with the Company or a broker selected by the Company, or in such other manner as the Company may determine, in order to ensure compliance with French laws, including any required holding periods.

(f) Adjustments – Change in Control

In the event of an adjustment due to a corporate transaction or event as set forth in Section 15 (“Adjustments Upon Changes in Capitalization, Merger or Certain Other Transactions”) of the Plan, the adjustment to the terms and conditions of the French-qualified RSUs or underlying Shares shall be made in accordance with the Plan and pursuant to applicable French legal and tax rules. Nevertheless, the Administrator, at its discretion, may decide to make adjustments to French-qualified RSUs granted or Shares received pursuant to this French Addendum in the case of a transaction or event for which adjustments may not be authorized under French law, in which case, such Restricted Stock Units may no longer qualify as French-qualified RSUs and the specific tax and social security treatment may be lost.

(g) Death and Disability

In the event of the death of a French Participant, the French-qualified RSUs held by the French Participant at the time of death shall become immediately transferable to the French Participant's heirs and (i) any time- or service-based vesting conditions will be considered to have been met as of the date of the French Participant's death, and (ii) the attainment of any performance-based vesting conditions will be determined as set out in the applicable Award Agreement and in accordance with applicable French legal and tax rules. The Company shall issue the underlying Shares to the French Participant's heirs, at their request, provided the heirs contact the Company within six (6) months following the death of the French Participant or such other period as may be required to comply with French law and subject to part (ii) of the preceding sentence. If the French Participant's heirs do not request the issuance of the Shares underlying the French-qualified RSUs within six (6) months following the French Participant's death (or such other period as may be required to comply with French law), the French-qualified RSUs will be forfeited.

In the event a French Participant terminates employment by reason of his or her Qualified Disability, the Administrator, at its discretion, may determine the treatment of any French-qualified RSUs then outstanding but not vested, including that such French-qualified RSUs may be forfeited, may continue to vest on the existing schedule or may vest on an accelerated basis and be settled in Shares as promptly as practicable after vesting, provided that the French Participant provides sufficient evidence of his or her Qualified Disability.

If a French Participant dies or ceases to be employed by the Company or a French Entity by reason of his or her Qualified Disability, the French Participant's heirs or the French Participant, as applicable, shall not be subject to the restrictions on the sale or transfer of Shares set forth in Section 10(c) above.

11. Interpretation

It is intended that Options and Restricted Stock Units granted under this French Addendum shall qualify for the specific tax and social security treatment applicable to stock options granted under Sections L. 225-177 to L. 225-186-1 and to restricted stock units granted under Sections L. 225-197-1 to L. 225-197-6, respectively, of the French Commercial Code, as amended, and in accordance with the relevant provisions set forth by French tax law and the French tax administration, but no undertaking is made by the Company to maintain such status.

The terms of the French Addendum shall be interpreted accordingly and in accordance with the relevant provisions set forth by French tax and social security laws, as well as the French tax and social security administrations and the



relevant guidelines released by the French tax and social security authorities and subject to the fulfillment of legal, tax and reporting obligations.

In the event of any conflict between the provisions of the French Addendum and the Plan, the provisions of this French Addendum shall control for any grants of French-qualified Options or French-qualified RSUs made thereunder to French Participants.

## 12. Adoption

This French Addendum was adopted by the Administrator on June 1, 2020, and became effective as of the same date.

**ELASTIC N.V.**  
**AMENDED AND RESTATED 2012 STOCK OPTION PLAN**  
**STOCK OPTION AGREEMENT**

Unless otherwise defined herein, the terms defined in the Elastic N.V. Amended and Restated 2012 Stock Option Plan (the "Plan") will have the same defined meanings in this Stock Option Agreement, which includes the Notice of Stock Option Grant (the "Notice of Grant"), the Terms and Conditions of Stock Option Grant, including any special terms and conditions for Participant's country set forth in the country addendum thereto (the "Country Addendum"), attached hereto as Exhibit A, the Exercise Notice attached hereto as Exhibit B, and all other exhibits and appendices attached hereto (all together, the "Option Agreement").

**NOTICE OF STOCK OPTION GRANT**

**Participant:**

**Address:**

The undersigned Participant has been granted an Option to purchase Ordinary Shares of Elastic N.V. (the "Company"), subject to the terms and conditions of the Plan and this Option Agreement, as follows:

Grant Number:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Shares for which the Option is granted:	_____
Exercise Price per Share (in U.S. Dollars):	\$ _____
Total Exercise Price(in U.S. Dollars):	\$ _____
Type of Option:	<input type="checkbox"/> Incentive Stock Option <input type="checkbox"/> Nonstatutory Stock Option
Term/Expiration Date:	_____

**Vesting Schedule:**

Subject to accelerated vesting as set forth below or in the Plan, this Option will be exercisable, in whole or in part, in accordance with the following schedule:

[Insert vesting schedule.]

**Termination Period:**

This Option will be exercisable for three (3) months after Participant's Continuous Service Status terminates, unless such termination is due to Participant's death or Disability, in which case this Option will be exercisable for twelve (12) months after Participant's Continuous Service Status terminates. Notwithstanding the foregoing sentence, in

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no event may this Option be exercised after the Term/Expiration Date as provided above and this Option may be subject to earlier termination as provided in Section 14 of the Plan.

For purposes of the Option, Participant's Continuous Service Status will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Affiliate, Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Option Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, (i) Participant's right to vest in the Option under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time); and (ii) the period (if any) during which Participant may exercise the Option after such termination of Participant's Continuous Service Status will commence on the date Participant ceases to actively provide services and will not be extended by any notice period mandated under employment laws in the jurisdiction where Participant is employed or the terms of Participant's employment or service agreement, if any; the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of his or her Option grant (including whether Participant may still be considered to be providing services while on a leave of absence).

By Participant's signature and the signature of the representative of the Company below, Participant and the Company agree that this Option is granted under and governed by the terms and conditions of the Plan and this Option Agreement, including the Terms and Conditions of Stock Option Grant and the Country Addendum, attached hereto as Exhibit A, all of which are made a part of this document. Participant acknowledges receipt of a copy of the Plan. Participant has reviewed the Plan and this Option Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Option Agreement, and fully understands all provisions of the Plan and this Option Agreement. Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and the Option Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

PARTICIPANT

ELASTIC N.V.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

Address:  
\_\_\_\_\_  
\_\_\_\_\_

## EXHIBIT A

### **TERMS AND CONDITIONS OF STOCK OPTION GRANT**

#### **1. Grant of Option.**

(a) The Company hereby grants to the individual (“Participant”) named in the Notice of Stock Option Grant of this Option Agreement (the “Notice of Grant”) an option (the “Option”) to purchase the number of Shares set forth in the Notice of Grant, at the exercise price per Share set forth in the Notice of Grant (the “Exercise Price”), subject to all of the terms and conditions in this Option Agreement and the Plan, which is incorporated herein by this reference. Subject to Section 19(c) of the Plan, in the event of a conflict between the terms and conditions of the Plan and the terms and conditions of this Option Agreement, the terms and conditions of the Plan will prevail.

(b) For U.S. taxpayers, the Option will be designated as either an Incentive Stock Option (“ISO”) or a Nonstatutory Stock Option (“NSO”). If designated in the Notice of Grant as an ISO, this Option is intended to qualify as an ISO under Section 422 of the Internal Revenue Code of 1986, as amended (the “Code”). However, if this Option is intended to be an ISO, to the extent that it exceeds the \$100,000 rule of Code Section 422(d) it will be treated as an NSO. Further, if for any reason this Option (or portion thereof) will not qualify as an ISO, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a NSO granted under the Plan. In no event will the Administrator, the Company or any Affiliate, Parent or Subsidiary or any of their respective employees or directors have any liability to Participant (or any other person) due to the failure of the Option to qualify for any reason as an ISO.

(c) For non-U.S. taxpayers, the Option will be designated as an NSO.

2. **Vesting Schedule.** Except as provided in Section 3, the Option awarded by this Option Agreement will vest in accordance with the vesting provisions set forth in the Notice of Grant. Shares subject to this Option that are scheduled to vest on a certain date or upon the occurrence of a certain condition will not vest in accordance with any of the provisions of this Option Agreement, unless Participant will have remained in Continuous Service Status from the Date of Grant until the date such vesting occurs, with Continuous Service Status determined as described in the Termination Period section of the Notice of Grant.

3. **Administrator Discretion.** The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Option at any time, subject to the terms of the Plan. If so accelerated, such Option will be considered as having vested as of the date specified by the Administrator.

#### **4. Exercise of Option.**

(a) **Right to Exercise.** This Option may be exercised only within the term set out in the Notice of Grant, and may be exercised during such term only in accordance with the Plan and the terms of this Option Agreement.

(b) **Method of Exercise.** This Option is exercisable by delivery of an exercise notice (the “Exercise Notice”) in the form attached as Exhibit B to the Notice of Grant or in a manner and pursuant to such procedures as the Administrator may determine, which will state the election to exercise the Option, the number of Shares in respect of which the Option is being exercised (the “Exercised Shares”), and such other representations and agreements as may be required by the Company pursuant to the provisions of the Plan. The Exercise Notice will be completed by Participant and delivered to the Company. The Exercise Notice will be accompanied by payment of the aggregate Exercise Price as to all Exercised Shares and of any Tax Obligations (as defined in Section 6(a)). This Option will be deemed to be exercised upon receipt by the Company of such fully executed Exercise Notice accompanied by the aggregate Exercise Price.

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5. Method of Payment. Payment of the aggregate Exercise Price will be by any of the following, or a combination thereof, at the election of Participant:

(a) cash in U.S. dollars;

(b) check designated in U.S. dollars;

(c) consideration received by the Company under a formal cashless exercise program adopted by the Company in connection with the Plan; or

(d) if Participant is a U.S. Employee, surrender of other Shares which have a Fair Market Value on the date of surrender equal to the aggregate Exercise Price of the Exercised Shares and that are owned free and clear of any liens, claims, encumbrances, or security interests, provided that accepting such Shares, in the sole discretion of the Administrator, will not result in any adverse accounting consequences to the Company.

6. Tax Obligations.

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Affiliate, Parent or Subsidiary to which Participant is providing services (the "Service Recipient"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Option, including, without limitation, (i) all U.S. and non-U.S. federal, state, and local taxes (including Participant's U.S. Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent required by the Company (or Service Recipient), the Company's (or Service Recipient's) fringe benefit tax liability, if any, associated with the grant, vesting, or exercise of the Option or sale of Shares, and (iii) any other Company (or Service Recipient) taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Option (or exercise thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (A) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Option, including, but not limited to, the grant, vesting or exercise of the Option, the subsequent sale of Shares acquired pursuant to such exercise and the receipt of any dividends or other distributions, and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Option to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Service Recipient (or former Service Recipient, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares.

(b) Tax Withholding. When the Option is exercised, Participant generally will recognize immediate U.S. taxable income if Participant is subject to taxation in the U.S. If Participant is subject to taxation in any other jurisdiction, Participant will be subject to applicable taxes, if any, in such jurisdiction at the time of the taxable event, as determined under local law. Pursuant to such procedures as the Administrator may specify from time to time, the Company and/or Service Recipient shall withhold the amount required to be withheld for the payment of Tax Obligations. The Administrator, in its sole discretion and pursuant to such procedures as it may specify from time to time, may permit Participant to satisfy such Tax Obligations, in whole or in part (without limitation), if permissible by applicable local law, by (i) paying cash, (ii) electing to have the Company withhold otherwise deliverable Shares having a fair market value equal to the amount necessary to meet the withholding requirement for such Tax Obligations (or such other amount as the Administrator may determine, if such amount would not result in adverse financial accounting consequences), (iii) withholding the amount of such Tax Obligations from Participant's wages or other cash compensation paid to Participant by the Company and/or the Service Recipient, (iv) if Participant is a U.S. Employee, delivering to the Company already vested and owned Shares having a fair market value equal to such Tax Obligations, or

(v) selling a sufficient number of such Shares otherwise deliverable to Participant through such means as the Company may determine in its sole discretion (whether through a broker or otherwise) equal to the amount necessary to meet the withholding requirement for such Tax Obligations (or such other amount as Administrator may determine, if such amount would not result in adverse financial accounting consequences). To the extent determined appropriate by the Company in its discretion, it will have the right (but not the obligation) to satisfy any Tax Obligations by reducing the number of Shares otherwise deliverable to Participant.

(c) Notice of Disqualifying Disposition of ISO Shares. If the Option granted to Participant herein is an ISO, and if Participant sells or otherwise disposes of any of the Shares acquired pursuant to the ISO on or before the later of (i) the date two (2) years after the Date of Grant, or (ii) the date one (1) year after the date of exercise, Participant will immediately notify the Company in writing of such disposition. Participant agrees that Participant may be subject to income tax withholding by the Company on the compensation income recognized by Participant.

(d) Code Section 409A. Under Code Section 409A, a stock right (such as the Option) that vests after December 31, 2004 (or that vested on or prior to such date but which was materially modified after October 3, 2004) that was granted with a per share exercise price that is determined by the Internal Revenue Service (the "IRS") to be less than the fair market value of an underlying share on the date of grant (a "discount option") may be considered "deferred compensation." A stock right that is a "discount option" may result in (i) income recognition by the recipient of the stock right prior to the exercise of the stock right, (ii) an additional twenty percent (20%) federal income tax, and (iii) potential penalty and interest charges. The "discount option" may also result in additional state income, penalty and interest tax to the recipient of the stock right. Participant acknowledges that the Company cannot and has not guaranteed that the IRS will agree that the per Share exercise price of this Option equals or exceeds the fair market value of a Share on the date of grant in a later examination. Participant agrees that if the IRS determines that the Option was granted with a per Share exercise price that was less than the fair market value of a Share on the date of grant, Participant shall be solely responsible for Participant's costs related to such a determination.

7. Rights as Shareholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Shares deliverable hereunder unless and until such Shares (which are in book entry form) will have been issued and delivered to Participant (including through electronic delivery to a brokerage account). Such issuance will occur by the execution of a deed of issuance to which the Company and Participant are each party, unless the Shares will be delivered into a brokerage account in the name of Participant, in which case the issuance will take place by a deed of issuance with due observance of the relevant requirements that may apply from time to time. After such issuance and delivery, Participant will have all the rights of a shareholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

8. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF SHARES PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY REMAINING IN CONTINUING SERVICE STATUS, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS OPTION OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS OPTION AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND WILL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S CONTINUOUS SERVICE STATUS, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

9. Nature of Grant. In accepting the Option, Participant acknowledges, understands and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Option is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of options, or benefits in lieu of options, even if options have been granted in the past;

(c) all decisions with respect to future option or other grants, if any, will be at the sole discretion of the Company;

(d) the grant of the Option and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company;

(e) Participant is voluntarily participating in the Plan;

(f) the Option and any Shares acquired under the Plan, and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the Option and Shares acquired under the Plan, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;

(h) unless otherwise agreed with the Company or an Affiliate, the Option and the Shares underlying the Option, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of an Affiliate, Parent or Subsidiary;

(i) the future value of the Shares underlying the Option is unknown, indeterminable, and cannot be predicted with certainty;

(j) if the underlying Shares do not increase in value, the Option will have no value;

(k) if Participant exercises the Option and acquires Shares, the value of such Shares may increase or decrease, even below the Exercise Price;

(l) no claim or entitlement to compensation or damages shall arise from forfeiture of the Option or any underlying Shares resulting from (i) the application of any compensation recovery or clawback policy adopted by the Company or required by law, or (ii) the termination of Participant's Continuous Service Status (for any reason whatsoever, whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant's employment or service agreement, if any);

(m) unless otherwise provided in the Plan or by the Company in its discretion, the Option and the benefits evidenced by this Option Agreement do not create any entitlement to have the Option or any such benefits transferred to, or assumed by, another company nor to be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(n) neither the Company nor any Service Recipient shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Option or of any amounts due to Participant pursuant to the exercise of the Option or the subsequent sale of any Shares acquired upon exercise.

10. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

11. **Data Privacy.** *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Option Agreement and any other Option grant materials by and among, as applicable, the Service Recipient, the Company and any other Affiliate, Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

*Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance number (to the extent permitted under Applicable Laws), passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all Options or any other entitlement to Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.*

*Participant understands that Data will be transferred to such stock plan service provider(s) as may be selected by the Company (currently E\*TRADE Financial Corporate Services, Inc., the brokerage firm engaged by the Company to hold participants' Shares and other amounts acquired under the Plan, and its affiliated companies) to assist with the implementation, administration, and management of the Plan. The recipients of Data may be located in the United States or elsewhere, and each recipient's country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing Participant's participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom Participant may elect to deposit any Shares received upon exercise of the Option. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment or service with the Service Recipient will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Options or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant may contact his or her local human resources representative.*

*Finally, Participant understands that the Company may rely on a different basis for the processing or transfer of Data in the future and/or request that Participant provide another data privacy consent. If applicable, Participant agrees that upon request of the Company or the Service Recipient, Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Company and/or the Service Recipient may deem necessary to obtain from Participant for the purpose of administering Participant's participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such consent or agreement requested by the Company and/or the Service Recipient.*

12. **Address for Notices.** Any notice to be given to the Company under the terms of this Option Agreement will be addressed to the Company at Elastic N.V., 800 West El Camino Real, Suite 350, Mountain View, California 94040, or at such other address as the Company may hereafter designate in writing.



13. Non-Transferability of Option. This Option may not be transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of Participant only by Participant.

14. Successors and Assigns. The Company may assign any of its rights under this Option Agreement to single or multiple assignees, and this Option Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Option Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Option Agreement may only be assigned with the prior written consent of the Company.

15. Additional Conditions to Issuance of Stock. If at any time the Company determines, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any U.S. or non-U.S. state, federal or local law, including exchange control, tax or other Applicable Law or related regulations, or under the rulings or regulations of the United States Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory body, or the clearance, consent or approval of the United States Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory authority, is necessary or desirable as a condition to the purchase by, or issuance of Shares, to Participant (or his or her estate) hereunder, such purchase or issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval has been completed, effected or obtained free of any conditions not acceptable to the Company. Notwithstanding the foregoing, Participant understands that the Company is under no obligation to register, qualify or otherwise obtain clearance, consent or other approvals from any governmental authority or any stock exchange. Subject to the terms of the Option Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of exercise of the Option as the Administrator may establish from time to time for reasons of administrative convenience.

16. Language. Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Participant to understand the terms of this Option Agreement and any other documents related to the Plan. If Participant has received this Option Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

17. Interpretation. The Administrator will have the power to interpret the Plan and this Option Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Shares subject to the Option have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Option Agreement.

18. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Option awarded under the Plan or future options that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

19. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Option Agreement.

20. Agreement Severable. In the event that any provision in this Option Agreement will be held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of this Option Agreement.

21. Amendment, Suspension or Termination of the Plan. By accepting this Option, Participant expressly warrants that he or she has received an Option under the Plan, and has received, read, and understood a description of the

Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

22. Governing Law and Venue. This Option Agreement will be governed by the laws of Delaware, without giving effect to the conflict of law principles thereof; provided, however, that the corporate law aspects of issuance shall be governed by the laws of the Netherlands. For purposes of litigating any dispute that arises under this Option or this Option Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Santa Clara County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Option is made and/or to be performed.

23. Country Addendum. Notwithstanding any provisions in this Option Agreement, this Option shall be subject to any special terms and conditions set forth in an appendix to this Option Agreement for any country whose laws are applicable to Participant and this Option (as determined by the Administrator in its sole discretion) (the "Country Addendum"). Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes a part of this Option Agreement.

24. Modifications to the Agreement. This Option Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Option Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Option Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Option Agreement, the Company reserves the right to revise this Option Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Code Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A of the Code in connection with the Option.

25. No Waiver. Either party's failure to enforce any provision or provisions of this Option Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Option Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

26. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. and non-U.S. federal, state, and local tax consequences of this investment and the transactions contemplated by this Option Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Option Agreement.

27. Insider Trading/Market Abuse Laws. Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and, if different, Participant's country, Participant's broker's country and/or the country in which Shares may be listed, if applicable, which may affect Participant's ability to accept or otherwise acquire, or sell, attempt to sell or otherwise dispose of, Shares or rights to Shares (e.g., the Option) under the Plan or rights linked to the value of Shares (e.g., phantom awards, futures) during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in the applicable jurisdiction) or the trade in Shares or the trade in rights to Shares under the Plan. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before possessing inside information. Furthermore, Participant could be prohibited from (1) disclosing the inside information to any third party and (2) "tipping" third parties or otherwise causing them to buy or sell securities; "third parties" includes fellow employees or service providers. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable company insider trading policy. It is Participant's

responsibility to comply with any applicable restrictions and Participant should speak to a personal advisor on this matter.

28. Foreign Asset/Account Reporting Requirements And Exchange Controls. Certain foreign asset and/or foreign account reporting requirements and exchange controls may affect Participant's ability to acquire or hold Shares purchased under the Plan or cash received from participating in the Plan (including from any dividends paid on or sales proceeds arising from the sale of Shares acquired under the plan) in a brokerage or bank account outside Participant's country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country and/or to repatriate sale proceeds or other funds received as a result of participation in the Plan to Participant's country through a designated bank or broker within a certain time after receipt. It is Participant's responsibility comply with such regulations, and Participant should consult a personal legal advisor for any details.

**Elastic N.V.**  
**AMENDED AND RESTATED 2012 STOCK OPTION PLAN**  
**STOCK OPTION AGREEMENT**  
**COUNTRY ADDENDUM**

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan, the Notice of Stock Option Grant or the Terms and Conditions of Stock Option Grant, as applicable.

***Terms and Conditions***

This Country Addendum includes additional terms and conditions that govern the Option granted to Participant under the Plan if Participant resides and/or works in one of the countries listed below. If Participant is a citizen or resident of a jurisdiction (or is considered as such for local law purposes) other than the one in which he or she is currently residing and/or working or if Participant relocates to another jurisdiction after receiving the Option, the Company will, in its sole discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

***Notifications***

This Country Addendum also includes notifications relating to exchange control and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries as of [date]. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the notifications in this Country Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time Participant exercises the Option or sells Shares acquired under the Plan.

In addition, the notifications herein are general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's jurisdiction may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a jurisdiction other than the one(s) in which Participant is currently residing and/or working or if Participant moves to another jurisdiction after the Option is granted, the information contained herein may not be applicable to Participant in the same manner.

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**EXHIBIT B**

**ELASTIC N.V.**

**AMENDED AND RESTATED 2012 STOCK OPTION PLAN**

**EXERCISE NOTICE**

Elastic N.V.  
800 West El Camino Real, Suite 350  
Mountain View, California 94040

Attention: Stock Administration

**Exercise of Option.** Effective as of today, \_\_\_\_\_, \_\_\_\_\_, the undersigned (“Subscriber”) hereby elects to purchase \_\_\_\_\_ shares (the “Shares”) of the Ordinary Shares of Elastic N.V. (the “Company”) under and pursuant to the Amended and Restated 2012 Stock Option Plan (the “Plan”) and the Stock Option Agreement, dated \_\_\_\_\_ and including the Notice of Grant, the Terms and Conditions of Stock Option Grant, and exhibits attached thereto (the “Option Agreement”). The purchase price for the Shares will be \$\_\_\_\_\_, as required by the Option Agreement. It is understood that the issuance of the Shares requires a resolution of the Company’s general meeting of shareholders. Following such resolution being adopted, the Company shall deliver to Subscriber the Shares to be subscribed for by Subscriber against payment of the subscription price therefor by Subscriber. The Company shall issue the Shares in accordance with the Option Agreement.

**Delivery of Payment.** Subscriber herewith delivers to the Company the full purchase price of the Shares and any Tax Obligations (as defined in Section 6(a) of the Option Agreement) to be paid in connection with the exercise of the Option.

**Representations of Subscriber.** Subscriber acknowledges that Subscriber has received, read and understood the Plan and the Option Agreement and agrees to abide by and be bound by their terms and conditions.

**Rights as Shareholder.** Until the issuance (as evidenced by a notarial deed of issuance executed before a Dutch civil law notary to which deed the Company and the Subscriber are each a party and, following execution of the notarial deed of issuance, the appropriate entry on the Company’s shareholders register) of the Shares, no right to vote or receive dividends or any other rights as a shareholder will exist with respect to the Shares subject to the Option, notwithstanding the exercise of the Option. The Shares so acquired will be issued to Subscriber as soon as practicable after exercise of the Option, subject to the requirements of Section 1. No adjustment will be made for a dividend or other right for which the record date is prior to the date of issuance, except as provided in Section 14 of the Plan.

**Tax Consultation.** Subscriber understands that Subscriber may suffer adverse tax consequences as a result of Subscriber’s purchase or disposition of the Shares. Subscriber represents that Subscriber has consulted with any tax consultants Subscriber deems advisable in connection with the purchase or disposition of the Shares and that Subscriber is not relying on the Company for any tax advice.

**Entire Agreement; Governing Law.** The Plan and Option Agreement are incorporated herein by reference. This Exercise Notice, the Plan and the Option Agreement constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Subscriber with respect to the subject matter hereof, and may not be modified adversely to the Subscriber’s

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interest except by means of a writing signed by the Company and Subscriber. This Option Agreement is governed by the internal substantive laws, but not the choice of law rules, of Delaware; provided that, however, that the corporate law aspects of the issuance shall be governed by the laws of the Netherlands.

Submitted by: Accepted by:

SUBSCRIBER

ELASTIC N.V.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

Address:  
  
\_\_\_\_\_  
  
\_\_\_\_\_

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date received

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**ELASTIC N.V.**  
**AMENDED AND RESTATED 2012 STOCK OPTION PLAN**  
**RESTRICTED STOCK UNIT AGREEMENT**

**NOTICE OF RESTRICTED STOCK UNIT GRANT**

Unless otherwise defined herein, the terms defined in the Elastic N.V. Amended and Restated 2012 Stock Option Plan (the “Plan”) will have the same defined meanings in this Restricted Stock Unit Agreement, which includes the Notice of Restricted Stock Unit Grant (the “Notice of Grant”), the Terms and Conditions of Restricted Stock Unit Grant, including any special and conditions for Participant’s country set forth in the country addendum thereto (the “Country Addendum”), attached hereto as Exhibit A, and all other exhibits and appendices attached hereto (all together, the “Award Agreement”).

**Participant:**

**Address:** «Address»

The undersigned Participant has been granted the right to receive an Award of Restricted Stock Units, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number:	_____
Date of Grant:	_____
Vesting Commencement Date:	_____
Number of Restricted Stock Units:	_____

**Vesting Schedule:**

Subject to any acceleration provisions contained in the Plan or set forth below, the Restricted Stock Units will vest in accordance with the following schedule:

[Insert vesting schedule]

In the event Participant’s Continuous Service Status ceases for any or no reason before Participant vests in the Restricted Stock Units, the Restricted Stock Units and Participant’s right to acquire any Shares hereunder will immediately terminate.

For purposes of the Restricted Stock Units, Participant’s Continuous Service Status will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Affiliate, Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant’s employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant’s right to vest in the Restricted Stock Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant’s period of service would not include any contractual notice period or any period of “garden leave” or similar period mandated under employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant’s employment or service agreement, if any, unless Participant is providing bona fide services during such time); the Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Restricted Stock Units grant (including whether Participant may still be considered to be providing services while on a leave of absence).

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By Participant’s signature and the signature of the representative of Elastic N.V. (the “Company”) below, Participant and the Company agree that this Award of Restricted Stock Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Terms and Conditions of Restricted Stock Unit Grant and the Country Addendum, attached hereto as Exhibit A, all of which are made a part of this document. Participant acknowledges receipt of a copy of the Plan. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement, and fully understands all provisions of the Plan and this Award Agreement. Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and the Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

**By accepting this Award Agreement, Participant expressly consents to the sale of Shares to cover the Tax Withholding Obligations (as defined in the Terms and Conditions of Restricted Stock Unit Grant) arising from the Restricted Stock Units and any associated broker or other fees and agrees and acknowledges that, subject to Applicable Laws, Participant may not satisfy them by any means other than such sale of Shares, unless required to do so by the Administrator or pursuant to the Administrator’s express written consent.**

PARTICIPANT

ELASTIC N.V.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Title

Address:  
  
\_\_\_\_\_  
  
\_\_\_\_\_



## EXHIBIT A

### TERMS AND CONDITIONS OF RESTRICTED STOCK UNIT GRANT

1. Grant of Restricted Stock Units. The Company hereby grants to the individual (the "Participant") named in the Notice of Grant of Restricted Stock Units of this Award Agreement (the "Notice of Grant") under the Plan an Award of Restricted Stock Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 17 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement, the terms and conditions of the Plan shall prevail.

2. Company's Obligation to Pay. Each Restricted Stock Unit represents the right to receive a Share on the date it vests. Unless and until the Restricted Stock Units will have vested in the manner set forth in Section 3 or 4, Participant will have no right to payment of any such Restricted Stock Units. Prior to actual payment of any vested Restricted Stock Units, such Restricted Stock Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Restricted Stock Units awarded by this Award Agreement will vest in accordance with the vesting schedule set forth in the Notice of Grant, subject to Participant remaining in Continuous Service Status through each applicable vesting date, with Continuous Service Status determined as described in the Notice of Grant.

#### 4. Payment after Vesting.

(a) General Rule. Subject to Section 8, any Restricted Stock Units that vest will be paid to Participant (or in the event of Participant's death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 4(b), such vested Restricted Stock Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Restricted Stock Units payable under this Award Agreement.

#### (b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Restricted Stock Units at any time, subject to the terms of the Plan. If so accelerated, such Restricted Stock Units will be considered as having vested as of the date specified by the Administrator. If Participant is subject to taxation in the U.S., the payment of Shares vesting pursuant to this Section 4(b) shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.

(ii) Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Date of Grant), if the vesting of the balance, or some lesser portion of the balance, of the Restricted Stock Units is accelerated in connection with the termination of Participant's Continuous Service Status (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to Participant's death, and if (x) Participant is subject to taxation in the U.S. and a "specified employee" within the meaning of Section 409A at the time of such termination of Continuous Service Status and (y) the payment of such accelerated Restricted Stock Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following the termination of Participant's Continuous Service Status, then the payment of such accelerated Restricted Stock Units will not be made until the date six (6) months and one (1) day following the date of termination of Participant's Continuous Service Status, unless Participant dies following the termination of his or her Continuous Service Status, in which case, the Restricted Stock Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

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(c) Section 409A. It is the intent of this Award Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Restricted Stock Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). However, in no event will the Company reimburse Participant, or be otherwise responsible for, any taxes or costs that may be imposed on Participant as a result of Section 409A. For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture Upon Termination of Continuous Service Status. Notwithstanding any contrary provision of this Award Agreement, if Participant's Continuous Service Status ceases for any or no reason, the then-unvested Restricted Stock Units awarded by this Award Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder. The date that Continuous Service Status terminates will be determined as described in the Notice of Grant.

6. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. and non-U.S. federal, state, and local tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

7. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, provided the beneficiary designation is valid under Applicable Laws and permitted by the Company for Participant's jurisdiction, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

#### 8. Tax Obligations

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Affiliate, Parent or Subsidiary to which Participant is providing services (the "Service Recipient"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Restricted Stock Units, including, without limitation, (i) all U.S. and non-U.S. federal, state, and local taxes (including Participant's U.S. Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent required by the Company (or Service Recipient), the Company's (or Service Recipient's) fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Restricted Stock Units or sale of Shares, and (iii) any other Company (or Service Recipient) taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Restricted Stock Units (or settlement thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (A) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Restricted Stock Units, including, but not limited to, the grant, vesting or settlement of the Restricted Stock Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Restricted Stock Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Service Recipient (or former Service Recipient, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the

applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares.

(b) Tax Withholding and Default Sell-to-Cover Method of Tax Withholding. When Shares are issued as payment for vested Restricted Stock Units, Participant generally will recognize immediate U.S. taxable income if Participant is subject to taxation in the U.S. If Participant is subject to taxation in any other jurisdiction, Participant will be subject to applicable taxes, if any, in such jurisdiction at the time of the taxable event, as determined under local law. Subject to Section 8(c) and Applicable Laws, the amount of Tax Obligations which the Company determines must be withheld with respect to this Award (“Tax Withholding Obligation”) will be satisfied by Shares being sold on Participant’s behalf at the prevailing market price pursuant to such procedures as the Administrator may specify from time to time, including through a broker-assisted arrangement (it being understood that the Shares to be sold must have vested pursuant to the terms of this Award Agreement and the Plan) (the “Sell-to-Cover Method”). The proceeds from the Sell-to-Cover Method will be used to satisfy Participant’s Tax Withholding Obligation arising with respect to this Award. In addition to Shares sold to satisfy the Tax Withholding Obligation, additional Shares will be sold to satisfy any associated broker or other fees. Only whole Shares will be sold through the Sell-to-Cover Method to satisfy any Tax Withholding Obligation and any associated broker or other fees. Any proceeds from the sale of Shares in excess of the Tax Withholding Obligation and any associated broker or other fees generated through the Sell-to-Cover Method will be paid to Participant in accordance with procedures the Company may specify from time to time. **By accepting this Award, Participant expressly consents to the sale of Shares to cover the Tax Withholding Obligation (and any associated broker or other fees) through the Sell-to-Cover Method and agrees and acknowledges that, subject to Applicable Laws, Participant may not satisfy them by any means other than such sale of Shares, unless required to do so by the Administrator or pursuant to the Administrator’s express written consent.**

(c) Administrator Discretion. Notwithstanding the foregoing Sections 8(a) and 8(b), if the Administrator determines it is in the best interests of the Company for Participant to satisfy Participant’s Tax Withholding Obligation by a method other than through the default Sell-to-Cover Method described in Section 8(b), it may permit or require Participant to satisfy Participant’s Tax Withholding Obligation, in whole or in part (without limitation), if permissible by Applicable Laws, by (i) paying cash, (ii) withholding the amount of such Tax Withholding Obligation from Participant’s wages or other cash compensation paid to Participant by the Company and/or the Service Recipient, (iii) if Participant is a U.S. employee, delivering to the Company Shares that Participant owns and that have vested with a fair market value equal to the amount required to be withheld (or such other amount, up to the maximum withholding rate in Participant’s country, determined by the Administrator and provided such other amount would not result in adverse financial accounting consequences to the Company as determined by the Administrator), (iv) by having the Company withhold otherwise deliverable Shares having a fair market value equal to the amount required to be withheld (or such other amount, up to the maximum withholding rate in Participant’s country, determined by the Administrator and provided such other amount would not result in adverse financial accounting consequences to the Company as determined by the Administrator), or (v) such other means as the Administrator deems appropriate.

(d) Company’s Obligation to Deliver Shares. For clarification purposes, in no event will the Company issue Participant any Shares unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant’s Tax Withholding Obligation. If Participant fails to make satisfactory arrangements for the payment of such Tax Withholding Obligations hereunder at the time any applicable Restricted Stock Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or Participant’s Tax Withholding Obligations otherwise become due, Participant will permanently forfeit such Restricted Stock Units to which Participant’s Tax Withholding Obligation relates and any right to receive Shares thereunder and such Restricted Stock Units will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares if such Tax Obligations are not delivered at the time they are due.

9. Rights as Shareholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Shares deliverable hereunder unless and until such Shares (which are in book entry form) will have been issued and delivered to Participant (including through electronic delivery to a brokerage account). Such issuance will occur by the execution of a deed of issuance to which the Company and Participant are each party, unless the Shares will be delivered into a brokerage account in the name of Participant, in which case the issuance will take place by a deed of issuance with due observance of the relevant

requirements that may apply from time to time. After such issuance and delivery, Participant will have all the rights of a shareholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE RESTRICTED STOCK UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY REMAINING IN CONTINUING SERVICE STATUS, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS RESTRICTED STOCK UNIT AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S CONTINUOUS SERVICE STATUS, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

11. Grant is Not Transferable. Except to the limited extent provided in Section 7, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Nature of Grant. In accepting the grant, Participant acknowledges, understands, and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Restricted Stock Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Restricted Stock Units, or benefits in lieu of Restricted Stock Units, even if Restricted Stock Units have been granted in the past;

(c) all decisions with respect to future Restricted Stock Units or other grants, if any, will be at the sole discretion of the Company;

(d) the grant of the Restricted Stock Units and Participant's participation in the Plan shall not create a right to employment or be interpreted as forming or amending an employment or service contract with the Company;

(e) Participant is voluntarily participating in the Plan;

(f) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not part of normal or expected compensation for purposes of calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, holiday pay, holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;

(h) unless otherwise agreed with the Company or an Affiliate, the Restricted Stock Units and the Shares subject to the Restricted Stock Units, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of an Affiliate, Parent or Subsidiary;

(i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Restricted Stock Units or any underlying Shares resulting from (i) the application of any compensation recovery or clawback policy adopted by the Company or required by law, or (ii) the termination of Participant's Continuous Service Status (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed providing services or the terms of Participant's employment or service agreement, if any);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Restricted Stock Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Restricted Stock Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(l) neither the Company nor any Service Recipient or other Affiliate, Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Restricted Stock Units or of any amounts due to Participant pursuant to the settlement of the Restricted Stock Units or the subsequent sale of any Shares acquired upon settlement.

13. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

14. Data Privacy. *Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Restricted Stock Unit grant materials by and among, as applicable, the Service Recipient, the Company and any other Affiliate, Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.*

*Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance number (to the extent permitted under Applicable Laws), passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all Restricted Stock Units or any other entitlement to Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.*

*Participant understands that Data will be transferred to such stock plan service provider(s) as may be selected by the Company (currently E\*TRADE Financial Corporate Services, Inc., the brokerage firm engaged by the Company to hold participants' Shares and other amounts acquired under the Plan, and its affiliated companies) to assist with the implementation, administration, and management of the Plan. The recipients of Data may be located in the United States or elsewhere, and each recipient's country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Participant understands that if he or she resides outside the United States, he or she may request a list with the names and addresses of any potential recipients of Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom Participant may elect to deposit any Shares received upon vesting of the Restricted Stock Units. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant understands that if he or she resides*

*outside the United States, he or she may, at any time, view Data, request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment or service with the Service Recipient will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Restricted Stock Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant may contact his or her local human resources representative.*

*Finally, Participant understands that the Company may rely on a different basis for the processing or transfer of Data in the future and/or request that Participant provide another data privacy consent. If applicable, Participant agrees that upon request of the Company or the Service Recipient, Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Company and/or the Service Recipient may deem necessary to obtain from Participant for the purpose of administering Participant's participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such consent or agreement requested by the Company and/or the Service Recipient.*

15. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Elastic N.V., 800 West El Camino Real, Suite 350, Mountain View, California 94040 or at such other address as the Company may hereafter designate in writing.

16. Electronic Delivery and Acceptance. The Company may, in its sole discretion, decide to deliver any documents related to the Restricted Stock Units awarded under the Plan or future Restricted Stock Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

17. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

18. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may only be assigned with the prior written consent of the Company.

19. Additional Conditions to Issuance of Shares. If at any time the Company determines, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any U.S. or non-U.S. state, federal or local law, including exchange control, tax or other Applicable Laws or related regulations, or under the rulings or regulations of the United States Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval has been completed, effected or obtained free of any conditions not acceptable to the Company. Notwithstanding the foregoing, Participant understands that the Company is under no obligation to register, qualify or otherwise obtain clearance, consent or other approvals from any governmental authority or any stock exchange. Subject to the terms of the Award Agreement and

the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Restricted Stock Units as the Administrator may establish from time to time for reasons of administrative convenience.

20. Language. Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Participant to understand the terms of this Award Agreement and any other documents related to the Plan. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Restricted Stock Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Award Agreement.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Restricted Stock Units under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this Award of Restricted Stock Units.

25. Governing Law; Venue; Severability. This Award Agreement and the Restricted Stock Units are governed by the internal substantive laws, but not the choice of law rules, of Delaware; provided, however, that the corporate law aspects of issuance shall be governed by the laws of the Netherlands. For purposes of litigating any dispute that arises under these Restricted Stock Units or this Award Agreement, the parties hereby submit to and consent to the jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Santa Clara County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement shall continue in full force and effect.

26. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and may not be modified adversely to Participant's interest except by means of a writing signed by the Company and Participant.

27. Country Addendum. Notwithstanding any provisions in this Award Agreement, the Restricted Stock Unit grant shall be subject to any special terms and conditions set forth in an appendix to this Award Agreement for any country whose laws are applicable to Participant and this Award of Restricted Stock Units (as determined by the

Administrator in its sole discretion) (the “Country Addendum”). Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

28. Insider Trading/Market Abuse Laws. Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and, if different, Participant’s country, Participant’s broker’s country and/or the country in which Shares may be listed, if applicable, which may affect Participant’s ability to accept or otherwise acquire, or sell, attempt to sell or otherwise dispose of, Shares or rights to Shares (e.g., Restricted Stock Units) under the Plan or rights linked to the value of Shares (e.g., phantom awards, futures) during such times as Participant is considered to have “inside information” regarding the Company (as defined by the laws or regulations in the applicable jurisdiction) or the trade in Shares or the trade in rights to Shares under the Plan. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before possessing inside information. Furthermore, Participant could be prohibited from (1) disclosing the inside information to any third party and (2) “tipping” third parties or otherwise causing them to buy or sell securities; “third parties” includes fellow employees or service providers. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable company insider trading policy. It is Participant’s responsibility to comply with any applicable restrictions and Participant should speak to a personal advisor on this matter.

29. Foreign Asset/Account Reporting Requirements And Exchange Controls. Certain foreign asset and/or foreign account reporting requirements and exchange controls may affect Participant’s ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on or sales proceeds arising from the sale of Shares acquired under the plan) in a brokerage or bank account outside Participant’s country. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant’s country and/or to repatriate sale proceeds or other funds received as a result of participation in the Plan to Participant’s country through a designated bank or broker within a certain time after receipt. It is Participant’s responsibility to comply with such regulations, and Participant should consult a personal legal advisor for any details.



**ELASTIC N.V.**  
**AMENDED AND RESTATED 2012 STOCK OPTION PLAN**  
**RESTRICTED STOCK UNIT AGREEMENT**  
**COUNTRY ADDENDUM**

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan, the Notice of Restricted Stock Unit Grant or the Terms and Conditions of Restricted Stock Unit Grant, as applicable.

***Terms and Conditions***

This Country Addendum includes additional terms and conditions that govern the Award of Restricted Stock Units granted to Participant under the Plan if Participant resides and/or works in one of the countries listed below. If Participant is a citizen or resident of a jurisdiction (or is considered as such for local law purposes) other than the one(s) in which he or she is currently residing and/or working or if Participant relocates to another jurisdiction after receiving the Award of Restricted Stock Units, the Company will, in its sole discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

***Notifications***

This Country Addendum also includes notifications relating to exchange control and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries listed in this Country Addendum, as of [date]. Such laws are often complex and change frequently. As a result, the Company strongly recommends that Participant not rely on the notifications in this Country Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time Participant vests in the Restricted Stock Units and acquires Shares, or when Participant subsequently sell Shares acquired under the Plan.

In addition, the notifications herein are general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's jurisdiction may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a jurisdiction other than the one(s) in which Participant is currently residing and/or working or if Participant moves to another jurisdiction after receiving the Award of Restricted Stock Units, the information contained herein may not be applicable to Participant in the same manner.

## SUBSIDIARIES OF ELASTIC N.V.

<b>Name of Subsidiary</b>	<b>Jurisdiction of Incorporation</b>
Elastic Technologies (Israel) Ltd.	Israel
Elasticsearch AB	Sweden
Elasticsearch AS	Norway
Elasticsearch B.C. Ltd.	Canada
elasticsearch B.V.	Netherlands
Elasticsearch (Beijing) Information Technology Co., Ltd.	People's Republic of China
Elasticsearch (CH) AG	Switzerland
Elasticsearch Federal Inc.	Delaware
Elasticsearch Finance B.V.	Netherlands
Elasticsearch GmbH	Germany
Elasticsearch Government, Inc.	Delaware
Elasticsearch HK Limited	Hong Kong
Elasticsearch KK	Japan
Elasticsearch, Inc.	Delaware
Elasticsearch Korea Limited	Korea
Elasticsearch Limited	United Kingdom
Elasticsearch Pte Ltd.	Singapore
Elasticsearch Pty Ltd	Australia
Elasticsearch SARL	France
Elasticsearch, S.L.U.	Spain
Endgame, Inc.	Delaware
Endgame Systems, LLC	Delaware
Opbeat ApS	Denmark
Opbeat, LLC	Delaware
Prelert Inc.	Delaware
Swifttype, Inc.	Delaware

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-227782, No. 333-233467 and No. 333-234152) of Elastic N.V. of our report dated June 26, 2020 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP  
San Jose, California  
June 26, 2020

**Certification by the Principal Executive Officer pursuant to  
 Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Shay Banon, certify that:

1. I have reviewed this Annual Report on Form 10-K of Elastic N.V. (the “registrant”) for the fiscal year ended April 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 26, 2020

By: \_\_\_\_\_ /s/ Shay Banon

**Name:** Shay Banon

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

**Certification by the Principal Financial Officer pursuant to  
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)  
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Janesh Moorjani, certify that:

1. I have reviewed this Annual Report on Form 10-K of Elastic N.V. (the "registrant") for the fiscal year ended April 30, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 26, 2020

By: \_\_\_\_\_ /s/ Janesh Moorjani

**Name:** Janesh Moorjani  
**Title:** Chief Financial Officer  
*(Principal Accounting and Financial Officer)*

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

I, Shay Banon, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Elastic N.V. for the fiscal year ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Elastic N.V.

Date: June 26, 2020

By: \_\_\_\_\_ /s/ Shay Banon

**Name:** Shay Banon

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

This certification accompanies the Annual Report, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Elastic N.V. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.

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

I, Janesh Moorjani, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Annual Report on Form 10-K of Elastic N.V. for the fiscal year ended April 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Elastic N.V.

Date: June 26, 2020

By:                                 /s/ Janesh Moorjani

**Name:** Janesh Moorjani  
**Title:** Chief Financial Officer  
*(Principal Accounting and Financial Officer)*

This certification accompanies the Annual Report, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Elastic N.V. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Annual Report on Form 10-K), irrespective of any general incorporation language contained in such filing.