



CITY OF CHICAGO
ECONOMIC DISCLOSURE STATEMENT and AFFIDAVIT
Related to Contract/Amendment/Solicitation
EDS # 165954

SECTION I -- GENERAL INFORMATION

A. Legal name of the Disclosing Party submitting the EDS:

Everbridge, Inc.

Enter d/b/a if applicable:

The Disclosing Party submitting this EDS is:

the Applicant

B. Business address of the Disclosing Party:

25 Corporate Drive, Suite 400
Burlington, MA 01803
United States

C. Telephone:

818-230-9757

Fax:

818-484-2299

D. Name of contact person:

Diana H Wu

F. Brief description of contract, transaction or other undertaking (referred to below as the "Matter") to which this EDS pertains:

EMERGENCY MASS NOTIFICATION/ALERT SYSTEM FOR O'HARE AND MIDWAY
INTERNATIONAL AIRPORTS AND STREETS AND SANITATION (SPEC #130469)

G. Which City agency or department is requesting this EDS?

DEPT OF PROCUREMENT SERVICES

Specification Number

130469

Contract (PO) Number

33068

Revision Number

1

Release Number

0

User Department Project Number

SECTION II -- DISCLOSURE OF OWNERSHIP INTERESTS

A. NATURE OF THE DISCLOSING PARTY

1. Indicate the nature of the Disclosing Party:

Publicly registered business corporation

Is the Disclosing Party incorporated or organized in the State of Illinois?

No

State or foreign country of incorporation or organization:

DE

Registered to do business in the State of Illinois as a foreign entity?

Yes

B. DISCLOSING PARTY IS A LEGAL ENTITY:

1.a.1 Does the Disclosing Party have any directors?

Yes

1.a.3 List below the full names and titles of all executive officers and all directors, if any, of the entity. Do not include any directors who have no power to select the entity's officers.

Officer/Director:	Mr. Jaime W Ellertson
Title:	Chairman
Role:	Director

Officer/Director:	Mr. David Meredith
Title:	CEO and Director
Role:	Both

Officer/Director:	Mr. Elliot Mark
Title:	General Counsel & Secretary
Role:	Officer

Officer/Director:	Mr. Patrick Brickley
Title:	Chief Financial Officer
Role:	Officer

Officer/Director:	Ms. Alison Dean
Title:	Director
Role:	Director

Officer/Director:	Ms. Sharon Rowlands
Title:	Director
Role:	Director

Officer/Director:	Bruns Grayson
Title:	Director
Role:	Director

Officer/Director:	Richard D'Amore
Title:	Director
Role:	Director

Officer/Director:	Mr. Simon Paris
Title:	Director

Role: Director

Officer/Director: Mr. Kent Mathy

Title: Director

Role: Director

2. Ownership Information

Please provide ownership information concerning each person or entity that holds, or is anticipated to hold (see next paragraph), a direct or indirect beneficial interest in excess of 7.5% of the Applicant. Examples of such an interest include shares in a corporation, partnership interest in a partnership or joint venture, interest of a member or manager in a limited liability company, or interest of a beneficiary of a trust, estate, or other similar entity. Note: Each legal entity below may be required to submit an EDS on its own behalf.

Please disclose present owners below. Please disclose anticipated owners in an attachment submitted through the "Additional Info" tab. "Anticipated owner" means an individual or entity in existence at the time application for City action is made, which is not an applicant or owner at such time, but which the applicant expects to assume a legal status, within six months of the time the City action occurs, that would render such individual or entity an applicant or owner if they had held such legal status at the time application was made.

- Select Equity Group - 9.51% - EDS 166219
- The Vanguard Group, Inc. - 8.9% - EDS 166397

Owner Details

Name	Business Address
Select Equity Group	380 La Fayette Street New York, NY United States
The Vanguard Group, Inc.	100 Vanguard Blvd. Malvern, PA United States

SECTION III -- INCOME OR COMPENSATION TO, OR OWNERSHIP BY, CITY ELECTED OFFICIALS

A. Has the Disclosing Party provided any income or compensation to any City elected official during the 12-month period preceding the date of this EDS?

No

B. Does the Disclosing Party reasonably expect to provide any income or compensation to any City elected official during the 12-month period following the date of this EDS?

No

D. Does any City elected official or, to the best of the Disclosing Party's knowledge after reasonable inquiry, any City elected official's spouse or domestic partner, have a financial interest (as defined in [Chapter 2-156 of the Municipal Code](#) ("MCC")) in the Disclosing Party?

No

SECTION IV -- DISCLOSURE OF SUBCONTRACTORS AND OTHER RETAINED PARTIES

The Disclosing Party must disclose the name and business address of each subcontractor, attorney, lobbyist (as defined in [MCC Chapter 2-156](#)), accountant, consultant and any other person or entity whom the Disclosing Party has retained or expects to retain in connection with the Matter, as well as the nature of the relationship, and the total amount of the fees paid or estimated to be paid. The Disclosing Party is not required to disclose employees who are paid solely through the Disclosing Party's regular payroll.

If the Disclosing Party is uncertain whether a disclosure is required under this Section, the Disclosing Party must either ask the City whether disclosure is required or make the disclosure.

1. Has the Disclosing Party retained or does it anticipate retaining any legal entities in connection with the Matter?

No

3. Has the Disclosing Party retained or does it anticipate retaining any persons in connection with the Matter?

No

SECTION V -- CERTIFICATIONS

A. COURT-ORDERED CHILD SUPPORT COMPLIANCE

Under [MCC Section 2-92-415](#), substantial owners of business entities that contract with the City must remain in compliance with their child support obligations throughout the contract's term.

Has any person who directly or indirectly owns 10% or more of the Disclosing Party been declared in arrearage of any child support obligations by any Illinois court of competent jurisdiction?

Not applicable because no person directly or indirectly owns 10% or more of the Disclosing Party

B. FURTHER CERTIFICATIONS

1. [This certification applies only if the Matter is a contract being handled by the City's Department of Procurement Services.] In the 5-year period preceding the date of this EDS, neither the Disclosing Party nor any [Affiliated Entity](#) has engaged, in connection with the performance of any public contract, the services of an integrity monitor, independent private sector inspector general, or integrity compliance consultant (i.e. an individual or entity with legal, auditing, investigative, or other similar skills, designated by a public agency to help the agency monitor the activity of specified agency vendors as well as help the vendors reform their business practices so they can be considered for agency contracts in the future, or continue with a contract in progress).

I certify the above to be true

2. The Disclosing Party and its Affiliated Entities are not delinquent in the payment of any fine, fee, tax or other source of indebtedness owed to the City of Chicago, including, but not limited to, water and sewer charges, license fees, parking tickets, property taxes and sales taxes, nor is the Disclosing Party delinquent in the payment of any tax administered by the Illinois Department of Revenue.

I certify the above to be true

3. The Disclosing Party and, if the Disclosing Party is a legal entity, all of those persons or entities identified in Section II(B)(1) of this EDS:
- a. are not presently debarred, suspended, proposed for debarment, declared ineligible or voluntarily excluded from any transactions by any federal, state or local unit of government;
 - b. have not, during the 5 years before the date of this EDS, been convicted of a criminal offense, adjudged guilty, or had a civil judgment rendered against them in connection with: obtaining, attempting to obtain, or performing a public (federal, state or local) transaction or contract under a public transaction; a violation of federal or state antitrust statutes; fraud; embezzlement; theft; forgery; bribery; falsification or destruction of records; making false statements; or receiving stolen property;
 - c. are not presently indicted for, or criminally or civilly charged by, a governmental entity (federal, state or local) with committing any of the offenses set forth in subparagraph (b) above;

- d. have not, during the 5 years before the date of this EDS, had one or more public transactions (federal, state or local) terminated for cause or default; and
- e. have not, during the 5 years before the date of this EDS, been convicted, adjudged guilty, or found liable in a civil proceeding, or in any criminal or civil action, including actions concerning environmental violations, instituted by the City or by the federal government, any state, or any other unit of local government.

I certify the above to be true

4. The Disclosing Party understands and shall comply with the applicable requirements of MCC [Chapter 2-56 \(Inspector General\)](#) and [Chapter 2-156 \(Governmental Ethics\)](#).

I certify the above to be true

5. Neither the Disclosing Party, nor any [Contractor](#), nor any [Affiliated Entity](#) of either the Disclosing Party or any [Contractor](#), nor any [Agents](#) have, during the 5 years before the date of this EDS, or, with respect to a [Contractor](#), an [Affiliated Entity](#), or an [Affiliated Entity](#) of a [Contractor](#) during the 5 years before the date of such [Contractor's](#) or [Affiliated Entity's](#) contract or engagement in connection with the Matter:

- a. bribed or attempted to bribe, or been convicted or adjudged guilty of bribery or attempting to bribe, a public officer or employee of the City, the State of Illinois, or any agency of the federal government or of any state or local government in the United States of America, in that officer's or employee's official capacity;
- b. agreed or colluded with other bidders or prospective bidders, or been a party to any such agreement, or been convicted or adjudged guilty of agreement or collusion among bidders or prospective bidders, in restraint of freedom of competition by agreement to bid a fixed price or otherwise; or
- c. made an admission of such conduct described in subparagraph (a) or (b) above that is a matter of record, but have not been prosecuted for such conduct; or
- d. violated the provisions referenced in [MCC Subsection 2-92-320\(a\)\(4\)\(Contracts Requiring a Base Wage\)](#); [\(a\)\(5\)\(Debarment Regulations\)](#); or [\(a\)\(6\)\(Minimum Wage Ordinance\)](#).

I certify the above to be true

6. Neither the Disclosing Party, nor any [Affiliated Entity](#) or [Contractor](#), or any of their employees, officials, [agents](#) or partners, is barred from contracting with any unit of state or local government as a result of engaging in or being convicted of

- bid-rigging in violation of [720 ILCS 5/33E-3](#);
- bid-rotating in violation of [720 ILCS 5/33E-4](#); or
- any similar offense of any state or of the United States of America that contains the same elements as the offense of bid-rigging or bid-rotating.

I certify the above to be true

7. Neither the Disclosing Party nor any [Affiliated Entity](#) is listed on a Sanctions List maintained by the United States Department of Commerce, State, or Treasury, or any successor federal agency.

I certify the above to be true

8. [FOR APPLICANT ONLY]

- i. Neither the Applicant nor any "controlling person" [[see MCC Chapter 1-23, Article I](#) for applicability and defined terms] of the Applicant is currently indicted or charged with, or has admitted guilt of, or has ever been convicted of, or placed under supervision for, any criminal offense involving actual, attempted, or conspiracy to commit bribery, theft, fraud, forgery, perjury, dishonesty or deceit against an officer or employee of the City or any "sister agency" ; and
- ii. the Applicant understands and acknowledges that compliance with Article I is a continuing requirement for doing business with the City.

NOTE: If [MCC Chapter 1-23, Article I](#) applies to the Applicant, that Article's permanent compliance timeframe supersedes 5-year compliance timeframes in this Section V.

I certify the above to be true

9. [FOR APPLICANT ONLY] The Applicant and its Affiliated Entities will not use, nor permit their subcontractors to use, any facility listed as having an active exclusion by the U.S. EPA on the [federal System for Award Management](#) ("SAM")

I certify the above to be true

10. [FOR APPLICANT ONLY] The Applicant will obtain from any contractors/ subcontractors hired or to be hired in connection with the Matter certifications equal in form and substance to those in Certifications (2) and (9) above and will not, without the prior written consent of the City, use any such contractor/subcontractor that does not provide such certifications or that the Applicant has reason to believe has not provided or cannot provide truthful certifications.

I certify the above to be true

11. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all current employees of the Disclosing Party who were, at any time during the 12-month period preceding the date of this EDS, an employee, or elected or appointed official, of the City of Chicago.

None

12. To the best of the Disclosing Party's knowledge after reasonable inquiry, the following is a complete list of all gifts that the Disclosing Party has given or caused to be given, at any time during the 12-month period preceding the execution date of this EDS,

to an employee, or elected or appointed official, of the City of Chicago. For purposes of this statement, a "gift" does not include: (i) anything made generally available to City employees or to the general public, or (ii) food or drink provided in the course of official City business and having a retail value of less than \$25 per recipient, or (iii) a political contribution otherwise duly reported as required by law.

None

C. CERTIFICATION OF STATUS AS FINANCIAL INSTITUTION

The Disclosing Party certifies, as defined in [MCC Section 2-32-455\(b\)](#), the Disclosing Party

is not a "financial institution"

D. CERTIFICATION REGARDING FINANCIAL INTEREST IN CITY BUSINESS

Any words or terms defined in [MCC Chapter 2-156](#) have the same meanings if used in this Part D.

1. In accordance with [MCC Section 2-156-110](#): To the best of the Disclosing Party's knowledge after reasonable inquiry, does any official or employee of the City have a financial interest in his or her own name or in the name of any other person or entity in the Matter?

No

E. CERTIFICATION REGARDING SLAVERY ERA BUSINESS

If the Disclosing Party cannot make this verification, the Disclosing Party must disclose all required information in the space provided below or in an attachment in the "Additional Info" tab. Failure to comply with these disclosure requirements may make any contract entered into with the City in connection with the Matter voidable by the City.

The Disclosing Party verifies that the Disclosing Party has searched any and all records of the Disclosing Party and any and all predecessor entities regarding records of investments or profits from slavery or slaveholder insurance policies during the slavery era (including insurance policies issued to slaveholders that provided coverage for damage to or injury or death of their slaves), and the Disclosing Party has found no such records.

I can make the above verification

SECTION VI -- CERTIFICATIONS FOR FEDERALLY FUNDED MATTERS

Is the Matter federally funded? For the purposes of this Section VI, tax credits allocated by the City and proceeds of debt obligations of the City are not federal funding.

No

SECTION VII - FURTHER ACKNOWLEDGMENTS AND CERTIFICATION

The Disclosing Party understands and agrees that:

- A. The certifications, disclosures, and acknowledgments contained in this EDS will become part of any contract or other agreement between the Applicant and the City in connection with the Matter, whether procurement, City assistance, or other City action, and are material inducements to the City's execution of any contract or taking other action with respect to the Matter. The Disclosing Party understands that it must comply with all statutes, ordinances, and regulations on which this EDS is based.
- B. The City's Governmental Ethics Ordinance, [MCC Chapter 2-156](#), imposes certain duties and obligations on persons or entities seeking City contracts, work, business, or transactions. The full text of this ordinance and a training program is available on line at www.cityofchicago.org/Ethics, and may also be obtained from the City's Board of Ethics, 740 N. Sedgwick St., Suite 500, Chicago, IL 60610, (312) 744-9660. The Disclosing Party must comply fully with this ordinance.

I acknowledge and consent to the above

The Disclosing Party understands and agrees that:

- C. If the City determines that any information provided in this EDS is false, incomplete or inaccurate, any contract or other agreement in connection with which it is submitted may be rescinded or be void or voidable, and the City may pursue any remedies under the contract or agreement (if not rescinded or void), at law, or in equity, including terminating the Disclosing Party's participation in the Matter and/or declining to allow the Disclosing Party to participate in other City transactions. Remedies at law for a false statement of material fact may include incarceration and an award to the City of treble damages.
- D. It is the City's policy to make this document available to the public on its Internet site and/or upon request. Some or all of the information provided in, and appended to, this EDS may be made publicly available on the Internet, in response to a Freedom of Information Act request, or otherwise. By completing and signing this EDS, the Disclosing Party waives and releases any possible rights or claims which it may have against the City in connection with the public release of information

contained in this EDS and also authorizes the City to verify the accuracy of any information submitted in this EDS.

- E. The information provided in this EDS must be kept current. In the event of changes, the Disclosing Party must supplement this EDS up to the time the City takes action on the Matter. If the Matter is a contract being handled by the City's Department of Procurement Services, the Disclosing Party must update this EDS as the contract requires. NOTE: With respect to Matters subject to MCC [Chapter 1-23](#), Article I (imposing PERMANENT INELIGIBILITY for certain specified offenses), the information provided herein regarding eligibility must be kept current for a longer period, as required by [MCC Chapter 1-23](#) and [Section 2-154-020](#).

I acknowledge and consent to the above

APPENDIX A - FAMILIAL RELATIONSHIPS WITH ELECTED CITY OFFICIALS AND DEPARTMENT HEADS

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5%. It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

Under [MCC Section 2-154-015](#), the Disclosing Party must disclose whether such Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently has a "familial relationship" with any elected city official or department head. A "familial relationship" exists if, as of the date this EDS is signed, the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof is related to the mayor, any alderman, the city clerk, the city treasurer or any city department head as spouse or domestic partner or as any of the following, whether by blood or adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister or half-brother or half-sister.

"Applicable Party" means (1) all executive officers of the Disclosing Party listed in Section II.B.1.a, if the Disclosing Party is a corporation; all partners of the Disclosing Party, if the Disclosing Party is a general partnership; all general partners and limited partners of the Disclosing Party, if the Disclosing Party is a limited partnership; all managers, managing members and members of the Disclosing Party, if the Disclosing Party is a limited liability company; (2) all principal officers of the Disclosing Party; and (3) any person having more than a 7.5% ownership interest in the Disclosing Party. "Principal officers" means the president, chief operating officer, executive director, chief financial officer, treasurer or secretary of a legal entity or any person exercising similar authority.

Does the Disclosing Party or any "Applicable Party" or any Spouse or Domestic Partner thereof currently have a "familial relationship" with an elected city official or department head?

No

APPENDIX B - BUILDING CODE SCOFFLAW/PROBLEM LANDLORD CERTIFICATION

This Appendix is to be completed only by (a) the Applicant, and (b) any legal entity which has a direct ownership interest in the Applicant exceeding 7.5% (an "Owner"). It is not to be completed by any legal entity which has only an indirect ownership interest in the Applicant.

1. Pursuant to [MCC Section 2-154-010](#), is the Applicant or any Owner identified as a building code scofflaw or problem landlord pursuant to [MCC Section 2-92-416??](#)

No

2. If the Applicant is a legal entity publicly traded on any exchange, is any officer or director of the Applicant identified as a building code scofflaw or problem landlord pursuant to [Section 2-92-416 of the Municipal Code](#)?

No

APPENDIX C-PROHIBITION ON WAGE & SALARY HISTORY SCREENING

This Appendix is to be completed only by an Applicant that is completing this EDS as a "contractor" as defined in [MCC Section 2-92-385](#). That section, which should be consulted (www.amlegal.com), generally covers a party to any agreement pursuant to which they: (i) receive City of Chicago funds in consideration for services, work or goods provided (including for legal or other professional services), or (ii) pay the City money for a license, grant or concession allowing them to conduct a business on City premises.

On behalf of an Applicant that is a contractor pursuant to [MCC Section 2-92-385](#), I hereby certify that the Applicant is in compliance with [MCC Section 2-92-385\(b\)\(1\)](#) and (2), which prohibit: (i) screening job applicants based on their wage or salary history, or (ii) seeking job applicants' wage or salary history from current or former employers. I also certify that the Applicant has adopted a policy that includes those prohibitions.

This certification shall serve as the affidavit required by [MCC Section 2-92-385\(c\)\(1\)](#).

Yes

ADDITIONAL INFO

Please add any additional explanatory information here. If explanation is longer than 1000 characters, you may add an attachment below. Please note that your EDS, including all attachments, becomes available for public viewing upon contract award. Your attachments will be viewable "as is" without manual redaction by the City. You are responsible for redacting any non-public information from your documents before uploading.

None

List of vendor attachments uploaded by City staff

None.

List of attachments uploaded by vendor

Everbridge 10-K Filing
Everbridge 10-Q Filing
Select Equity 13/G Filing
Vanguard Group 13/G Filing

CERTIFICATION

Under penalty of perjury, the person signing below: (1) warrants that he/she is authorized to execute this EDS, and all applicable appendices, on behalf of the Disclosing Party, and (2) warrants that all certifications and statements contained in this EDS, and all applicable appendices, are true, accurate and complete as of the date furnished to the City. Submission of this form constitutes making the oath associated with notarization.

/s/ 09/29/2021

Diana H Wu

Vendor Requests Specialist

Everbridge, Inc.

This is a printed copy of the Economic Disclosure Statement, the original of which is filed electronically with the City of Chicago. Any alterations must be made electronically, alterations on this printed copy are void and of no effect.

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

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 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: 001-37874

Everbridge, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

**25 Corporate Drive, Suite 400
Burlington, Massachusetts**

(Address of principal executive offices)

26-2919312

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

01803

(Zip Code)

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value per share	EVBG	The Nasdaq Global Market

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

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

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

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

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

Large accelerated filer

Non-accelerated filer

Accelerated filer

Small reporting company

Emerging growth company

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

Indicate by check mark whether the registrant 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 Act). Yes No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant, based on the closing price of the registrant's common stock on June 30, 2020 (the last business day of the registrant's most recently completed second fiscal quarter), as reported on the Nasdaq Global Market on such date, was approximately \$4.3 billion. Shares of the registrant's common stock held by each executive officer, director and holder of 10% or more of the registrant's outstanding common stock have been excluded from this calculation as such persons may be deemed to be affiliates. This calculation does not reflect a determination that these persons are affiliates of the registrant for any other purpose.

The number of shares of registrant's Common Stock outstanding as of February 23, 2021 was 36,245,475.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Definitive Proxy Statement for its 2021 Annual Meeting of Stockholders to be filed with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K are incorporated by reference into Part III of this Annual Report on Form 10-K.

EVERBRIDGE, INC. AND SUBSIDIARIES
FORM 10-K
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PART I

Forward-Looking Statements

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

- our ability to continue to add new customers, maintain existing customers and sell new products and professional services to new and existing customers;
- uncertain impacts that the COVID-19 pandemic may have on our business, strategy, operating results, financial condition and cash flows, as well as changes in overall level of software spending and volatility in the global economy;
- the effects of increased competition as well as innovations by new and existing competitors in our market;
- our ability to adapt to technological change and effectively enhance, innovate and scale our solutions;
- our ability to effectively manage or sustain our growth and to attain and sustain profitability;
- our ability to diversify our sources of revenue;
- our ability to integrate acquired companies, to complete potential acquisitions, and to integrate complementary businesses and technologies;
- our ability to maintain, or strengthen awareness of our brand;
- perceived or actual security, integrity, reliability, quality or compatibility problems with our solutions, including related to security breaches in our customers systems, unscheduled downtime or outages;
- statements regarding future revenue, hiring plans, expenses, capital expenditures, capital requirements and stock performance;
- our ability to attract and retain qualified employees and key personnel and further expand our overall headcount;
- our ability to grow, both domestically and internationally;
- our ability to stay abreast of new or modified laws and regulations that currently apply or become applicable to our business both in the United States and internationally, including laws and regulations related to export compliance;
- our ability to maintain, protect and enhance our intellectual property;
- costs associated with defending intellectual property infringement and other claims; and
- the future trading prices of our common stock and the impact of securities analysts’ reports on these prices.

These statements represent the beliefs and assumptions of our management based on information currently available to us. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not

limited to, those identified above, and those discussed in the section titled “Risk Factors” included under Part I, Item 1A. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances that occur after the date of this report.

Item 1. Business.

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

Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and businesses running. During public safety threats including active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as Information Technology ("IT") outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, over 5,600 global customers rely on our Critical Event Management platform to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes through the secure delivery to over 100 different communication devices, and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds of millions of recipients, across multiple communications modalities such as voice, SMS and e-mail, in over 200 countries and territories, in several languages and dialects – all simultaneously. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Safety Connection, Incident Management, IT Alerting, Visual Command Center, Public Warning, Community Engagement, Risk Center, Crisis Management, Secure Collaboration, and Control Center. As all of our applications leverage our Critical Event Management platform, customers can use a single contacts database, rules engine of algorithms and hierarchies and user interface to accomplish multiple objectives. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

In critical situations, the speed at which threats are assessed and information is transmitted and accessed is essential. For example, United States Department of Homeland Security research indicates that the average duration of an active shooter event at a school is approximately 12.5 minutes, while the average police response time to such events is 18 minutes. Accordingly, organizations must be able to aggregate multiple types of threat and incident data and determine whether their people, assets, or suppliers could be impacted, rapidly deliver messages that are tailored to multiple, specific audiences, in precise locations and be assured of delivery. Further, the proliferation of mobile and digital communications has resulted in individuals spending less time in a fixed office location, and this trend makes it more complicated for organizations to protect their employees. These developments have made it imperative that organizations be able to locate travelling or remote workers to determine who might be impacted by a critical event, and that critical communications be delivered via voice, SMS, and email, as well as to social media, outdoor signage and personal computers. During public safety threats and critical business events, the ability to gather, organize and analyze data in real time, and to enable secure, scalable, reliable and automated communications to people can be essential to saving lives, protecting assets and maintaining businesses. Further, the ability to rapidly organize a response by locating available responders and using automation to reduce the time required to initiate action can also result in significant economic savings, as, for example, each minute of unplanned IT downtime costs organizations an average of approximately \$8,900, according to the Ponemon Institute.

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

- When an active shooter situation or terrorist attack occurs, organizations can quickly identify employees in the affected area, including employees not at their usual business location, in order to confirm that they are safe and provide tailored instructions. For example, shelter-in-place instructions may be provided to people in an impacted building while evacuation instructions are provided to those in an adjacent building. At the same time, first responders and hospitals can use multiple modes of alerting to mobilize resources and call in staff to provide emergency care.

- When a pandemic such as COVID-19 is underway, corporate, government and healthcare organizations can navigate the complexity of operating during the shutdown phases, supplement or complement existing manual contact tracing efforts and prepare to bring back the workforce and reopen society.
- When a hurricane is imminent, local emergency management departments can alert affected communities with relevant safety and evacuation instructions while companies can put in place emergency plans to notify employees of office closures while coordinating work assignments to maintain the continuity of core operations.
- When emergency operations are required or supply chain events occur, companies can consolidate separate command centers using one common data set to aggregate and assess data on severe weather, political unrest and other types of threats to their own and suppliers' operations, thereby reducing costs while gaining efficiencies.
- When IT systems fail, IT administrators can shorten the time required to alert cross-department responders, use scheduling information to determine availability and quickly assemble appropriate personnel on a conference bridge, thereby reducing the costs incurred from downtime.
- When a patient is suspected of having a stroke, an on-call specialist can provide a patient assessment via video communications during the ambulance trip and the emergency room can be readied for an immediate stroke treatment, accelerating critical time to treatment.
- When a cyber incident shuts down an IT network, management can alert employees of the network shutdown via a secure, alternate communication path.
- When a power line is down, utility workers can utilize pre-configured incident management templates to alert affected customers and responders and provide service updates.
- When engine readings in critical equipment detect a malfunction, technicians with the appropriate skills can be automatically alerted and quickly deployed to minimize downtime and avoid revenue loss or service interruption.
- When readings from an implanted medical device are abnormal, that information can be automatically routed to the individual's healthcare provider to enable timely medical care.
- When a young child goes missing, local officials can send alerts to and receive tips from their communities to aid in locating and returning the child.
- When a financial services firm experiences disruptions in service, clients can be promptly notified and audit confirmations can be provided to document delivery.

Our customer base has grown from 867 customers at the end of 2011 to more than 5,600 customers as of December 31, 2020. As of December 31, 2020, our customers were based in 70 countries and included eight of the 10 largest U.S. cities, nine of the 10 largest U.S.-based investment banks, 47 of the 50 busiest North American airports, nine of the 10 largest global consulting firms, eight of the 10 largest global automakers, nine of the 10 largest U.S.-based health care providers, and seven of the 10 largest technology companies in the world. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We derive substantially all of our revenue from subscriptions to our critical communications applications, which represented 85%, 88% and 92% of our total revenue in 2020, 2019 and 2018, respectively. We derived approximately 50% of our revenue in 2020 from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform, as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

Industry Background

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

Evolution of Critical Event Management Solutions

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

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

Key Benefits of Our Solutions and Competitive Strengths

Everbridge was founded with a vision to help organizations keep their people (employees, contractors, customers, residents, visitors) safe and operations running amid the many types of public safety and critical business events that pose threats. Our CEM solutions enable organizations to assess threats, locate impacted people and assets, and manage and respond to critical events, all on a single platform. Key benefits of our solutions and competitive strengths include the following:

- **Comprehensive, Enterprise-Scale Platform.** The core of our solutions is our Critical Event Management platform, which provides multiple layers of redundancy to assure uptime and delivery of communications regardless of volume or throughput requirements. The platform is secure, scalable and reliable, enabling the delivery and verification of tens of millions of different communications virtually anywhere, in any volume, in near real-time. In 2020, we delivered over 5 billion interactions, or about 158 interactions per second, through our globally distributed data centers.
- **Digital Transformation.** Our solutions help enable our customers' digital transformation efforts by automating business continuity, risk reduction, and operational resilience. Customers can use our solutions' situational awareness capabilities to know where their people are, how to reach them and how to ensure that they are protected, while also remaining updated on the status of their facilities, customers, inventory, and goods in transit. As part of digital transformation initiatives, our solutions support operational risk reduction for better operational resiliency.

- **Out-of-the-Box, Scalable and Mobile Applications.** Our SaaS-based applications are out-of-the box, enterprise-ready and can be utilized without customer development, testing or ongoing maintenance. Regardless of a customer or prospect's size or needs, our applications are built to scale to its largest and most complex critical communications requirements.
- **Aggregated Threat Data and Analysis.** Our software gathers and analyzes information from weather data feeds, public safety and threat data feeds, social media, IT ticketing systems and monitoring systems, as well as inputs and feedback from two-way and polling messages. Data can be geo-mapped and threat and incident data can be used to automatically trigger simple or complex workflows that are tied to standard operating procedures or run-books.
- **Contextual Communications.** We enable intelligence and personalization in the critical communications process by delivering contextual communications. Our customers can deliver and escalate critical communications broadly to a mass population or to a targeted subset of individuals based on geographic location, skill level, role and communication modality preferences for rich, two-way collaboration.
- **Dynamic Location Awareness.** Our platform can provide organizations with the ability to send and receive notifications based on the last known locations of people, not just based on a static office or home address. Our platform integrates with a variety of sources of location information, including building access control systems and corporate network access solutions. This location-specific approach enables organizations to quickly determine which individuals may be affected by a public safety threat or able to respond to a critical business event, and to provide targeted and relevant instructions and two-way communications.
- **Large, Dynamic and Rich Communications Data Asset.** As of December 31, 2020, our data asset consists of our contacts databases that manage approximately 490 million contact profiles and connections from more than 5,600 customers based in 70 countries. Our contacts databases, which we refer to as contact stores, are initially created through an upload of contacts from the customer and are automatically updated with the most current contact information provided by the customer or by individuals who opt-in to receive notifications from our Community Engagement application. Our contact stores are repositories for all contact details, attributes and business rules and preferences, such as a person's last-known location, language spoken, special needs, technical certifications and on-call status.
- **Multi-channel Visualization.** Our platform provides the ability to create an integrated view of threats, incidents and the status of response, all within the context of the locations of an organization's people, assets and suppliers. Multiple channels of information can be displayed side-by-side so different facets of a critical event can be monitored simultaneously, and the same data can be displayed on personal computer screens and on a large command center wall to provide flexibility in deployment.
- **Robust Security, Industry Certification and Compliance.** Our platform is built on a secure and resilient infrastructure with multiple layers of redundancy. Many of our enterprise applications are designed to meet rigorous security and compliance requirements for financial services firms, healthcare institutions, the U.S. federal government and other regulated industries, including facilitating compliance with FINRA and HIPAA standards. Our solutions received designation under the Support Anti-terrorism by Fostering Effective Technology Act of 2002 ("SAFETY Act"), and certification by U.S. Department of Homeland Security that places us on the approved product list for homeland security. Our solutions are also accredited under the Federal Information Security Management Act of 2002 ("FISMA"). Our Everbridge Suite solution also achieved authorization under the Federal Risk and Authorization Management Program ("FedRAMP") in 2018, that required satisfying a rigorous security and risk management review process and which we believe provides an advantage for selling into the U.S. federal sector. In 2019, our Critical Event Management platform received certification under International Organization for Standardization, or ISO, 27001 and also received Cloud Computing Compliance Controls Catalogue ("C5") accreditation under the Federal Office for Information Security in Germany. In 2020, we received ISO 27701 compliance, the privacy extension to ISO 27001, and successfully renewed our FedRAMP Agency Authorization.

- **Automated Workflows.** Our platform automates the workflows required to complete a critical notification, including establishing the individuals within an organization authorized to send messages, the groups of stakeholders to whom messages will be sent and the content of messages to be sent to different groups of relevant stakeholders, in each case based on incident type. We believe that this automation reduces the amount of time required to send critical notification as well as the associated cost. Our platform also enables customers to automatically establish procedures for improving the success of communication efforts.
- **Globally Local.** Our platform is designed to be utilized globally while accounting for local cultural, linguistic, regulatory and technological differences. We have relationships with suppliers and carriers in multiple countries to ensure delivery in compliance with local, technical and regulatory requirements. We have localized our user interface in several languages and dialects.
- **Next-Generation, Open Architecture.** We developed our platform to easily integrate our applications with other systems. Our solutions provide open Application Program Initiatives (“API”s), and configurable integrations, enabling our platform to work with our customers’ and partners’ pre-existing processes and solutions, increasing the business value we deliver.
- **Actionable Reporting and Analytics.** Our platform provides real-time dashboards, advanced map-based visualization and ad-hoc reporting across notifications, incidents and contacts. This information is easily accessed for required after-event reviews, continuous process improvements and regulatory compliance.

Our Growth Strategy

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

- **Accelerate Our Acquisition of New Customers.** We have multiple paths of entry into new customers with our portfolio of applications, which are used for a wide variety of use cases across a diverse set of verticals markets. We intend to capitalize on the breadth of our solutions and the technological advantages of our CEM platform to continue to attract new customers. In parallel, we plan to attract new customers by investing in sales and marketing and expanding our channel partner relationships.
- **Further Penetrate Our Existing Customers.** We believe that there is a significant opportunity within our existing customer base to expand their use of our platform, both by selling new applications and features to our existing customers and selling to additional departments in their organizations. Our dollar-based net retention rate, which we define as revenue generated from existing customers including recurring revenue, expansion revenue, downgrades, and cancels, was over 110% for fiscal 2020. We also believe that we have a significant opportunity to increase the lifetime value of our customer relationships as we educate customers about the benefits of our current and future applications that they do not already utilize and of taking an integrated CEM approach. New applications added, which represent the total dollar value of new agreements entered into within the prior 12 months, exclusive of renewals, have grown from 6% of our sales in the first quarter of 2016 to 66% of our sales in the fourth quarter of 2020.
- **Expand Our Partner Ecosystem:** We continue to expand our strategic partnerships with our channel partners, technology partners, and system integrators. We intend to further expand our partner ecosystem to open up new channels to market and to enable our customers to succeed with our technology and platform in their operations and business processes.

- **Develop New Applications to Target New Markets and Use Cases.** Our platform is highly flexible and can support the development of new applications to meet evolving safety and operational challenges. For example, throughout 2020, we announced a number of applications under the heading COVID-19 Shield, an extension to our CEM platform offering public health information, risk insights, wellness checks, logistics awareness and vaccine appointment management. We deployed our CEM Platform for a variety of COVID-19 uses, including to power countrywide communications about the pandemic, deliver health checks at higher education institutions, and coordinate vaccine distribution for a number of municipalities and organizations. We intend to continue to develop new applications for use cases in a variety of new markets and to leverage our platform and our existing customer relationships as a source of new applications, industry use cases, features and solutions.
- **Expand Our International Footprint.** We intend to continue to expand our local presence in regions such as Europe, the Middle East and Asia to leverage our relationships with local carriers and our ability to deliver messages to over 200 countries and territories in several languages and dialects as well as expand our channel partnerships and also to opportunistically consider expanding in other regions.
- **Maintain Our Technology and Thought Leadership.** We will continue to invest in our core CEM platform and our applications to maintain our technology leadership position. For example, we believe that we are the only company today that provides a full, integrated CEM solution and that we provide the first solution to offer dynamic versus static location awareness integrated with analysis and communications for the employee safety and security marketplace. Further, we believe we have a competitive advantage through our commitment to innovation and thought leadership that has enabled us to take market share from our competitors and accelerate our growth.
- **Opportunistically Pursue Acquisitions.** We plan to continue to selectively pursue acquisitions of complementary businesses, technologies and teams that allow us to penetrate new markets and add features and functionalities to our platform.

Our Platform

Since inception, our SaaS-based critical communications platform was architected on a single code base to deliver multi-tenant capability and the speed, scale and resilience necessary to communicate, collaborate and orchestrate the response to critical events, when they occur.

Additional core technical attributes of our platform include:

- Monitors more than 100 types of threat data and aggregates more than 25,000 of risk data elements for situation assessment and risk monitoring.
- Multi-tenant architecture that supports multiple layers of redundancy to maximize uptime and delivery of critical content, regardless of volume or throughput requirements.
- Dynamic spatial/geographic information system capability to geo-target communications by zip code, street address or a specific radius from a location.
- Support for two-way communications and alerting on over 100 different modalities, including wireless phones, landlines, hand-held communication and other voice-capable devices, desktop, satellite communication, cell broadcast, location-based SMS, SMS, two-way radios, TV, outdoor digital signage, sirens and internet enabled devices, social media, websites.
- Designed to meet rigorous security and compliance requirements for financial services firms, healthcare institutions, the U.S. federal government and other regulated industries, including facilitating compliance with health care requirements such as HIPAA privacy and security standards including FedRAMP, the European Union's General Data Protection Regulation, or GDPR, and ISO 27001.
- Extensive set of APIs and configuration capabilities to allow customers and partners to easily integrate our platform with other systems. Our APIs' two-way invocation capabilities enable third-party systems to flexibly and easily integrate with our platform.

- Multi-channel visualization capabilities support integrated views of threats, incidents and status of response to improve management visibility and control.
- Supports easy-to-use native mobile applications, including multiple secure mobile applications for message initiation, management and reporting.
- Supports push notifications and two-way conversations that enable mobile users to send and receive secure messages such as text, pictures, videos and the users' current geographic locations.

Our Contact Stores

Our contact stores manage approximately 490 million contact profiles and connections from more than 5,600 customers based in 70 countries as of December 31, 2020, up from 15 million contact profiles as of December 31, 2012. They are initially created through an upload of contacts from the customer and are automatically updated with the most current contact information provided by the customer or by individuals who opt-in to receive notification from our Community Engagement application. Our contact stores are simultaneously enriched by geographic, situational and other real-time data. Our contact stores are repositories for all contact details, attributes and business rules and preferences, such as a person's last-known location, language spoken, special needs, technical certifications and on-call status.

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

Everbridge Network

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

Our Applications

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

Our applications enable:

- Communications to key stakeholders during emergency situations.
- Corporate communications with customers and employees.
- Automated outreach to on-call personnel.
- Integrated threat assessment and visualization.
- Integration of physical security data with location awareness data gathered from travel, network and access systems to rapidly find and communicate with employees during disruptive events.

- Securely designed and efficiently implemented communications among healthcare providers and patients.
- Community engagement and collaboration with citizens and businesses.
- Critical IoT communications between machines and from machines to people.
- Mobile response plan deployment and management of incidence response.

Our applications include:

- **Mass Notification.** Our secure, scalable and reliable Mass Notification application is our most established application and enables enterprises and governmental entities to send contextually aware notifications to individuals or groups to keep them informed before, during and after natural or man-made disasters and other emergencies. We provide robust analytics, map-based targeting, flexible group management, distributed contact data, language localization, multiple options for contact data management and a globally-optimized approach to voice and SMS routing. We also support community engagement functionality, which provides a direct link between residents and emergency management departments with the goal of fostering public safety.
- **Safety Connection.** Our Safety Connection application enables organizations to send notifications based on dynamic last known location of an individual, including the airport, street, building floor or conference room at which the individual was most recently present, while actively incorporating threat and other data to allow for targeted and relevant communications. When fully deployed, the application can also aggregate near real-time data from multiple sources, including building access control systems, wired and wireless network access points, travel management systems and mobile application check-ins. We believe that Safety Connection represents a significant advance in helping organizations use critical communications to keep their constituents safe, as many current solutions use only static office and residential locations that are not sufficiently location-aware relative to an increasingly mobile workforce.
- **Incident Management.** Our Incident Management application enables organizations to automate workflows and make their communications contextually relevant using drag and drop business rules to determine who should be contacted, how they should be contacted and what information is required. We believe that this application decreases costly human errors and reduces downtime, while simultaneously capturing required compliance information. We also support cross-account collaboration and situational intelligence sharing during crises for corporations and communities.
- **IT Alerting.** Our IT Alerting application enables IT professionals to alert and communicate with key members of their teams during an IT incident or outage, including during a cyber security breach. The application integrates with IT service management platforms, including ServiceNow, and uses automatic escalation of alerts, on-call scheduling and mobile alerting to automate manual tasks and keep IT teams collaborating during an incident. We also provide real-time shift calendars with integrated on-call notifications to help users better manage employee resources and get the right message to the right person, at the right time through automated staffing. Taken together, our IT Alerting application has the potential to provide meaningful savings to organizations by reducing mean-time-to-repair. Each minute of unplanned downtime costs organizations an average of approximately \$8,900 according to Ponemon Institute, while 59% of Fortune 500 companies experience 1.6 hours of downtime per week, according to Dunn & Bradstreet. IHS, Inc. estimates information and communication technology downtime costs North American organizations \$700 billion per year.
- **Visual Command Center.** Our Visual Command Center application enables customers to monitor and integrate more than 100 types of threat data, as well as information on internal incidents, to generate and visualize an alert when potential risks occur within proximity of an organization's physical locations, suppliers, assets or people. The solution improves the ability to more quickly understand and assess the impact of threats, execute the correct response, and monitor on-going resolution in order to mitigate risk to personnel safety, business continuity, assets and supply chain operations.

- **Public Warning.** Our Public Warning application is used to reach international mobile populations on a regional or country-wide scale. It leverages existing telecom infrastructure to anonymously reach mobile phone users within a geographic area with two-way SMS communications without requiring an existing database of mobile phone numbers. Multichannel alerting can also be accomplished via mobile push notifications, cell broadcast, voice, email, or messaging to electronic display boards or radio. The application has been selected to be part of the national warning system for 11 countries in Europe, Asia, Oceania, the Middle East, Africa, and the Americas, supporting five European Union (EU) countries in conjunction with the EU mandate requiring member countries to have a population-wide alerting system in place by June 2022. These Public Warning customers include Australia, Cambodia, Greece, the Netherlands, Peru, Sweden and a number of the largest states in India. In compliance with GDPR, our Public Warning solution neither collects nor stores personally identifiable information (PII) data.
- **Community Engagement.** Our Community Engagement application integrates emergency management and community outreach by providing local governments with a unified solution to connect residents to their public safety department, public information resources, and neighbors via social media and mobile applications. This creates a stronger and more engaged community improving the communication reach for emergency personnel, while providing residents with real-time emergency and community information, and allows residents to anonymously opt-in and provide tips.
- **Risk Center.** Our Risk Center solution aggregates data from over 25,000 data sources to assess more than 100 types of incidents and provide 24x7 incident information and analysis. A team of analysts, leveraging automation tools, verify risk incidents.
- **Crisis Management.** Our Crisis Management application provides mobile access to crisis, recovery and brand protection plans, as well as the capability to manage a crisis or event through role-based assignments and status updates. Organizations can enhance their overall crisis management efforts by making plans readily available to responders on the most popular mobile platforms regardless of their location. The application also simplifies updating plans for changes to personnel or processes, and enhances visibility into response progress during a critical event.
- **Secure Collaboration.** Our Secure Collaboration solution allows contacts to exchange messages, voice, images, and video chat through our mobile application while providing security for their communications. The application facilitates HIPAA-compliant communications and is designed to comply with FedRAMP, Sarbanes-Oxley, and other compliance requirements from mobile devices or web browsers.
- **Control Center.** Our Control Center physical security application is used for mission-critical control in enterprises and public safety. This solution correlates events from disparate safety and security systems into a common operating picture to provide real-time situation awareness. The application provides users with actionable alerts, next step actions, and automated reporting to better manage risks, ensure compliance with operating procedures and support business continuity. Automated workflows enable rapid risk management and consistent responses, reducing the risk of human error. It also facilitates device activation to help operational control to protect people and infrastructure. Dynamic reports and dashboards provide real-time actionable insights for operational and executive teams. The Control Center application is an open platform, integrating hundreds of security and operational technologies.
- **COVID-19 Shield.** In the first quarter of 2020, we launched COVID-19 Shield, a new set of coronavirus protection solutions designed to protect the safety of employees and customers, maintain business operations, safeguard supply chains, and reduce costs and liabilities stemming from the impact of the global coronavirus pandemic. In the second quarter of 2020, we launched several additional software solutions, including (1) COVID-19 Return to Work, a software solution designed to help businesses and governments navigate the complexity of operating during the next phase of the COVID-19 pandemic and prepare to bring back the workforce and reopen society; (2) COVID-19 Shield: Contact Tracing, a solution for corporate, government and healthcare organizations to supplement or complement existing manual contact tracing efforts; and (3) Control Center, a physical security information management software platform, which includes features designed to help organizations return to work by integrating and managing data and analytics from video cameras, thermal cameras, badge access and other building

systems, and by automating the response to help organizations ensure the safety and protection of employees, as well as compliance with social distancing and personal protective equipment policies. In the fourth quarter of 2020, we announced COVID-19 Shield: Vaccine Distribution, an extension to our CEM platform offering risk insights, logistics awareness and vaccine appointment management. These new products were built off of our existing platforms.

We also have expanded our CEM platform through a series of recent acquisitions, including Techwan SA (“Techwan”), CNL Software Limited (“CNL Software”) and SnapComms Limited (“SnapComms”), to further augment its physical security, public safety and internal communications capabilities.

With industry-leading redundancy, scalability and uptime, the Everbridge platform reaches over 650 million people in more than 200 countries and territories.

Our Technology

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

- **Robust, Enterprise-Grade Scalability and Reliability.** Given the mission-critical nature of our solutions, our multi-tenant platform was designed to provide a robust, high level of resiliency, scalability and redundancy. We use multiple geographically distributed service providers and communications carriers to achieve a high degree of redundancy, fault tolerance and cost-effective operations. We have multiple layers of redundancy and a horizontal scaling model across our infrastructure to deliver high availability and performance. Similarly, we leverage redundant downstream communications providers to enable our services to remain uninterrupted even if a particular provider encounters technical difficulties.
- **Multi-Modal, Globally Local Communications Delivery.** We optimize international call routing across hundreds of telecommunications providers to enable higher voice quality, improved delivery rates during emergencies and the ability to configure local caller IDs to improve recognition and answer rates. We also work with multiple SMS providers to identify regulatory hurdles and deploy and actively manage an optimal mix of national and international SMS codes to ensure high delivery and response rates.
- **Security and Compliance.** Our solutions received designation under the SAFETY Act, and certification by U.S. Department of Homeland Security that places us on the approved product list for homeland security. Our solutions are also accredited under FISMA. Our Everbridge Suite solution also achieved authorization under FedRAMP in 2018, that required satisfying a rigorous security and risk management review process and which we believe provides an advantage for selling into the U.S. federal sector. In 2019, our Critical Event Management platform received ISO 27001 certification and also received C5 accreditation under the Federal Office for Information Security in Germany.
- **Hybrid Infrastructure.** To provide highly scalable and global solutions, we employ redundant, geographically diverse production implementations of our platform infrastructure in multiple SOC 2-compliant data center facilities in North America and Europe. Within each data center, we utilize a hybrid-cloud architecture that enables us to leverage both proprietary and third-party infrastructure services to enable “on-demand” capacity and performance without substantial upfront investment. Our architecture enables our platform to dynamically determine the best location from which to deliver critical communications on behalf of our customers and solves many international communications delivery challenges by utilizing in-country or in-region telephony, messaging and data communication providers. Our infrastructure is continuously maintained and monitored by dedicated engineers based in redundant network operations centers in the Los Angeles and Boston areas.

- **Dynamic Location Detection.** Our platform can create and update dynamic data sets containing a contact's last-known location, including the airport, street, building floor or conference room at which the contact was most recently present. Multiple data sources can be aggregated including building access control and badging systems, wired and wireless network access points, and corporate travel management and office hoteling systems. These data are used to best locate a contact in an emergency or critical business situation, independent of the contact's home or office location. Contacts can also share their location via a three-in-one mobile panic button application, which sends a panic message to the applicable organization's security team, and also includes the ability to send audio and video content, to check-in to capture and report geo-location data and to establish a safe corridor through a potentially unsafe area.

Our Comprehensive Customer Support Services

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

- **Rapid Onboarding.** We leverage a proven methodology and domain expertise, honed through thousands of customer on-boardings worldwide, to enable rapid use of our platform and compliance with industry best practices. The average implementation time for standard implementations for new customers purchasing our solutions is 6.5 hours.
- **Everbridge University.** We offer online education, training and professional development through Everbridge University, with role-based training modules that can be customized to meet a customer's needs and that can facilitate formalized knowledge transfer and ensure ongoing self-sufficiency.
- **Dedicated Account Management.** We assign dedicated account managers to all customers. Account managers perform regular service reviews and post-incident analyses of customer communications to incorporate communication best practices and recommend additional applications to meet the customer's critical communications needs.
- **24/7 Technical Support & Emergency Live Operator Service.** We have established geographically redundant technical support centers in the Los Angeles, California; Boston, Massachusetts; and London, United Kingdom areas. From these support centers, we offer our customers 24/7 support by phone, email or through our online support center. In addition, our support centers offer a 24/7 emergency live operator service to assist customers with sending critical communications.
- **Premium Support Services.** With an understanding of the critical role that our solution plays, we have assembled an expert professional services organization to deliver premium support service packages to our customers. Our professional services team includes certified emergency management and critical communications practitioners. We believe that we help customers achieve faster time-to-value by providing on-site project management, consultation with a certified critical communications professional, creation of client-specific message and scenarios, development of ad-hoc report templates and on-site emergency and incident management reviews.

Our Customers

Our customer base has grown from 867 customers at the end of 2011 to more than 5,600 customers as of December 31, 2020. We define a customer as a contracting entity from which we generated \$200 or more of revenue in the prior month, either directly or through a channel partner. At the end of 2011 we had 20 customers with contracts valued at \$100,000 or more, whereas as of December 31, 2020 we had 573 customers with contracts valued at \$100,000 or more, including 49 customers with contracts in excess of \$500,000. As of December 31, 2020, our customers were based in 70 countries and included eight of the 10 largest U.S. cities, nine of the 10 largest U.S.-based investment banks, 47 of the 50 busiest North American airports, nine of the 10 largest global consulting firms, eight of the 10 largest global automakers, nine of the 10 largest U.S.-based health care providers, and seven of the 10 largest technology companies in the world. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education, and professional services. For the year ended December 31, 2020, 63% of our revenue was generated from enterprise customers, 26% from government and government-related customers and 11% from healthcare-related customers.

Sales and Marketing

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

Sales

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

In addition to the vertical and geographic distribution of our salesforce, we have dedicated teams of account executives focused on net new accounts and growth of existing accounts, account managers responsible for renewal of existing accounts, and business development representatives targeting new and growth business opportunity creation. Our sales representatives use phone, email and web meetings to interact with prospects and customers. In 2020, we increased the headcount of our sales organization, and we intend to continue to invest in building our global sales and go-to-market organizations.

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

Marketing

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

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

Research and Development

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

Our Competition

The market for CEM solutions is highly fragmented, intensely competitive and constantly evolving. We compete with an array of established and emerging companies, many of whom are single product or single market focused, as well as in-house solutions. We view CEM as a holistic solution that allows organizations to digitally transform their critical event management processes. These processes are siloed in a variety of ways in different organizations. Similarly, solutions from competitors in the field often are siloed by smaller functions across the holistic CEM solution. CEM includes Mass Notification, Risk Control, Public Warning, IT Alerting and Incident Management, and Control Center systems. The primary competitors for our Mass Notification applications include BlackBerry Limited, F24 AG, OnSolve, LLC, and Rave Wireless, Inc. The primary competitors for our Risk Control application include Anvil Group and WorldAware, Inc. The primary competitors for our Public Warning application include Celltick, Intersec and Genasys, Inc. For IT Alerting and Incident Management, our primary competitors are PagerDuty, Inc. and xMatters, Inc. For Control Center, our primary competitor is Genetec. Some competitors in siloed solutions are beginning to converge and build strategies that follow our CEM platform strategy. With the introduction of new technologies and market entrants, we expect the competitive environment to remain intense going forward.

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

Intellectual Property

Our future success and competitive position depend in part on our ability to protect our intellectual property and proprietary technologies. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the United States and other jurisdictions.

We have numerous issued patents and patent applications pending. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated, or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers.

We have registered the “Everbridge”, “Nixle” and “Visual Command Center” names in the United States and have registered the “Everbridge” name in the European Union. We have registrations and/or pending applications for additional marks in the United States; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights.

We also license software from third parties for integration into our offerings, including open source software and other software available on commercially reasonable terms. We cannot assure you that such third parties will maintain such software or continue to make it available.

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

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights.

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

Patent and other intellectual property disputes are common in our industry and we have been involved in such disputes from time to time in the ordinary course of our business. Some companies, including some of our competitors, own large numbers of patents, copyrights and trademarks, which they may use to assert claims against us. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers whom we typically indemnify against claims that our solution infringes, misappropriates or otherwise violates the intellectual property rights of third parties. As the numbers of products and competitors in our market increase and overlaps occur, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business.

Government Regulation

The legal environment of Internet-based businesses is evolving rapidly in the United States and elsewhere. The manner in which existing laws and regulations are applied in this environment, and how they will relate to our business in particular, both in the United States and internationally, is often unclear. For example, we sometimes cannot be certain which laws will be deemed applicable to us given the global nature of our business, including with respect to such topics as data privacy and security, pricing, advertising, taxation, and intellectual property ownership and infringement.

Our customers, and those with whom they interact using our product and platform solutions, upload and store personally identifiable information and other data into our solutions and provide access to such data, generally

without any restrictions imposed by us. This presents legal challenges to our business and operations, such as rights of privacy related to the data used in connection with our solutions. Both in the United States and internationally, we must monitor and comply with a host of legal concerns regarding the data stored and processed in our solutions by customers. We must also monitor and comply with these issues directly in the operation of our business in these jurisdictions.

We are subject to data privacy and security regulation by data protection authorities in countries throughout the world, by the U.S. federal government, and by the states in which we conduct our business. In recent years, there have been a number of well-publicized data breaches involving the improper use and disclosure of personal information of individuals. Many governing authorities have responded to these incidents by enacting laws requiring holders of personal information to maintain safeguards and to take certain actions in response to a data breach, such as providing prompt notification of the breach to affected individuals and public officials, or amending existing laws to expand compliance obligations. In the European Union, U.S. companies must meet specified privacy and security standards, such as the European General Data Protection Regulation, or the GDPR, which governs the protection of individuals with regard to the processing of personal data, and on the free movement of such data established in the European Union to certain non-European Union countries, such as the United States. Additionally, the data protection laws of each of the European member countries require comprehensive data privacy and security protections for consumers with respect to personal data collected about them. In February 2016, the European Union and U.S. officials announced an agreement, which established the EU-U.S. Privacy Shield, or the Privacy Shield, as a means for legitimating the transfer of personal data by U.S. companies doing business in Europe from the European Economic Area to the U.S. However, on July 16, 2020, the European Court of Justice invalidated the Privacy Shield. As a result, we are no longer using the Privacy Shield as a legal mechanism for the transfer of data between the EU and the U.S. However, the European Court of Justice upheld the validity of Standard Contractual Clauses, which we will continue to use as a legal mechanism for the transfer of data between the EU and the U.S. We have and will continue to engage in efforts to ensure that data transfers from the European Economic Area comply with the GDPR and the data protection legislation of individual member states.

In the United States, many federal, state, and foreign government bodies and agencies have adopted, or are considering adopting, laws and regulations regarding the collection, use, and disclosure of personal information. California recently enacted the California Consumer Privacy Act, or CCPA, that among other things, requires covered entities to provide new disclosures to California consumers, affords such consumers new abilities to opt-out of certain sales of personal information, and gives such consumers a private right of action to enforce data breaches resulting from the covered entity's violation of its duty to implement and maintain reasonable security measures.

For a discussion of risks related to these various areas of government regulation, see Risk Factors set forth in Part I, Item 1A of this Annual Report on Form 10-K.

Human Capital Management

Culture and Governance

Culture

We believe that our culture has been a key contributor of our success to-date and that our mission, with the critical nature of the solutions that we provide, promotes a sense of greater purpose and fulfillment for our employees. We have invested in building an intentional global culture and believe it represents one of our most important and sustainable sources of competitive advantage.

Governance

Our Board of Directors and Board committees provide oversight on certain human capital matters. The Compensation Committee of our Board of Directors acts on behalf of the Board to review, adopt and approve our compensation strategy, policies, plans and programs, including, among others, reviewing and approving corporate performance goals and objectives relevant to the compensation of our executive officers and other senior management, evaluating and approving the compensation plans and programs advisable for us, and administration of our equity compensation plans, stock purchase plan, bonus plans, and other similar plans and programs.

Diversity and Inclusion

We prioritize diversity, equity and inclusion (“DEI”) to create a workplace that reflects the customers and populations we serve. We demonstrate our commitment to DEI by focusing on several key initiatives. This includes aligning our hiring and recruiting practices to attract a diverse and talented workforce; creating employee resource groups dedicated to celebrating and empowering communities within our organization, including women, employees of color, employees who identify as LGBTQ, and members of the military and first responders; holding open forums for company-wide discussion and dialogue on civil unrest and equal justice; and supporting a growing ecosystem of minority-owned and led suppliers and partners. As of December 31, 2020, 32% of our global workforce was female, 28% of vice president and above roles globally were female, and non-Caucasian employees represented 25% of our U.S. workforce. We are committed to increasing the diversity of our workforce, and during the year ended December 31, 2020, 36% of our U.S. hires were female and 26% were non-Caucasian.

Labor Practices and Policies

Work Hours, Wages and Benefits

We compensate employees competitively relative to the industry and local labor market. We work to ensure full compliance with applicable wage, work hours, overtime and benefits laws. We assess the current business environment and labor market to refine our compensation and benefits programs.

In addition to salaries, our compensation and benefit programs (which may vary by country and location) include annual bonuses, stock-based compensation awards, an Employee Stock Purchase Plan, retirement savings plans, healthcare and insurance benefits, health savings and flexible spending accounts, paid time off, volunteer time off, parental leave, adoption assistance and military leave, among many other benefits.

Safe and Healthy Workplace and Workplace Security

We seek to comply with all health and safety laws applicable to our business. To this end, we consult with employees to help keep work areas safe and free of hazardous conditions. Additionally, we are committed to maintaining a workplace free from violence, harassment, intimidation and other unsafe or disruptive conditions due to internal and external threats. We believe it is paramount to use our own CEM solutions to help us achieve our health and safety goals. We continue to take a variety of measures, including by using our own CEM solutions, to communicate to our employees and help keep them safe.

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. We have taken, and are continuing to take, a variety of measures to ensure the availability and functioning of our critical infrastructure, to promote the safety and security of our employees and to support the communities in which we operate. These measures include requiring remote working arrangements for employees where practicable, among other modifications. We are following evolving public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, the promotion of social distancing and the adoption of work-from-home arrangements. All of these policies and initiatives have been and may continue to impact our operations. We formed a dedicated, cross-functional task force to monitor the evolving pandemic conditions globally and provide guidance and resources to support employees during the crisis. As a result, and according to data compiled by global investment firm Battery Ventures during the COVID-19 pandemic, and employee feedback shared on Glassdoor during this time, Everbridge was named the third highest-rated public cloud computing company to work for during COVID-19. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required or that we determine are in the best interests of our employees, customers, suppliers and stockholders.

Workforce, Recruiting, Development and Retention

Workforce Size

As of December 31, 2020, we had 1,344 full-time employees, including 332 in data center operations and customer support, 482 in sales and marketing, 363 in research and development and 167 in general and administrative. As of December 31, 2020, we had 830 full-time employees in the United States and 514 full-time employees

internationally. None of our U.S. employees are covered by collective bargaining agreements. We believe our employee relations are good and we have not experienced any work stoppages.

Recruiting

Our key talent philosophy is to develop talent from within and supplement with external hires. Our talent acquisition team uses internal and external resources to recruit highly skilled and talented workers, and we encourage employee referrals for open positions. Measurements of our progress include the percentage of internal candidates sourced and attrition rates. During 2020, 7.3% of positions were filled by candidates sourced internally and our attrition rate was 14.8%. We also develop our talent pipeline with programs such as our internship program. During 2020, we hired 15 interns across various departments and geographies, of which eight were female, resulting in gender diversity of over 50 percent.

Workforce Development

We are committed to investing in our employees through professional training and development to ensure the highest possible performance for our customers while retaining our employees to grow their careers at Everbridge. We achieve this through several avenues, including skills training within functional departments, education reimbursement and a Manager Development Program. The Manager Development Program was created to help grow our people managers and provide a path to leadership. We offer a wide variety of content and resources to maximize development. Since the program started in 2019, nearly 100 employees have participated in training and overall satisfaction with the program, measured by internal surveys, is 88%.

The Everbridge Performance Management Program was designed to meet several key objectives including providing feedback to enhance performance, providing developmental guidance to grow skills, experience and careers, aligning individual effort to organizational objectives and recognizing achievements and contributions. During 2020, participation in the annual review process was 100%.

The Nominating and Corporate Governance Committee of our Board of Directors develops and periodically reviews with our Chief Executive Officer plans for succession to the offices of our executive officers and makes recommendations to the Board with respect to the selection of appropriate individuals to succeed to these positions.

Employee Engagement and Satisfaction

We conduct an annual employee engagement survey to gauge overall employee satisfaction. The survey is an opportunity for employees to provide anonymous feedback on topics ranging from leadership and management, to opportunities for career growth, to work-life balance and diversity, equity and inclusion. The results of the survey are used to develop our annual corporate and department business plans as well as direct the efforts of our People team.

We have been designated as a 2020 “Great Place To Work” in the United States. Based on employee feedback, we have been recognized for our culture, mission and leadership by Great Place to Work®, a global evaluator of workplace culture. In addition, in a survey conducted by Comparably measuring employee sentiment across over 60,000 U.S. companies, we ranked top 50 in the largest company category for Best Company Culture and Best CEO. We have also been honored by the U.S. Department of Defense for promoting a supportive work environment for members of the U.S. National Guard and Reserve.

Facilities

Our principal executive offices are located in Burlington, Massachusetts, where we occupy an approximately 73,500 square-foot facility under a lease expiring on May 31, 2024, and in Pasadena, California, where we occupy an approximately 19,000 square-foot facility under a lease expiring on December 31, 2023. We also have additional offices in the United States as well as internationally including China, Germany, India, Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland and United Kingdom.

Legal Proceedings

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

Corporate Information

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

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

Available Information

Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended, are made available free of charge on or through our website at <http://ir.everbridge.com> as soon as reasonably practicable after such reports are filed with, or furnished to, the Securities and Exchange Commission (“SEC”). The SEC also maintains a website, www.sec.gov, which contains reports and other information regarding issuers that file electronically with the SEC. We are not, however, including the information contained on our website, or information that may be accessed through links on our website, as part of, or incorporating such information by reference into, this Annual Report on Form 10-K.

Item 1A. Risk Factors.

Our operations and financial results are subject to various risks and uncertainties including those described below. You should consider carefully the risks and uncertainties described below, in addition to other information contained in this Annual Report on Form 10-K, including our consolidated financial statements and related notes, as well as our other public filings with the Securities and Exchange Commission. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business. If any of the following risks or others not specified below materialize, our business, financial condition and results of operations could be materially adversely affected. In that case, the trading price of our common stock could decline.

Summary of Risk Factors

Investing in our common stock involves a high degree of risk because our business is subject to numerous risks and uncertainties, as fully described below. The principal factors and uncertainties that make investing in our common stock risky include, among others:

Risks Related to Our Business and Our Industry

- If our business does not grow as we expect, or if we fail to manage our growth effectively, our operating results and business prospects would suffer.
- We have not been profitable on a consistent basis historically and may not achieve or maintain profitability in the future.
- If we are unable to renew or increase sales of our Mass Notification application, or if we are unable to increase sales of our other applications or add new applications, our business and operating results could be adversely affected.
- We operate in an emerging, evolving, and competitive market, and if we cannot expand our platform and applications to meet the demands of this market or effectively compete against competitors, our revenue may decline and we may incur operating losses.
- Our quarterly operating results may vary from period to period, which could result in our failure to meet expectations with respect to operating results and cause the trading price of our stock to decline.
- Our failure to effectively complete and integrate acquired technologies, assets or businesses may harm our financial results.
- Because our long-term growth strategy involves further expansion of our sales to customers outside the United States, our business will be susceptible to risks associated with international operations.

Risks Related to Cybersecurity, and Reliability

- Compromise or unauthorized access to our data or the data of our customers or their employees could harm our business and our customers, cause customers to curtail or cease their use of our applications, damage our reputation, and cause us to incur significant liabilities.
- Interruptions or delays in service from our third-party data center providers could impair our ability to make our platform and applications available to our customers, resulting in customer dissatisfaction, damage to our reputation, loss of customers, limited growth, and reduction in revenue.

Risks Related to Data Privacy Government Regulation

- We are subject to governmental laws and regulations, particularly related to privacy, data protection and information security, and our actual or perceived failure to comply with such obligations could harm our business.
- Compliance with governmental laws and regulations could impair our efforts to maintain and expand our customer base, and thereby decrease our revenue.
- If our applications fail to function in a manner that allows our customers to operate in compliance with regulations and/or industry standards, our revenue and operating results could be harmed.

- Risks Related to Our Intellectual Property.
- If we fail to protect our intellectual property and proprietary rights adequately, our business could be harmed.
- An assertion by a third party that we are infringing its intellectual property could subject us to costly and time-consuming litigation or expensive licenses that could harm our business and results of operations.
- The use of open source software in our platform and applications may expose us to additional risks and harm our intellectual property.

Risks Related to Ownership of Our Common Stock

- Our stock price may be volatile and you may lose some or all of your investment.
- We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.
- Conversion of the \$450 million aggregate principal amount of 0.125% convertible senior notes due December 15, 2024 (the “2024 Notes”) and \$115 million aggregate principal amount of 1.50% convertible senior notes due November 1, 2022 (the “2022 Notes”) will dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.
- We are obligated to maintain a system of effective internal control over financial reporting and any failure to maintain the adequacy of these internal controls may harm investor confidence in our company and, as a result, the value of our common stock.
- Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Risks Related to Our Indebtedness

- We issued convertible notes that have rights senior to our common stock.
- Servicing our debt requires a significant amount of cash, and we may not have sufficient cash flow from our business to pay our substantial debt.
- The conditional conversion feature of the 2024 Notes and 2022 Notes, may adversely affect our financial condition and operating results.

General Risks

- The ongoing COVID-19 pandemic could materially and adversely affect our business, results of operations and financial condition.
- Legislative actions and new accounting pronouncements are likely to impact our future financial position or results of operations.
- We may have additional tax liabilities from sales taxes, inability to use net operating losses, or changes in regulations, any or all of which could change our effective tax rate or tax liability and have an adverse effect on our results of operations.
- We face exposure to foreign currency exchange rate fluctuations.

Risks Related to Our Business and Our Industry

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

The number of our full-time employees were 1,344, 948 and 777 as of December 31, 2020, 2019 and 2018, respectively. In 2020, we made a significant investment in our sales organization, growing our headcount by 40%, and our revenue increased by \$70.3 million for the year ended December 31, 2020 compared to 2019, due in part to the increase in our customer base.

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

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

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

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

We intend to continue our investment in sales and marketing, platform and applications, research and development, and general and administrative functions and other areas to grow our business. We are likely to recognize the costs associated with these investments earlier than some of the anticipated benefits and the return on these investments may be lower, or may develop more slowly, than we expect, which could adversely affect our operating results.

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

We have not been profitable on a consistent basis historically and may not achieve or maintain profitability in the future.

We have posted a net loss in each year since inception, including net losses of \$93.4 million, \$52.3 million and \$47.5 million in the years ended December 31, 2020, 2019 and 2018, respectively. As of December 31, 2020, we had an accumulated deficit of \$293.3 million. While we have experienced significant revenue growth in recent periods, we are not certain whether or when we will obtain a high enough volume of sales of our applications to sustain or increase our growth or achieve or maintain profitability in the future. Our ability to achieve or maintain profitability also has been and will continue to be impacted by non-cash stock-based compensation. We also expect our costs to increase in future periods, which could negatively affect our future operating results if our revenue does not increase. In particular, we expect to continue to expend substantial financial and other resources on:

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

These investments may not result in increased revenue or growth in our business. If we are unable to increase our revenue at a rate sufficient to offset the expected increase in our costs, our business, financial position and results of operations will be harmed, and we may not be able to achieve or maintain profitability over the long term. Additionally, we may encounter unforeseen operating expenses, difficulties, complications, delays and other unknown factors that may result in losses in future periods. If our revenue growth does not meet our expectations in future periods, our financial performance may be harmed, and we may not achieve or maintain profitability in the future.

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

While we have introduced several new event management applications over the last few years, we derived approximately 50%, 61% and 62% of our revenue from sales of our Mass Notification application in 2020, 2019 and 2018, respectively, and expect to continue to derive a substantial portion of our revenue from sales of this application in the near term. As a result, our operating results could suffer due to:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Our quarterly operating results may vary from period to period, which could result in our failure to meet expectations with respect to operating results and cause the trading price of our stock to decline.

Our operating results, including the levels of our revenue, renewal rates, cash flows, deferred revenue and gross margins, have historically varied from period to period, and we expect that these items will continue to do so as a result of a number of factors, many of which are outside of our control, including:

- the level of demand for our products and services;
- customer renewal rates and ability to attract new customers;
- the extent to which customers purchase additional products or services;
- the mix of our products and services sold during a period;
- network outages, security breaches, technical difficulties or interruptions with our products;
- changes in the growth rate of the markets in which we compete;
- sales of our products and services due to seasonality and customer demand;
- the timing and success of new product or service introductions by us or our competitors or any other changes in the competitive landscape of its industry, including consolidation among our competitors;
- the introduction or adoption of new technologies that compete with our offerings;
- decisions by potential customers to purchase critical event management products or services from other vendors;
- the amount and timing of operating costs and capital expenditures related to the operations and expansion of our business;
- price competition;
- our ability to successfully manage and integrate our previous acquisitions and any future acquisitions of businesses, including the recent acquisitions of Connexient, Inc. (“Connexient”), CNL Software, One2Many Group B.V. (“one2many”), Techwan, SnapComms and Red Sky Technologies Inc. (“Red Sky”) and including without limitation the amount and timing of expenses and potential future charges for impairment of goodwill from acquired companies;
- our ability to establish and grow relationships with partners to market and sell our products and services;
- our continued international expansion and associated exposure to changes in foreign currency exchange rates, including any fluctuations caused by uncertainties relating to the United Kingdom’s exit from the European Union, commonly referred to as “Brexit”;
- the amount and timing of operating expenses related to the maintenance and expansion of our business, operations and infrastructure;
- the announcement or adoption of new regulations and policy mandates or changes to existing regulations and policy mandates;
- the cost or results of existing or unforeseen litigation and intellectual property infringement;
- the strength of regional, national and global economies;
- quarantine, private travel limitation, or business disruption in regions affecting our operations, stemming from actual, imminent or perceived outbreak of contagious disease, including the COVID-19 pandemic;
- the impact of natural disasters or manmade problems such as terrorism or war; and
- future accounting pronouncements or changes in our accounting policies.

Fluctuations in our quarterly operating results, key metrics, non-GAAP metrics and the price of our common stock may be particularly pronounced in the current economic environment due to the uncertainty caused by and the

unprecedented nature of the current COVID-19 pandemic. Each factor above or discussed elsewhere herein or the cumulative effect of some of these factors may result in fluctuations in our operating results. This variability and unpredictability could result in our failure to meet expectations with respect to operating results, or those of securities analysts or investors, for a particular period. If we fail to meet or exceed expectations for our operating results for these or any other reasons, the market price of our stock could fall and we could face costly lawsuits, including securities class action suits.

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

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

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

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

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

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

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

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

We have acquired businesses and technology in the past. For example, we acquired Connexient and CNL Software Limited in February 2020, one2many in March 2020, Techwan in May 2020, SnapComms in August 2020 and Red Sky in January 2021. We believe that part of our continued growth will be driven by acquisitions of other companies or their technologies, assets, businesses and teams. Any acquisitions we complete will give rise to risks, including:

- incurring higher than anticipated capital expenditures and operating expenses;
- failing to assimilate the operations and personnel or failing to retain the key personnel of the acquired company or business;
- failing to integrate the acquired technologies, or incurring significant expense to integrate acquired technologies, into our platform and applications;
- disrupting our ongoing business;
- diverting our management's attention and other company resources;
- failing to maintain uniform standards, controls and policies;
- incurring significant accounting charges;
- impairing relationships with our customers and employees;
- finding that the acquired technology, asset or business does not further our business strategy, that we overpaid for the technology, asset or business or that we may be required to write off acquired assets or investments partially or entirely;
- failing to realize the expected synergies of the transaction;
- being exposed to unforeseen liabilities and contingencies that were not identified prior to acquiring the company; and
- being unable to generate sufficient revenue and profits from acquisitions to offset the associated acquisition costs.

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

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

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

We believe our success has depended, and continues to depend, on the efforts and talents of our senior management and key personnel. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees. Qualified individuals are in high demand, and we may incur significant costs to attract them. In addition, the loss of any of our senior management or key personnel could interrupt our ability to execute our business plan, as such individuals may be difficult to replace. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, our business and results of operations could be harmed.

If we are unable to increase sales of our solutions to large organizations while mitigating the risks associated with serving such customers, our business, financial position and results of operations may suffer.

Our growth strategy is dependent, in part, upon increasing sales of our solutions to large enterprises and governments. Sales to large customers involve risks that may not be present (or that are present to a lesser extent) with sales to smaller entities. These risks include:

- increased purchasing power and leverage held by large customers in negotiating contractual arrangements with us;
- more stringent and complicated implementation processes, including stricter implementation deadlines and penalties for any failure to meet such deadlines;
- more stringent or costly requirements imposed upon us in our support service contracts with such customers, including stricter support response times and penalties for any failure to meet support requirements;
- longer sales cycles and the associated risk that substantial time and resources may be spent on a potential customer that ultimately elects not to purchase our platform or purchases less than we hoped;
- closer relationships with, and dependence upon, large technology companies who offer competitive products; and
- more pressure for discounts and write-offs.

In addition, because security breaches with respect to larger, high-profile enterprises are likely to be heavily publicized, there is increased reputational risk associated with serving such customers. If we are unable to increase sales of our offerings to large enterprise and government customers while mitigating the risks associated with serving such customers, our business, financial position and results of operations may suffer.

Our revenue growth will depend in part on the success of our efforts to augment our direct-sales channels by developing relationships with third parties.

We rely largely on the direct-sales model to market our platform. In order to continue to build our business, we plan to continue to develop partnerships to support our sales efforts through referrals and co-selling arrangements. Our efforts to develop relationships with partners are still at an early stage, we have generated limited revenue through these relationships to date, and we cannot assure you that we will be able to develop and maintain successful partnerships or that these partners will be successful in marketing and selling our platform or solutions based upon our platform. Identifying partners, negotiating and supporting relationships with them and maintaining relationships requires a significant commitment of time and resources that may not yield a significant return on our investment. We expect that our partners will have only limited commitments to dedicate resources to marketing and promoting our solutions. In addition, our competitors may be more effective in providing incentives to our partners or prospective partners to favor their products or services over our solutions. If we are unsuccessful in establishing or maintaining our relationships with partners, or if these partners are unsuccessful in marketing or selling our solutions or are unable or unwilling to devote sufficient resources to these activities, our ability to compete in the marketplace or to grow our revenue could be impaired and our operating results may suffer. Further, new or emerging technologies, technological trends or changes in customer requirements may result in certain third parties de-emphasizing their dealings with us or becoming potential competitors in the future.

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

A component of our growth strategy involves the further expansion of our operations and customer base internationally. We opened our first international office in Beijing, China in April 2012 and subsequently opened an office in Windsor, England in September 2012 as part of our geographic expansion. In March 2014, we acquired Vocal Limited, a mass notification company based in Colchester, England. In December 2016, we acquired Svensk Krisledning AB, a SaaS mobile crisis management company based in Norsborg, Sweden. In April 2018, we acquired Unified Messaging Systems ASA, a critical communication and population alerting systems company based in Oslo, Norway. In May 2018, we acquired Respond B.V., a critical communication solutions company based in the

Netherlands. In February 2020, we acquired CNL Software Limited, a global provider of physical security information management platform software based in Camberley, United Kingdom. In March 2020, we acquired One2Many Group B.V. based in the Netherlands. In May 2020, we acquired Techwan SA based in Switzerland. In August 2020, we acquired SnapComms Limited based in New Zealand. For the years ended December 31, 2020 and 2019, approximately 26% and 22% of our revenue, respectively, was derived from customers located outside of the United States. We intend to further expand our local presence in regions such as Europe, the Middle East and Asia. Our current international operations and future initiatives will involve a variety of risks, including:

- currency exchange rate fluctuations and the resulting effect on our revenue and expenses, and the cost and risk of entering into hedging transactions if we chose to do so in the future;
- economic or political instability in foreign markets;
- greater difficulty in enforcing contracts, accounts receivable collection and longer collection periods;
- more stringent regulations relating to technology, including with respect to privacy, data security and the unauthorized use of, access to, or deletion of commercial and personal information, particularly in the European Union;
- difficulties in maintaining our company culture with a dispersed and distant workforce;
- unexpected changes in regulatory requirements, taxes or trade laws;
- differing labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- challenges inherent in efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- difficulties in managing a business in new markets with diverse cultures, languages, customs, legal systems, alternative dispute systems and regulatory systems;
- limitations on our ability to reinvest earnings from operations in one country to fund the capital needs of our operations in other countries;
- limited or insufficient intellectual property protection;
- political instability or terrorist activities;
- differing exposure to, responses to and capacities for managing the COVID-19 pandemic;
- likelihood of potential or actual violations of domestic and international anticorruption laws, such as the U.S. Foreign Corrupt Practices Act and the U.K. Bribery Act, or of U.S. and international export control and sanctions regulations, which likelihood may increase with an increase of sales or operations in foreign jurisdictions and operations in certain industries; and
- adverse tax burdens and foreign exchange controls that could make it difficult to repatriate earnings and cash.

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

Our business, including the sales of our products and professional services by us and our channel partners, may be subject to foreign governmental regulations, which vary substantially from country to country and change from time to time. Our failure, or the failure by our channel partners, to comply with these regulations could adversely affect

our business. Further, in many foreign countries it is common for others to engage in business practices that are prohibited by our internal policies and procedures or U.S. regulations applicable to us. Although we have implemented policies and procedures designed to comply with these laws and policies, there can be no assurance that our employees, contractors, channel partners and agents have complied, or will comply, with these laws and policies. Violations of laws or key control policies by our employees, contractors, channel partners or agents could result in delays in revenue recognition, financial reporting misstatements, fines, penalties or the prohibition of the importation or exportation of our products and could have a material adverse effect on our business and results of operations. If we are unable to successfully manage the challenges of international expansion and operations, our business and operating results could be adversely affected.

We are also monitoring developments related to the United Kingdom's departure from the European Union on January 31, 2020, commonly referred to as "Brexit." Brexit could have significant implications for our business and could lead to economic and legal uncertainty, including significant volatility in global stock markets and currency exchange rates, and differing laws and regulations as the United Kingdom determines which European Union laws to replace or replicate. Any of these effects of Brexit, among others, could adversely affect our operations in the United Kingdom and our financial results.

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

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

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

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

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

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

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

Risks Related to Cybersecurity, and Reliability

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

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

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

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

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

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

In addition, we often have access to or are required to collect and store confidential client and customer data. If any person, including any of our employees or former employees, penetrates our network security, accidentally exposes our data or code, or misappropriates data or code that belongs to us, our clients, or our clients' customers, we could be subject to significant liability from our clients or from our clients' customers for breaching contractual confidentiality provisions or privacy laws. Unauthorized disclosure of sensitive or confidential client and customer

data, whether through breach of our computer systems, systems failure, loss or theft of confidential information or intellectual property belonging to our clients or our clients' customers, or otherwise, could damage our reputation, cause us to lose clients and revenues, and result in financial and other potential losses by us.

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

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

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

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

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

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

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

provided by the third-party software currently offered in conjunction with our applications in the event that such software becomes obsolete or incompatible with future versions of our platform and applications or is otherwise not adequately maintained or updated.

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

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

Risks Related to Data Privacy Government Regulation

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

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

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

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

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

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

Further, Brexit could lead to additional legislative and regulatory changes. The United Kingdom Data Protection Act that substantially implements the GDPR became law in May 2018 and was subject to statutory amendments in 2019 that further align it with the GDPR. The development of United Kingdom data protection laws or regulations and regulation of data transfers to and from the United Kingdom in the medium to longer term, however, remain unclear and could impact our ability to sell our products and services to customers in the United Kingdom.

California enacted legislation in 2018, the California Consumer Privacy Act (the “CCPA”), that became operative on January 1, 2020. The CCPA requires covered companies to, among other things, provide new disclosures to California consumers, and affords such consumers new abilities to opt-out of certain sales of personal information. The CCPA is the subject of proposed regulations of the California Attorney General that were released on October 10, 2019 but have yet to be finalized. Aspects of the CCPA and its interpretation remain unclear at this time. We cannot fully predict the impact of the CCPA on our business or operations, but it may require us to modify our data processing practices and policies and to incur substantial costs and expenses in an effort to comply.

While we have taken steps to mitigate the impact of the GDPR on us, such as implementing standard contractual clauses and self-certifying under the EU-US Privacy Shield, the efficacy and longevity of these mechanisms remains uncertain. For example, on July 16, 2020, the CJEU invalidated the U.S.-EU Privacy Shield framework that had been in place since 2016, which allowed companies like us to meet certain European legal requirements for the transfer of personal data from the EEA to the United States, and imposed additional obligations on companies when relying on the model clauses approved by the EU Commission. This CJEU decision may result in different EEA data protection regulators applying differing standards for the transfer of personal data from the EEA to the United States, and even require ad hoc verification of measures taken with respect to data flows. The invalidation of the U.S.-EU Privacy Shield framework will require us to take additional steps to legitimize any personal data transfers that are impacted by this decision. This could result in increased costs of compliance and limitations on our customers and us. More generally, we find it necessary or desirable to modify our data handling practices, and this CJEU decision or other legal challenges relating to cross-border data transfer may serve as a basis for our personal data handling practices, or those of our customers and vendors, to be challenged and may otherwise adversely impact our business, financial condition and operating results. Potential or actual legal proceedings could lead to one or both of these mechanisms being declared invalid. Further, despite our ongoing efforts to maintain compliance with the GDPR, we may not be successful either due to various factors within our control (such as limited financial or human resources) or outside our control (such as a lack of vendor cooperation). It’s also possible that local data protection authorities (DPAs) may have different interpretations of the GDPR, leading to potential inconsistencies amongst various EU states.

Globally, governments and agencies have adopted and could in the future adopt, modify, apply or enforce laws, policies, regulations, and standards covering user privacy, data security, technologies such as cookies that are used

to collect, store and/or process data, marketing online, the use of data to inform marketing, the taxation of products and services, unfair and deceptive practices, and the collection (including the collection of information), use, processing, transfer, storage and/or disclosure of data associated with unique individual internet users.

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

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

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

Governments and industry organizations may also adopt new laws, regulations or requirements, or make changes to existing laws or regulations, that could impact the demand for, or value of, our applications. If we are unable to adapt our applications to changing legal and regulatory standards or other requirements in a timely manner, or if our applications fail to allow our customers to communicate in compliance with applicable laws and regulations, our customers may lose confidence in our applications and could switch to products offered by our competitors, or threaten or bring legal actions against us.

In addition, governmental and other customers may require our applications to comply with certain privacy, security or other certifications and standards. For instance, with regard to transfers of personal data, on July 16, 2020, the Court of Justice of the European Union ("CJEU") invalidated the U.S.-EU Privacy Shield framework that had been in place since 2016, which allowed companies like us to meet certain European legal requirements for the transfer of personal data from the European Economic Area ("EEA") to the United States, and imposed additional obligations on companies when relying on the model clauses approved by the EU Commission. The invalidation of the U.S.-EU Privacy Shield framework will require us to take additional steps to legitimize any personal data transfers that are impacted by this decision. While we have other legally recognized mechanisms in place that we believe allow for the lawful transfer of EU customer and employee information to the United States, this invalidation decision could result in increased costs of compliance and limitations on our customers and us. Further, it is possible that these other transfer mechanisms may also be challenged or evolve to include new legal requirements that could have an impact on how we move this data. If our applications fail to maintain compliance with these certifications and standards, or our competitors achieve compliance with these certifications and standards, we may be disqualified from selling our applications to such customers, or may otherwise be at a competitive disadvantage, either of which would harm our business, results of operations and financial condition. If our policies and practices are, or are perceived to be, insufficient or if our customers have concerns regarding the transfer of data from the European Union to the United States, we could be subject to enforcement actions or investigations by EU Data Protection Authorities or lawsuits by private parties, and our business could be negatively impacted.

Failure to comply with governmental laws and regulations could harm our business.

Our business is subject to regulation by various federal, state, local and foreign governments. For example, the Telephone Consumer Protection Act of 1991 (“TCPA”), restricts telemarketing and the use of automatic text messages without proper consent. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations due to the failure of our customers to comply with these laws by obtaining proper consent, we could face direct liability. In certain jurisdictions, these regulatory requirements may be more stringent than those in the United States. Noncompliance with applicable regulations or requirements could subject us to investigations, sanctions, enforcement actions, disgorgement of profits, fines, damages, civil and criminal penalties, injunctions or other collateral consequences. If any governmental sanctions are imposed, or if we do not prevail in any possible civil or criminal litigation, our business, results of operations, and financial condition could be materially adversely affected. In addition, responding to any action will likely result in a significant diversion of management’s attention and resources and an increase in professional fees. Enforcement actions and sanctions could harm our business, reputation, results of operations and financial condition.

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

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

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

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

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

Certain of our existing applications, such as Secure Collaboration, a tailored version of our Secure Messaging application that is designed to comply with HIPAA, are and are likely to continue to be subject to increasing regulatory requirements in a number of ways and as we continue to introduce new applications, we may be subject to additional regulatory requirements and other risks that could be costly and difficult to comply with or that could harm our business. In addition, we market our applications and professional services in certain countries outside of the United States and plan to expand our local presence in regions such as Europe, the Middle East and Asia. If additional legal and/or regulatory requirements are implemented in the foreign countries in which we provide our services, the cost of developing or selling our applications may increase. As these requirements proliferate and as

existing legal requirements become subject to new interpretations, we must change or adapt our applications and professional services to comply. Changing regulatory requirements might render certain of our applications obsolete or might block us from accomplishing our work or from developing new applications. This might in turn impose additional costs upon us to comply or to further develop our applications. It might also make introduction of new applications or service types more costly or more time-consuming than we currently anticipate. It might even prevent introduction by us of new applications or cause the continuation of our existing applications or professional services to become unprofitable or impossible.

Risks Related to Our Intellectual Property

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

Our future success and competitive position depend in part on our ability to protect our intellectual property and proprietary technologies. To safeguard these rights, we rely on a combination of patent, trademark, copyright and trade secret laws and contractual protections in the United States and other jurisdictions, some of which afford only limited protection.

We have numerous issued patents and patent applications pending as of December 31, 2020. We cannot assure you that any patents will issue from any patent applications, that patents that issue from such applications will give us the protection that we seek or that any such patents will not be challenged, invalidated, or circumvented. Any patents that may issue in the future from our pending or future patent applications may not provide sufficiently broad protection and may not be enforceable in actions against alleged infringers. In addition, we have registered the “Everbridge”, “Nixle” and “Visual Command Center” names in the United States, and have registered the “Everbridge” name in the European Union. We have registrations and/or pending applications for additional marks in the United States and various other countries; however, we cannot assure you that any future trademark registrations will be issued for pending or future applications or that any registered trademarks will be enforceable or provide adequate protection of our proprietary rights.

In order to protect our unpatented proprietary technologies and processes, we rely on trade secret laws and confidentiality agreements with our employees, consultants, vendors and others. Despite our efforts to protect our proprietary technology and trade secrets, unauthorized parties may attempt to misappropriate, reverse engineer or otherwise obtain and use them. In addition, others may independently discover our trade secrets, in which case we would not be able to assert trade secret rights, or develop similar technologies and processes. Further, the contractual provisions that we enter into may not prevent unauthorized use or disclosure of our proprietary technology or intellectual property rights and may not provide an adequate remedy in the event of unauthorized use or disclosure of our proprietary technology or intellectual property rights. Effective trade secret protection may not be available in every country in which our services are available or where we have employees or independent contractors. The loss of trade secret protection could make it easier for third parties to compete with our solutions by copying functionality. In addition, any changes in, or unexpected interpretations of, the trade secret and employment laws in any country in which we operate may compromise our ability to enforce our trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

In addition, to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect these rights. Litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Failure to adequately enforce our intellectual property rights could also result in the impairment or loss of those rights. Furthermore, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Patent, copyright, trademark and trade secret laws offer us only limited protection and the laws of many of the countries in which we sell our services do not protect proprietary rights to the same extent as the United States and Europe. Accordingly, defense of our trademarks and proprietary technology may become an increasingly important issue as we continue to expand our operations and solution development into countries that provide a lower level of intellectual property protection than the United States or Europe. Policing unauthorized use of our intellectual property and technology is difficult and the steps we take may not prevent misappropriation of the

intellectual property or technology on which we rely. For example, in the event of inadvertent or malicious disclosure of our proprietary technology, trade secret laws may no longer afford protection to our intellectual property rights in the areas not otherwise covered by patents or copyrights. Accordingly, we may not be able to prevent third parties from infringing upon or misappropriating our intellectual property.

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

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

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

Patent and other intellectual property disputes are common in our industry and we have been involved in such disputes from time to time in the ordinary course of our business. Some companies, including some of our competitors, own large numbers of patents, copyrights and trademarks, which they may use to assert claims against us. Third parties may in the future assert claims of infringement, misappropriation or other violations of intellectual property rights against us. They may also assert such claims against our customers whom we typically indemnify against claims that our solution infringes, misappropriates or otherwise violates the intellectual property rights of third parties. As the numbers of products and competitors in our market increase and overlaps occur, claims of infringement, misappropriation and other violations of intellectual property rights may increase. Any claim of infringement, misappropriation or other violation of intellectual property rights by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from our business.

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

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

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

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

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

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

Our platform and some of our applications use or incorporate software that is subject to one or more open source licenses and we may incorporate additional open source software in the future. Open source software is typically freely accessible, usable and modifiable; however, certain open source software licenses require a user who intends to distribute the open source software as a component of the user's software to disclose publicly part or all of the source code to the user's software. In addition, certain open source software licenses require the user of such software to make any modifications or derivative works of the open source code available to others on potentially unfavorable terms or at no cost. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide warranties or other contractual protections regarding infringement claims or the quality of the code.

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

Although we are not aware of any use of open source software in our platform and applications that would require us to disclose all or a portion of the source code underlying our core applications, it is possible that such use may have inadvertently occurred in deploying our platform and applications, or that persons or entities may claim such

disclosure to be required. Disclosing our proprietary source code could allow our competitors to create similar products with lower development effort and time and ultimately could result in a loss of sales for us. Disclosing the source code of our proprietary software could also make it easier for cyber attackers and other third parties to discover vulnerabilities in or to defeat the protections of our products, which could result in our products failing to provide our customers with the security they expect. Any of these events could have a material adverse effect on our business, operating results and financial condition. Additionally, if a third-party software provider has incorporated certain types of open source software into software we license from such third party for our platform and applications without our knowledge, we could, under certain circumstances, be required to disclose the source code to our platform and applications. This could harm our intellectual property position and our business, results of operations and financial condition.

Risks Related to Ownership of Our Common Stock

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

The market price of our common stock may be highly volatile and may fluctuate substantially as a result of a variety of factors, some of which are related in complex ways. Our stock price ranged from an intraday low of \$77.60 to an intraday high of \$165.79 during the year ended December 31, 2020. Factors that may affect the market price of our common stock include:

- actual or anticipated fluctuations in our financial condition and operating results;
- variance in our financial performance from expectations of securities analysts;
- changes in the prices of our applications;
- changes in our projected operating and financial results;
- changes in laws or regulations applicable to our platform and applications;
- announcements by us or our competitors of significant business developments, acquisitions or new applications;
- our involvement in any litigation;
- our sale of our common stock or other securities in the future;
- changes in senior management or key personnel;
- trading volume of our common stock;
- changes in the anticipated future size and growth rate of our market; and
- general economic, regulatory and market conditions.

Recently, the stock markets have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many companies. These fluctuations have often been unrelated or disproportionate to the operating performance of those companies. Broad market and industry fluctuations, as well as general economic, political, regulatory and market conditions, may negatively impact the market price of our common stock. In the past, companies that have experienced volatility in the market price of their securities have been subject to securities class action litigation. We may be the target of this type of litigation in the future, which could result in substantial costs and divert our management's attention.

We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.

We have provided and may continue to provide guidance about our business, future operating results and other business metrics. In developing this guidance, our management must make certain assumptions and judgments about our future performance. Some of those key assumptions relate to the impact of the COVID-19 pandemic, the anticipated contributions from the acquisitions of Connexient, CNL Software, one2many, Techwan, SnapComms and Red Sky, and the associated economic uncertainty on our business and the timing and scope of economic

recovery globally, which are inherently difficult to predict. This guidance, which consists of forward-looking statements, is qualified by, and subject to, such assumptions, estimates and expectations as of the date provided, and the other information contained in or referred to in the factors described above and our current and periodic reports filed with the Securities and Exchange Commission. While presented with numerical specificity, this guidance is necessarily speculative in nature, and is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions or economic conditions, some of which may change. It can be expected that some or all of the assumptions, estimates and expectations of the guidance furnished by us from time to time will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release of such guidance. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our business results may vary significantly from such guidance or that consensus due to a number of factors, many of which are outside of our control, including due to the global economic uncertainty and financial market conditions caused by the COVID-19 pandemic, and which could adversely affect our operations and operating results. There are no comparable recent events that provide guidance as to the probable effect of the COVID-19 pandemic, and, as a result, the ultimate impact of the COVID-19 outbreak is highly uncertain and subject to change. We are relying on the reports and models of economic and medical experts in making assumptions relating to the duration of this crisis and predictions as to timing and pace of any future economic recovery. If these models are incorrect or incomplete, or if we fail to accurately predict the full impact that the COVID-19 pandemic will have on all aspects of our business, the guidance and other forward-looking statements we provide from time to time may also be incorrect or incomplete. Furthermore, if we make downward revisions of previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock could decline.

Conversion of the 2024 Notes and 2022 Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.

In December 2019, we issued the 2024 Notes, which will mature on December 15, 2024, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In November 2017, we issued the 2022 Notes, which will mature on November 1, 2022, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. The conversion of some or all of the convertible 2024 Notes and 2022 Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the 2024 Notes and 2022 Notes. Based on the market price of our common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of December 31, 2020. During 2020, we issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes. The 2024 Notes were not convertible during the year ended December 31, 2020. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2024 Notes and 2022 Notes may encourage short selling by market participants because the conversion of the 2024 Notes and 2022 Notes could be used to satisfy short positions, or anticipated conversion of the 2024 Notes and 2022 Notes into shares of our common stock could depress the price of our common stock.

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

In connection with the issuances of the 2024 Notes and 2022 Notes, we entered into capped call transactions with the respective option counterparties. The capped call transactions are expected generally to reduce the potential dilution upon conversion of the 2024 Notes and 2022 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2024 Notes and 2022 Notes, as the case may be, with such reduction and/or offset subject to a cap. In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the 2024 Notes and 2022 Notes. The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2024 Notes and 2022 Notes (and are likely to do so during any observation period related to a conversion of 2024 Notes and 2022 Notes). This activity could cause or avoid an increase or a decrease in the market price of our common stock.

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

The Sarbanes-Oxley Act of 2002 requires that we maintain effective internal control over financial reporting and disclosure controls and procedures. We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting.

Our compliance with Section 404 necessitates that we incur substantial accounting expense and expend significant management efforts. We will continue to dedicate internal resources, engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting and to compile the system and process documentation necessary to perform the evaluation needed to comply with Section 404. However, we cannot assure you that our independent registered public accounting firm will be able to attest to the effectiveness of our internal control over financial reporting. We may not be able to remediate any material weaknesses that may be identified, or to complete our evaluation, testing and any required remediation in a timely fashion and our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at which our controls are documented, designed or operating.

Any failure to maintain adequate internal controls over financial reporting could severely inhibit our ability to accurately report our financial condition or results of operations. If we are unable to assert that our internal control over financial reporting is effective, or if our auditors are unable to express an opinion on the effectiveness of our internal controls when they are required to issue such opinion, investors could lose confidence in the accuracy and completeness of our financial reports, the market price of our common stock could decline, and we could be subject to sanctions or investigations by the Nasdaq Global Market, the SEC or other regulatory authorities. Failure to remedy any material weakness in our internal control over financial reporting, or to implement or maintain other effective control systems required of public companies, could also restrict our future access to the capital markets.

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

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

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

We have never declared or paid any cash dividends on our common stock and do not intend to pay any cash dividends to holders of our common stock in the foreseeable future. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

Anti-takeover provisions in our charter documents and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock.

Provisions in our amended and restated certificate of incorporation and our amended and restated bylaws may have the effect of delaying or preventing a change in control or changes in our management. Our amended and restated certificate of incorporation and amended and restated bylaws include provisions that:

- authorize our board of directors to issue preferred stock, without further stockholder action and with voting liquidation, dividend and other rights superior to our common stock;
- require that any action to be taken by our stockholders be affected at a duly called annual or special meeting and not by written consent, and limit the ability of our stockholders to call special meetings;
- establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for director nominees;
- establish that our board of directors is divided into three classes, with directors in each class serving three-year staggered terms;
- require the approval of holders of two-thirds of the shares entitled to vote at an election of directors to adopt, amend or repeal our bylaws or amend or repeal the provisions of our certificate of incorporation regarding the election and removal of directors and the ability of stockholders to take action by written consent or call a special meeting;
- prohibit cumulative voting in the election of directors; and
- provide that vacancies on our board of directors may be filled only by the vote of a majority of directors then in office, even though less than a quorum.

These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors, which is responsible for appointing the members of our management. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the General Corporation Law of the State of Delaware, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder. Any of the foregoing provisions could limit the price that investors might be willing to pay in the future for shares of our common stock, and they could deter potential acquirers of our company, thereby reducing the likelihood that you would receive a premium for your common stock in an acquisition.

Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us.

Pursuant to our amended and restated certificate of incorporation, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws, or (4) any action asserting a claim governed by the internal affairs doctrine. Our amended and restated certificate of incorporation further provides that any person or entity purchasing or otherwise acquiring any interest in shares of our common stock is deemed to have notice of and

consented to the foregoing provision. The forum selection clause in our amended and restated certificate of incorporation may limit our stockholders' ability to obtain a favorable judicial forum for disputes with us.

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

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

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

Risks Related to our Indebtedness

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

In December 2019, we issued the 2024 Notes, which will mature on December 15, 2024, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In November 2017, we issued the 2022 Notes, which will mature on November 1, 2022, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In connection with the issuance of the 2024 Notes, we paid \$57.8 million to repurchase \$23.0 million in aggregate principal amount of the 2022 Notes. During 2020, we issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes.

The 2024 Notes and 2022 Notes rank senior in right of payment to our common stock and any of our indebtedness that is expressly subordinated in right of payment to the 2024 Notes and 2022 Notes; equal in right of payment to any of our liabilities that are not so subordinated (including to the 2022 Notes, in the case of the 2024 Notes, and to the 2024 Notes, in the case of the 2022 Notes); effectively junior in right of payment to any of our secured indebtedness, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the 2024 Notes and 2022 Notes will be available to pay obligations on the 2024 Notes and 2022 Notes only after the secured debt has been repaid in full from these assets, and our assets will be available to pay common stockholders only after all debt obligations have been repaid. There may not be sufficient assets remaining to pay amounts due on any or all of the 2024 Notes and 2022 Notes then outstanding or any or all shares of our common stock then outstanding.

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

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2024 Notes and 2022 Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

As of December 31, 2020, we had \$530 million (undiscounted) principal amount of indebtedness under the 2024 Notes and 2022 Notes. Our indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;
- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

In addition, any future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

The accounting method for convertible debt securities that may be settled in cash, such as the 2024 Notes and 2022 Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*, which has subsequently been codified as Accounting Standards Codification (“ASC”) 470-20, *Debt with Conversion and Other Options*. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the 2024 Notes and 2022 Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the 2024 Notes and 2022 Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet, and the value of the equity component was treated as original issue discount for purposes of accounting for the debt component of the 2024 Notes and 2022 Notes. As a result, we recorded a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the 2024 Notes and 2022 Notes to their face amount over the term of the 2024 Notes and 2022 Notes. We reported lower net income in our financial results because ASC 470-20 requires interest to include both the current period’s amortization of the debt discount and the instrument’s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the 2024 Notes and 2022 Notes.

The conditional conversion feature of the 2024 Notes and 2022 Notes, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2024 Notes or the 2022 Notes is triggered, holders of the 2024 Notes or the 2022 Notes, as the case may be, will be entitled to convert the 2024 Notes or the 2022 Notes at any time during specified periods at their option. Based on the market price of our common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of December 31, 2020. The 2024 Notes were not convertible during the year ended December 31, 2020, but will be convertible under certain circumstances. If one or more holders elect to convert their 2022 Notes or their 2024 Notes, as the case may be, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2022 Notes or their 2024 Notes, as the case may be, we could be required under applicable accounting rules to

reclassify all or a portion of the outstanding principal of the 2022 Notes or the 2024 notes, as applicable, as a current rather than long-term liability, which would result in a material reduction of our net working capital.

General Risks

The ongoing COVID-19 pandemic could materially and adversely affect our business, results of operations and financial condition.

The impact of the ongoing COVID-19 pandemic is severe, and widespread, and while the rollout of vaccines has begun, the timing of vaccinations and lifting of shelter in place requirements and movement restrictions is unknown. We are unable to accurately predict the full impact that the COVID-19 pandemic will have on our results of operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration and severity of the pandemic and containment measures. Our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations, as well as that of our customers, partners, suppliers and others with whom we work, for an indefinite period of time. To support the health and well-being of our employees, customers, partners and communities, the vast majority of our employees are working remotely and are expected to continue to work remotely until the pandemic subsides. If a natural disaster, power outage, connectivity issue, or other event occurred that impacted our employees' ability to work remotely, it may be difficult or, in certain cases, impossible, for us to continue our business for a substantial period of time. The increase in remote working for employees, vendors or contractors may also result in increased consumer privacy, IT security, and fraud concerns. Further, as certain businesses return to onsite operations, we may experience disruptions if our employees or third-party service providers' employees become ill despite the availability of vaccines, and are unable to perform their duties. This may impact our operations, internet, or mobile networks, or the operations of one or more of our third-party service providers. In addition, many of our customers and prospective customers are working remotely, which may delay the timing of their purchases of our products and services.

The disruptions to our operations caused by the COVID-19 pandemic may result in inefficiencies, delays and additional costs in our sales and marketing, professional services and research and development efforts, which cannot be predicted or quantified at this time. We may not be able to fully mitigate any such inefficiencies, delays and additional costs through remote or other alternative work arrangements. In addition, given the economic uncertainty created by the COVID-19 pandemic, we have and may continue to see delays in our sales cycle, failures of customers to renew at all or to renew at the anticipated scope their subscriptions with us, requests from customers for payment term deferrals as well as pricing or bundling concessions, which, if significant, could materially and adversely affect our business, results of operations and financial condition. In addition, our third-party service providers may experience financial difficulties or business disruptions that could negatively affect their operations and their ability to supply us with services needed for our products and operations. Although such events did not have a material adverse impact on our financial results for the year ended December 31, 2020, there can be no assurance that these events will not have a material adverse impact on our financial results for the full fiscal year or future periods.

Negative conditions in the general economy both in the United States and abroad, including conditions resulting from the COVID-19 pandemic, changes in gross domestic product growth, financial and credit market fluctuations, energy costs, international trade relations and other geopolitical issues, the availability and cost of credit and the global housing and mortgage markets could cause a decrease in consumer discretionary spending and business investment and diminish growth expectations in the U.S. economy and abroad. More generally, the COVID-19 pandemic raises the possibility of an extended global economic downturn and has caused volatility in financial markets, which could materially and adversely affect demand for our products and services and could materially and adversely impact our results and financial condition even after the pandemic has subsided and the containment measures are lifted. For example, we may be unable to collect receivables from those customers significantly impacted by the COVID-19 pandemic, which may be more pronounced in industry verticals more directly impacted by the COVID-19 pandemic. Also, a decrease in subscriptions and/or renewals in a given period could negatively affect our revenues in future periods, particularly if experienced on a sustained basis, because a substantial proportion of our software subscriptions yield revenue recognized over time. The pandemic may also have the effect of heightening many of the other risks described herein including risks associated with our guidance, our customers, our potential customers, our market opportunity, renewals and sales cycles, among others. We will continue to evaluate the nature and extent of the impact of the COVID-19 pandemic on our business.

The full extent of the COVID-19 pandemic's impact on our operations and financial performance depends on future developments that are uncertain and unpredictable, including the duration and spread of the pandemic, the timing of vaccine rollouts and herd immunity, the pandemic's impact on capital and financial markets, the timing of economic recovery, the spread of the virus to other regions, and the actions taken to contain it, among others. Any of these impacts could have a material adverse impact on our business, results of operations and financial condition and ability to execute and capitalize on our strategies. Due to the ongoing uncertainty regarding the severity and duration of the COVID-19 pandemic, we cannot predict whether our response to date or the actions we may take in the future will be effective in mitigating the effects of the COVID-19 pandemic on our business, results of operations or financial condition. Accordingly, we are unable at this time to predict the future impact of the COVID-19 pandemic on our operations, liquidity, and financial results, and, depending on the magnitude and duration of the COVID-19 pandemic, such impact may be material.

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

Our overall performance depends on domestic and worldwide economic conditions, which may remain challenging for the foreseeable future. Financial developments seemingly unrelated to us or to our industry may adversely affect us and our planned international expansion. The U.S. economy and other key international economies have been impacted by the COVID-19 pandemic, threatened sovereign defaults and ratings downgrades, falling demand for a variety of goods and services, restricted credit, threats to major multinational companies, poor liquidity, reduced corporate profitability, volatility in credit, equity and foreign exchange markets, bankruptcies and overall uncertainty. These conditions affect the rate of information technology spending and could adversely affect our customers' ability or willingness to purchase our applications and services, delay prospective customers' purchasing decisions, reduce the value or duration of their subscriptions or affect renewal rates, any of which could adversely affect our operating results. We cannot predict the timing, strength or duration of the economic recovery or any subsequent economic slowdown worldwide, in the United States, or in our industry.

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

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

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

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

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

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

For example, in August 2020, the FASB issued Accounting Standards Update ("ASU") 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. ASU 2020-06 reduces the number of accounting models for convertible instruments by eliminating two of the three models that require separate accounting for embedded conversion features, amends the requirements for a contract that is potentially settled in an entity's own shares to be classified in equity, and amends certain guidance on the computation of earnings per share for convertible instruments and contracts on an entity's own equity. ASU 2020-06 is effective beginning in the first quarter of 2022. We are assessing the impact this standard will have on our consolidated financial statements.

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

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

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

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

As of December 31, 2020, we had federal and state net operating loss carryforwards ("NOL"s) of \$240.1 million and \$222.4 million, respectively, due to prior period losses, of which \$175.8 million and \$76.2 million, respectively, can be carried forward indefinitely with the remaining expiring in various years through 2040 if not utilized. In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its NOLs to offset future taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes. Future changes in our stock ownership, some of which are outside of our control, could result in an ownership change. There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. We completed a Section 382 study for the period through March 31, 2019 and determined that a Section 382 ownership change occurred on December 31, 2017 subjecting all pre-Tax Act losses to a utilization limitation. We also have federal and state NOLs of \$9.2 million and \$9.1 million, respectively, from various acquisitions which are subject to limitations under Section 382. Additionally, state NOLs generated in one state cannot be used to offset income generated in another state. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, whether or not we attain profitability.

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

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

- Changes in the relative amounts of income before taxes in the various jurisdictions in which we operate that have differing statutory tax rates;
- Changes in tax laws, tax treaties and regulations or the interpretation of them;
- Changes to our assessment about the realizability of our deferred tax assets that are based on estimates of our future results, the prudence and feasibility of possible tax planning strategies, and the economic and political environments in which we do business;
- The outcome of current and future tax audits, examinations or administrative appeals;
- Changes in generally accepted accounting principles that affect the accounting for taxes; and
- Limitations or adverse findings regarding our ability to do business in some jurisdictions.

We may have additional tax liabilities.

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

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

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

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

In response to the COVID-19 pandemic, the United States passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in March 2020. The CARES Act includes various income and payroll tax measures which did not materially impact our financial statements.

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

State, local and foreign jurisdictions have differing rules and regulations governing sales, use, value added and other taxes, and these rules and regulations are subject to varying interpretations that may change over time. Further, these jurisdictions' rules regarding tax nexus are complex and vary significantly. If one or more jurisdictions were to assert that we have failed to collect taxes for sales of applications that leverage our platform, we could face the possibility of tax assessments and audits. A successful assertion that we should be collecting additional sales, use,

value added or other taxes in those jurisdictions where we have not historically done so and do not accrue for such taxes could result in substantial tax liabilities and related penalties for past sales or otherwise harm our business and operating results.

We face exposure to foreign currency exchange rate fluctuations.

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

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

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

Our principal executive offices are located in Burlington, Massachusetts, where we occupy an approximately 73,500 square-foot facility under a lease expiring on May 31, 2024, and in Pasadena, California, where we occupy an approximately 19,000 square-foot facility under a lease expiring on December 31, 2023. We also have additional offices in the United States as well as internationally including China, Germany, India, Netherlands, New Zealand, Norway, Singapore, Sweden, Switzerland and United Kingdom.

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

Item 3. Legal Proceedings.

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

Item 4. Mine Safety Disclosures.

Not applicable

PART II

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

Market Information

Our common stock, is listed on The Nasdaq Global Market under the symbol “EVBG.”

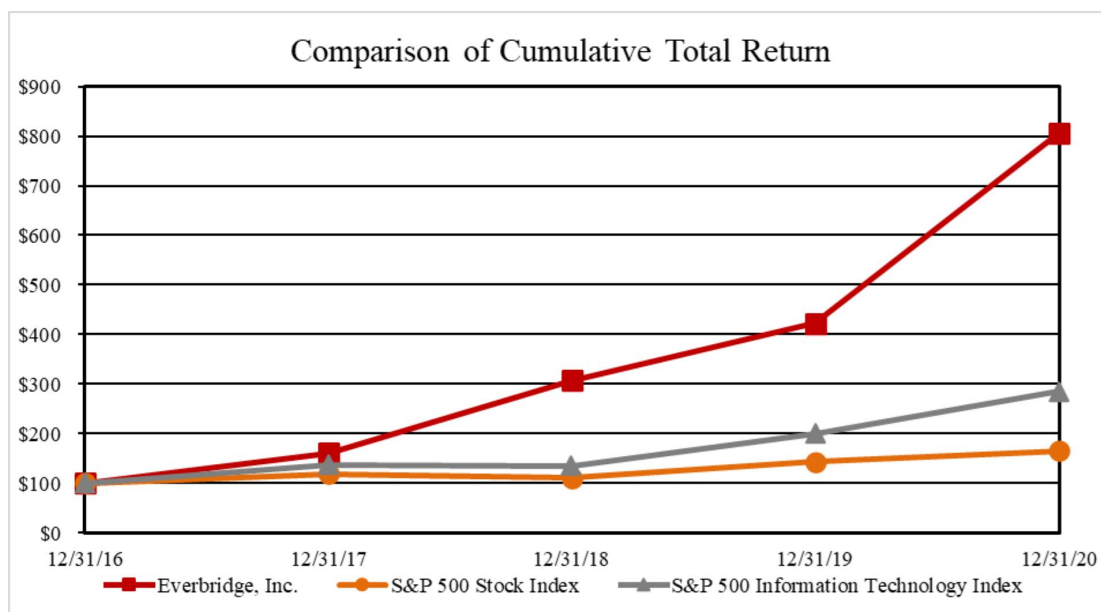
As of December 31, 2020, there were 133 holders of record of our common stock. Because many of our shares are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

Stock Performance Graph

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

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

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



	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019	December 31, 2020
Everbridge, Inc.	\$ 100.00	\$ 161.00	\$ 307.00	\$ 422.00	\$ 806.00
S&P 500 Stock Index	\$ 100.00	\$ 119.00	\$ 111.00	\$ 143.00	\$ 166.00
S&P 500 Information Technology Index	\$ 100.00	\$ 137.00	\$ 135.00	\$ 200.00	\$ 285.00

Recent Sale of Unregistered Securities

On February 7, 2020, we issued 96,611 shares of our common stock to various persons and entities as partial consideration for our purchase of Connexient, Inc. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Rule 506 of Regulation D. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

On February 25, 2020, we issued 153,217 shares of our common stock to various persons as partial consideration for our purchase of CNL Software Limited. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

On March 19, 2020, we issued 52,113 shares of our common stock to various persons and entities as partial consideration for our purchase of One2Many Group B.V. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

On May 27, 2020, we issued 38,425 shares of our common stock to various persons and entities as partial consideration for our purchase of Techwan SA. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

On August 4, 2020, we issued 121,858 shares of our common stock to various persons and entities as partial consideration for our purchase of SnapComms Limited. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

During the year ended December 31, 2020, we issued 362,029 shares of our common stock to holders of our 1.50% convertible senior notes due 2022 upon settlement of conversion of an aggregate principal amount of approximately \$12.2 million of such notes. For further information, see Note 9, Convertible Senior Notes, of the notes to condensed consolidated financial statements. These shares of our common stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

Purchase of Equity Securities by the Issuer and Affiliated Purchasers

None.

Securities Authorized for Issuance Under Equity Compensation Plans

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

Item 6. Selected Financial Data.**SELECTED CONSOLIDATED FINANCIAL DATA**

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

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

The following selected consolidated statements of operations data for the years ended December 31, 2020, 2019 and 2018, and the consolidated balance sheet data as of December 31, 2020 and 2019, have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The consolidated statements of operations data for the years ended December 31, 2017 and 2016 and the consolidated balance sheet data as of December 31, 2018, 2017 and 2016 have been derived from our audited consolidated financial statements not included in this Annual Report on Form 10-K. The selected consolidated financial data for the years ended December 31, 2020 and 2019 and as of December 31, 2020 and 2019 reflects the adoption of ASU No. 2016-02, *Leases (Topic 842)*. The selected consolidated financial data for the years ended December 31, 2020, 2019 and 2018 and as of December 31, 2020, 2019 and 2018 reflects the adoption of ASU No. 2014-09, *Revenue from Contracts with Customers*. See Notes 2, 15 and 18 of the notes to consolidated financial statements. The summary consolidated financial data for the years ended December 31, 2018, 2017 and 2016 and as of December 31, 2018, 2017 and 2016 does not reflect the adoption of ASU 2016-02. The summary consolidated financial data for the years ended December 31, 2017 and 2016 and as of December 31, 2017 and 2016 does not reflect the adoption of ASU 2014-09.

(in thousands, except shares and per share data)	Year Ended December 31,				
	2020	2019	2018	2017	2016
Revenue	\$ 271,141	\$ 200,882	\$ 147,094	\$ 104,352	\$ 76,846
Cost of revenue ⁽¹⁾	83,028	63,535	46,810	31,503	23,767
Gross profit	188,113	137,347	100,284	72,849	53,079
Operating expenses:					
Sales and marketing ⁽¹⁾	123,330	87,731	69,608	46,998	34,847
Research and development ⁽¹⁾	62,512	50,024	41,305	22,241	14,765
General and administrative ⁽¹⁾	74,485	46,820	31,462	22,895	14,293
Total operating expenses	260,327	184,575	142,375	92,134	63,905
Operating loss	(72,214)	(47,228)	(42,091)	(19,285)	(10,826)
Other expenses, net	(23,449)	(4,597)	(4,628)	(302)	(484)
Loss before income taxes	(95,663)	(51,825)	(46,719)	(19,587)	(11,310)
Benefit from (provision for) income taxes	2,267	(425)	(796)	(47)	24
Net loss	\$ (93,396)	\$ (52,250)	\$ (47,515)	\$ (19,634)	\$ (11,286)
Net loss per share attributable to common shareholders - basic and diluted	\$ (2.70)	\$ (1.58)	\$ (1.63)	\$ (0.70)	\$ (0.68)
Weighted average shares outstanding - basic and diluted	34,581,144	33,161,656	29,107,267	27,862,375	16,659,561

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

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Stock-based compensation expense:					
Cost of revenue	\$ 2,954	\$ 1,966	\$ 2,306	\$ 578	\$ 180
Sales and marketing	15,946	9,983	9,282	2,419	725
Research and development	8,703	7,820	7,106	1,514	348
General and administrative	19,152	13,720	7,131	4,788	1,848
Total	<u>\$ 46,755</u>	<u>\$ 33,489</u>	<u>\$ 25,825</u>	<u>\$ 9,299</u>	<u>\$ 3,101</u>

	Year Ended December 31,				
	2020	2019	2018	2017	2016
Depreciation and amortization expense:					
Cost of revenue	\$ 12,165	\$ 9,434	\$ 7,741	\$ 7,263	\$ 6,247
Sales and marketing	932	752	384	304	208
Research and development	597	502	309	203	265
General and administrative	17,065	8,983	5,259	2,437	1,022
Total	<u>\$ 30,759</u>	<u>\$ 19,671</u>	<u>\$ 13,693</u>	<u>\$ 10,207</u>	<u>\$ 7,742</u>

(in thousands)	As of December 31,				
	2020	2019	2018	2017	2016
Consolidated Balance Sheet Data:					
Cash and cash equivalents	\$ 467,171	\$ 531,575	\$ 59,978	\$ 102,754	\$ 60,765
Working capital, excluding deferred revenue	527,613	585,759	135,206	166,589	70,488
Total assets	960,944	837,296	262,180	236,413	108,322
Total deferred revenue	170,127	133,466	95,636	73,072	52,634
Total debt	441,514	430,282	94,524	89,481	—
Total liabilities	708,639	616,984	220,022	180,422	65,970
Total stockholders' equity	252,305	220,312	42,158	55,991	42,352

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

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

Overview

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

Our customer base has grown from 867 customers at the end of 2011 to more than 5,600 customers as of December 31, 2020. As of December 31, 2020, our customers were based in 70 countries and included eight of the 10 largest U.S. cities, nine of the 10 largest U.S.-based investment banks, 47 of the 50 busiest North American airports, nine of the 10 largest global consulting firms, eight of the 10 largest global automakers, nine of the 10 largest U.S.-based health care providers, and seven of the 10 largest technology companies in the world. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We sell all of our critical event management applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 1.9 years as of December 31, 2020, and generally bill and collect payment annually in advance. We derive most of our revenue from subscriptions to applications. Over 83% of the revenue that we recognized in each of the eight most recently completed quarters was generated from contracts entered into in prior quarters or renewals of those contracts; the balance of the revenue that we recognized in each such quarter was generated from contracts entered into with new customers or new contracts, other than renewals, entered into with existing customers in such quarter. We derived approximately 50% of our revenue in 2020 from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

We generated revenue of \$271.1 million in 2020, \$200.9 million in 2019, \$147.1 million in 2018 and \$104.4 million in 2017, representing year-over-year increases of 35% in 2020, 37% in 2019 and 41% in 2018. We had net losses of \$93.4 million, \$52.3 million, \$47.5 million and \$19.6 million in 2020, 2019, 2018 and 2017, respectively.

As of December 31, 2020, and 2019, 24% and 23% of our customers, respectively, were located outside of the United States and these customers generated 26% and 22% of our total revenue for the years ended December 31, 2020 and 2019, respectively.

We have focused on rapidly growing our business and believe that the future growth of our business is dependent on many factors, including our ability to increase the functionality of our platform and applications, expand our customer base, accelerate adoption of our applications beyond Mass Notification within our existing customer base and expand our international presence. Our future growth will also depend on the growth in the market for critical event management solutions and our ability to effectively compete. In order to further penetrate the market for critical event management solutions and capitalize on what we believe to be a significant opportunity, we intend to continue to invest in research and development, build-out our data center infrastructure and services capabilities and hire additional sales representatives, both domestically and internationally, to drive sales to new customers and incremental sales of new applications to existing customers. Nevertheless, we expect to continue to incur losses in the near term and, if we are unable to achieve our growth objectives, we may not be able to achieve profitability.

Recent Developments

Business Combinations

On February 7, 2020, we entered into a Stock Purchase Agreement with Connexient pursuant to which we purchased all of the issued and outstanding shares of stock of Connexient for a base consideration of \$20.2 million. We paid \$11.5 million in cash at closing and paid the remaining purchase price with 96,611 newly issued shares of our common stock. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$93.32 per share. We acquired Connexient to expand our customer base and for its strategic technology assets to enhance our CEM suite of solutions to broaden support for Internet of Things ("IoT") applications.

On February 25, 2020, we entered into a Stock Purchase Agreement with CNL Software for a base consideration of approximately \$35.7 million. We paid approximately \$19.8 million in cash at closing and paid the remaining purchase price with 153,217 newly issued shares of our common stock. On the date of this acquisition, the average price of our common stock on the Nasdaq Global Market was \$104.10 per share. We acquired CNL Software to expand our customer base and for its strategic technology assets to enhance our CEM suite of solutions to broaden support for IoT applications.

On March 19, 2020, we entered into a Stock Purchase Agreement with one2many pursuant to which we purchased all of the issued and outstanding shares of stock of one2many for a base consideration of \$13.1 million. We paid \$5.5 million in cash at closing, acquired purchase liabilities of \$2.0 million and paid the remaining purchase price with 52,113 newly issued shares of our common stock. On the date of this acquisition, the average price of our common stock on the Nasdaq Global Market was \$104.95 per share. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$15.0 million that can be earned by the sellers based on revenue metrics during the period of March 1, 2020 through February 28, 2021. The potential contingent payment includes an amount payable to us if a certain revenue threshold is not met during the period of March 1, 2020 through February 28, 2021. We acquired one2many to expand our customer base and for its cell broadcast technology to enhance our public warning applications.

On May 27, 2020, we entered into a Stock Purchase Agreement with Techwan pursuant to which we purchased all of the issued and outstanding shares of stock of Techwan for a base consideration of \$15.5 million. We paid \$9.4 million in cash at closing, acquired purchase liabilities of \$0.1 million and paid the remaining purchase price with 38,425 newly issued shares of our common stock. In addition, in accordance with the Stock Purchase Agreement, 6,779 shares of our common stock were reserved and are expected to be issued to the sellers in November 2021 subject to the provisions in the Stock Purchase Agreement. On the date of this acquisition, the average price of our common stock on the Nasdaq Global Market was \$132.05 per share. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$7.0 million that can be earned by the sellers based on revenue metrics during the period of April 1, 2020 through March 31, 2021. We acquired Techwan to expand our customer base and for its strategic technology assets to enhance our CEM suite of solutions.

On August 4, 2020, we entered into a Stock Purchase Agreement with SnapComms pursuant to which we purchased all of the issued and outstanding shares of stock of SnapComms for a base consideration of \$34.4 million. We paid \$13.6 million in cash and issued 121,858 newly issued shares of our common stock at closing. On the date of this acquisition, the average price of our common stock on the Nasdaq Global Market was \$145.13 per share. On the first anniversary of the acquisition date, we expect to pay deferred consideration of approximately \$3.3 million in cash and shares of our common stock subject to the provisions in the Stock Purchase Agreement. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$5.0 million that can be earned by the sellers based on revenue metrics during the period of April 1, 2020 through March 31, 2021. We acquired SnapComms to expand our customer base and for its internal communications software to enhance our CEM suite of solutions.

On January 15, 2021, we entered into a Stock Purchase Agreement with Red Sky pursuant to which we purchased all of the issued and outstanding shares of stock of Red Sky for a base consideration of \$55.4 million, net of cash acquired. We paid \$32.4 million in cash, net of cash acquired, and issued 162,820 newly issued shares of our common stock at closing. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$30 million that can be earned by the sellers based on certain revenue targets through June 30, 2021. We acquired Red Sky to expand our customer base and for its E911 incident response solutions platform to enhance our CEM suite of solutions.

Impacts of COVID-19 to Our Business

During the year ended December 31, 2020, financial results and operations for our Americas and international geographies were not significantly impacted by the COVID-19 pandemic. We are taking a variety of measures to ensure the availability and functioning of our critical infrastructure, to promote the safety and security of our employees and to support the communities in which we operate. These measures include requiring remote working arrangements for employees where practicable, among other modifications. We are following evolving public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, the promotion of social distancing and the adoption of work-from-home arrangements. All of these policies and initiatives have been and may continue to impact our operations. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required or that we determine are in the best interests of our employees, customers, suppliers and stockholders. Due to the speed with which the situation is developing, we are not able at this time to estimate the future impact of COVID-19 on our financial results and operations, but the impact could be material during any future period affected either directly or indirectly by this pandemic. Due to our primarily subscription-based business model, the effect of the coronavirus may not be fully reflected in our results of operations until future periods, if at all. See “Risk Factors” included in Part I, Item 1A included herein which includes information on risks associated with pandemics in general and COVID-19 specifically. The extent of the future impact of COVID-19 on our operational and financial performance will depend on certain developments, including new information which may emerge concerning the duration and severity of the outbreak, international actions taken or which may be taken in the future to contain and treat it, impact on our customers and our sales cycles, and impact on our employees, all of which are highly uncertain and cannot be predicted.

In the first quarter of 2020, we launched COVID-19 Shield, a new set of coronavirus protection solutions designed to protect the safety of employees and customers, maintain business operations, safeguard supply chains, and reduce costs and liabilities stemming from the impact of the global coronavirus pandemic. In the second quarter of 2020, we launched several additional software solutions, including (1) COVID-19 Return to Work, a software solution designed to help businesses and governments navigate the complexity of operating during the next phase of the COVID-19 pandemic and prepare to bring back the workforce and reopen society; (2) COVID-19 Shield: Contact Tracing, a solution for corporate, government and healthcare organizations to supplement or complement existing manual contact tracing efforts; and (3) Control Center, a physical security information management software platform, which includes features designed to help organizations return to work by integrating and managing data and analytics from video cameras, thermal cameras, badge access and other building systems, and by automating the response to help organizations ensure the safety and protection of employees, as well as compliance with social distancing and personal protective equipment policies. In the fourth quarter of 2020, we announced COVID-19 Shield: Vaccine Distribution, an extension to our CEM platform offering risk insights, logistics awareness and vaccine appointment management. These new products were built off of our existing platforms.

Presentation of Financial Statements

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

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

Components of Results of Operations

Revenue

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

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

We also sell professional services, which primarily consist of fees for deployment and optimization services as well as training. In addition, on occasion we may sell our software and related post contract support for on premises usage which is outside of our core business and is not a significant revenue stream for us.

Cost of Revenue

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

Operating Expenses

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

Sales and Marketing

Sales and marketing expense primarily consists of employee-related expenses for sales, marketing and public relations employees, including salaries, bonuses, commissions, benefits and stock-based compensation expense. Sales and marketing expense also includes trade show, market research, advertising and other related external marketing expense as well as office and software related costs to support sales. We defer certain sales commissions related to acquiring new customers or services and amortize these expenses ratably over the period of benefit that we

have determined to be four years. Sales commissions attributable to professional services are expensed within twelve months of selling the service to the customer. We plan to continue to expand our sales and marketing functions to grow our customer base and increase sales to existing customers. This growth will include adding sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. In the near term, we expect our sales and marketing expense to increase on an absolute dollar basis as we hire new sales representatives in the United States and worldwide and grow our marketing staff.

Research and Development

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

General and Administrative

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

Interest and Investment Income

Interest income consists of interest earned on our cash balances held at financial institutions. Investment income consist of interest earned on our short-term investments which consist of U.S. treasuries, U.S. government agency obligations and money market funds.

Interest Expense

Interest expense consists of interest on our outstanding debt obligations including amortization of debt discounts and offering costs.

Loss on Extinguishment of Convertible Notes

Loss on Extinguishment of Convertible Notes relates to the partial extinguishment of our 2022 Notes.

Other Expense, Net

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

Results of Operations

The following tables set forth our results of operations for the periods presented and as a percentage of our total revenue for those periods. The results of operations for the years ended December 31, 2020 and 2019 reflects the adoption of ASU 2016-02, *Leases* (“Topic 842”). See Note 18 of the notes to consolidated financial statements for more information. Financial data for the year ended December 31, 2018 does not reflect the adoption of Topic 842. The period-to-period comparison of our historical results is not necessarily indicative of the results that may be expected in the future (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Revenue	\$ 271,141	\$ 200,882	\$ 147,094
Cost of revenue ⁽¹⁾	83,028	63,535	46,810
Gross profit	188,113	137,347	100,284
Operating expenses:			
Sales and marketing ⁽¹⁾	123,330	87,731	69,608
Research and development ⁽¹⁾	62,512	50,024	41,305
General and administrative ⁽¹⁾	74,485	46,820	31,462
Total operating expenses	260,327	184,575	142,375
Operating loss	(72,214)	(47,228)	(42,091)
Other expense, net	(23,449)	(4,597)	(4,628)
Loss before income taxes	(95,663)	(51,825)	(46,719)
Benefit from (provision for) income taxes	2,267	(425)	(796)
Net loss	\$ (93,396)	\$ (52,250)	\$ (47,515)

(1) Includes stock-based compensation expense and depreciation and amortization of acquired intangible assets as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Stock-based compensation expense:			
Cost of revenue	\$ 2,954	\$ 1,966	\$ 2,306
Sales and marketing	15,946	9,983	9,282
Research and development	8,703	7,820	7,106
General and administrative	19,152	13,720	7,131
Total	\$ 46,755	\$ 33,489	\$ 25,825

	Year Ended December 31,		
	2020	2019	2018
Depreciation and amortization expense:			
Cost of revenue	\$ 12,165	\$ 9,434	\$ 7,741
Sales and marketing	932	752	384
Research and development	597	502	309
General and administrative	17,065	8,983	5,259
Total	\$ 30,759	\$ 19,671	\$ 13,693

The following table sets forth our consolidated statements of operations as a percentage of revenue (1):

	Year Ended December 31,		
	2020	2019	2018
Revenue	100%	100%	100%
Cost of revenue	31%	32%	32%
Gross profit	69%	68%	68%
Operating expenses:			
Sales and marketing	45%	44%	47%
Research and development	23%	25%	28%
General and administrative	27%	23%	21%
Total operating expenses	96%	92%	97%
Operating loss	(27)%	(24)%	(29)%
Other expense, net	(9)%	(2)%	(3)%
Loss before income taxes	(35)%	(26)%	(32)%
Benefit from (provision for) income taxes	1%	*	(1)%
Net loss	(34)%	(26)%	(32)%

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

* Represents less than 0.5% of revenue.

Year Ended December 31, 2020 Compared to the Year Ended December 31, 2019

Revenue

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
Revenue	\$ 271,141	\$ 200,882	\$ 70,259	35.0%

Revenue increased by \$70.3 million in 2020 compared to 2019. The increase was due to a \$70.3 million increase in sales of our solutions driven by expansion of our customer base from 5,024 customers as of December 31, 2019 to 5,613 as of December 31, 2020, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
Cost of revenue	\$ 83,028	\$ 63,535	\$ 19,493	30.7%
Gross margin %	69%	68%		

Cost of revenue increased by \$19.5 million in 2020 compared to 2019. The increase was primarily due to a \$10.6 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 238 employees as of December 31, 2019 to 332 employees as of December 31, 2020 and a \$5.8 million increase in hosting, software and messaging costs. The remaining increase was principally the result of a \$2.7 million increase in depreciation and amortization expense attributable to our acquired intangible assets and a \$0.4 million increase attributed to office related expenses to support revenue generating activities.

Gross margin percentage increased in 2020 as compared to 2019 due to revenue growth outpacing the increase in cost.

Operating Expenses

Sales and Marketing Expense

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
Sales and marketing	\$ 123,330	\$ 87,731	\$ 35,599	40.6%
% of revenue	45%	44%		

Sales and marketing expense increased by \$35.6 million in 2020 compared to 2019. The increase was primarily due to a \$30.5 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 345 employees as of December 31, 2019 to 482 employees as of December 31, 2020. The remaining increase was principally the result of a \$3.0 million increase in trade show and advertising costs and a \$2.1 million increase attributed to office related expenses to support the sales team.

Research and Development Expense

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
Research and development	\$ 62,512	\$ 50,024	\$ 12,488	25.0%
% of revenue	23%	25%		

Research and development expense increased by \$12.5 million in 2020 compared to 2019. The increase was primarily due to a \$9.2 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 252 employees as of December 31, 2019 to 363 employees as of December 31, 2020, a \$3.8 million increase in professional services, a \$1.0 million increase in hosting and software related cost and an increase of \$0.5 million in office related expenses to support research and development activities. In addition, a total of \$8.5 million of internally-developed software costs during 2020 and \$6.5 million of internally-developed software costs during 2019 were capitalized, resulting in a \$2.0 million offset to the increase during 2020.

General and Administrative Expense

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
General and administrative	\$ 74,485	\$ 46,820	\$ 27,665	59.1%
% of revenue	27%	23%		

General and administrative expense increased by \$27.7 million in 2020 compared to 2019. The increase was primarily due to a \$9.0 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 113 employees as of December 31, 2019 to 167 employees as of December 31, 2020 and an \$8.1 million increase in depreciation and amortization. The remaining increase was due to a \$4.2 million increase in the change in fair value of contingent consideration obligation, a \$2.8 million increase in office related expenses to support the administrative team, a \$2.0 million increase in credit loss expense, a \$1.2 million increase in software subscription costs and a \$0.4 million increase in other general and administrative expenses.

Other Expense, Net

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
Other expense, net	\$ 23,449	\$ 4,597	\$ 18,852	410.1%
% of revenue	9%	2%		

Other expense, net increased by \$18.9 million in 2020 compared to 2019 primarily due to a \$16.7 million increase in interest expense related to our convertible senior notes and a decrease of \$2.5 million of interest income due to lower interest rates on our investment balance, partially offset by a decrease of \$1.0 million in losses related to the partial extinguishment and conversions of our 2022 Notes.

Income Taxes

(dollars in thousands)	Year Ended December 31,		Change	
	2020	2019	\$	%
Benefit from (provision for) income taxes	\$ 2,267	\$ (425)	\$ 2,692	633.4%
% of revenue	1%	(0)%		

Income tax expense decreased by \$2.7 million in 2020 compared to 2019. During 2020, deferred tax liabilities were recognized in connection with the purchase price accounting for our acquisitions. Certain of such deferred tax liabilities will be a source of future taxable income to realize a portion of our deferred tax assets, which resulted in a tax benefit of approximately \$1.5 million related to U.S. acquired entities and a tax benefit of approximately \$1.8 million related to non-U.S. acquisitions recognized during 2020 which is the primary reason for the decrease in our income tax provision from 2019 to 2020.

Year Ended December 31, 2019 Compared to the Year Ended December 31, 2018

For a discussion regarding our financial condition and results of operations for the year ended December 31, 2019 as compared to the year ended December 31, 2018, please refer to Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2019, filed with the SEC on February 28, 2020.

Other Metrics

We regularly monitor a number of financial and operating metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Our other business metrics may be calculated in a manner different than similar other business metrics used by other companies (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Adjusted EBITDA	\$ 8,044	\$ 5,170	\$ (2,947)
Adjusted gross margin	195,224	141,427	103,858
Free cash flow	2,895	(2,771)	(6,925)

- Adjusted EBITDA.** Adjusted EBITDA represents our net loss before interest and investment (income) expense, net, (benefit from) provision for income taxes, depreciation and amortization expense, loss on extinguishment of convertible notes, change in fair value of contingent consideration and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense, loss on extinguishment of convertible notes, change in fair value of contingent consideration and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has

limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the capitalized software that is amortized will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (2) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (3) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (4) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (5) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our other GAAP-based financial performance measures, net loss and our other GAAP financial results.

The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (93,396)	\$ (52,250)	\$ (47,515)
Interest and investment expense, net	22,082	2,979	4,504
(Benefit from) provision for income taxes	(2,267)	425	796
Depreciation and amortization	30,759	19,671	13,693
Loss on extinguishment of convertible notes	446	1,406	—
Change in fair value of contingent consideration	3,665	(550)	(250)
Stock-based compensation	46,755	33,489	25,825
Adjusted EBITDA	<u>\$ 8,044</u>	<u>\$ 5,170</u>	<u>\$ (2,947)</u>

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

	Year Ended December 31,		
	2020	2019	2018
Gross profit	\$ 188,113	\$ 137,347	\$ 100,284
Amortization of acquired intangibles	4,157	2,114	1,268
Stock-based compensation	2,954	1,966	2,306
Adjusted gross margin	<u>\$ 195,224</u>	<u>\$ 141,427</u>	<u>\$ 103,858</u>

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

	Year Ended December 31,		
	2020	2019	2018
Net cash provided by operating activities	\$ 15,803	\$ 10,317	\$ 3,295
Capital expenditures	(3,257)	(5,269)	(1,721)
Capitalized software development costs	(9,651)	(7,819)	(8,499)
Free cash flow	<u>\$ 2,895</u>	<u>\$ (2,771)</u>	<u>\$ (6,925)</u>

Additional Supplemental Non-GAAP Financial Measures

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

We exclude stock-based compensation expense which can vary based on plan design, share price, share price volatility, and the expected lives of equity instruments granted. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for more meaningful comparisons between our operating results from period to period because stock-based compensation expense does not represent a cash expenditure. We believe that excluding the impact of amortization of acquired intangibles allows for more meaningful comparisons between operating results from period to period as the intangibles are valued at the time of acquisition and are amortized over a period of several years after the acquisition. We believe that excluding the change in fair value of contingent consideration allows for more meaningful comparisons between operating results from period to period, as it is non-operating in nature. We believe that excluding the impact of accretion of interest on convertible senior notes allows for more meaningful comparisons between operating results from period to period

as accretion of interest on convertible senior notes relates to interest cost for the time value of money and are non-operating in nature. We believe that excluding loss on extinguishment of convertible notes allows for more meaningful comparisons between operating results from period to period as losses on the extinguishment of convertible notes are non-operating in nature. We do not engage in the repurchase of convertible notes on a regular basis or in the ordinary course of business. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility of the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry.

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

The following table reconciles our GAAP to non-GAAP financial measures:

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 83,028	\$ 63,535	\$ 46,810
Amortization of acquired intangibles	(4,157)	(2,114)	(1,268)
Stock-based compensation	(2,954)	(1,966)	(2,306)
Non-GAAP cost of revenue	<u>\$ 75,917</u>	<u>\$ 59,455</u>	<u>\$ 43,236</u>
Gross profit	\$ 188,113	\$ 137,347	\$ 100,284
Amortization of acquired intangibles	4,157	2,114	1,268
Stock-based compensation	2,954	1,966	2,306
Non-GAAP gross profit	<u>\$ 195,224</u>	<u>\$ 141,427</u>	<u>\$ 103,858</u>
Non-GAAP gross margin	72.00%	70.40%	70.61%
Sales and marketing	\$ 123,330	\$ 87,731	\$ 69,608
Stock-based compensation	(15,946)	(9,983)	(9,282)
Non-GAAP sales and marketing	<u>\$ 107,384</u>	<u>\$ 77,748</u>	<u>\$ 60,326</u>
Research and development	\$ 62,512	\$ 50,024	\$ 41,305
Stock-based compensation	(8,703)	(7,820)	(7,106)
Non-GAAP research and development	<u>\$ 53,809</u>	<u>\$ 42,204</u>	<u>\$ 34,199</u>
General and administrative	\$ 74,485	\$ 46,820	\$ 31,462
Amortization of acquired intangibles	(15,979)	(8,301)	(4,667)
Change in fair value of contingent consideration	(3,665)	550	250
Stock-based compensation	(19,152)	(13,720)	(7,131)
Non-GAAP general and administrative	<u>\$ 35,689</u>	<u>\$ 25,349</u>	<u>\$ 19,914</u>
Total operating expenses	\$ 260,327	\$ 184,575	\$ 142,375
Amortization of acquired intangibles	(15,979)	(8,301)	(4,667)
Change in fair value of contingent consideration	(3,665)	550	250
Stock-based compensation	(43,801)	(31,523)	(23,519)
Non-GAAP operating expenses	<u>\$ 196,882</u>	<u>\$ 145,301</u>	<u>\$ 114,439</u>
Operating loss	\$ (72,214)	\$ (47,228)	\$ (42,091)
Amortization of acquired intangibles	20,136	10,415	5,935
Change in fair value of contingent consideration	3,665	(550)	(250)
Stock-based compensation	46,755	33,489	25,825
Non-GAAP operating loss	<u>\$ (1,658)</u>	<u>\$ (3,874)</u>	<u>\$ (10,581)</u>
Net loss	\$ (93,396)	\$ (52,250)	\$ (47,515)
Amortization of acquired intangibles	20,136	10,415	5,935
Change in fair value of contingent consideration	3,665	(550)	(250)
Stock-based compensation	46,755	33,489	25,825
Accretion of interest on convertible senior notes	22,161	5,711	4,616
Loss on extinguishment of convertible notes	446	1,406	—
Non-GAAP net loss	<u>\$ (233)</u>	<u>\$ (1,779)</u>	<u>\$ (11,389)</u>

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash from sales to our customers, along with equity issuances and debt financing arrangements. Our principal source of liquidity is cash and cash equivalents totaling \$467.2 million as of December 31, 2020. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future.

We believe that our cash and cash equivalent balances and the cash flows generated by our operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. We believe that our financial resources will allow us to manage the anticipated impact of COVID-19 on our business operations for the foreseeable future, which could include delays in payments from our customers. The challenges posed by COVID-19 on our business could evolve rapidly. We will continue to evaluate our financial position in light of future developments, particularly those relating to COVID-19. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this Annual Report on Form 10-K titled “Risk Factors.” We cannot assure you that we will be able to raise additional capital on acceptable terms or at all. In addition, if we fail to meet our operating plan during the next 12 months, our liquidity could be adversely affected.

Cash Flows

The following table summarizes our cash flows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cash, cash equivalents and restricted cash at beginning of period	\$ 539,662	\$ 60,068	\$ 103,051
Cash provided by operating activities	15,803	10,317	3,295
Cash used in investing activities	(85,185)	(24,574)	(48,413)
Cash provided by financing activities	5,054	494,101	3,099
Effects of exchange rates on cash, cash equivalents and restricted cash	296	(250)	(964)
Cash, cash equivalents and restricted cash at end of period	<u>\$ 475,630</u>	<u>\$ 539,662</u>	<u>\$ 60,068</u>

At December 31, 2020, \$10.6 million of the \$475.6 million of cash, cash equivalents and restricted cash was held by foreign subsidiaries. Our intention is to indefinitely reinvest foreign earnings in our foreign subsidiaries. If these earnings were used to fund domestic operations, they would be subject to additional income taxes upon repatriation.

Sources of Funds

Follow-On Public Offering

In January 2019, we completed a follow-on public offering in which we sold 2,645,000 shares of our common stock, which included 345,000 shares sold pursuant to the exercise by the underwriters of an option to purchase additional shares, at a public offering price of \$55.25 per share. We received net proceeds of \$139.1 million, after deducting underwriting discounts and commissions.

Convertible Senior Notes

In December 2019, we issued \$450.0 million aggregate principal amount of the 2024 Notes, including \$75.0 million in principal amount of Notes issued upon exercise in full by the initial purchasers of their option to purchase additional 2024 Notes.

The 2024 Notes have an initial conversion rate of 8.8999 shares of common stock per \$1,000 principal amount of 2024 Notes. This represents an initial effective conversion price of approximately \$112.36 per share of common stock and approximately 4.0 million shares issuable upon conversion. Throughout the term of the 2024 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2024 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2024 Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to the holder upon conversion of a 2024 Note.

In connection with the issuance of the 2024 Notes, we purchased capped call options that in the aggregate relate to the total number of shares of our common stock underlying the 2024 Notes, with an initial strike price of approximately \$112.36 per share, which corresponds to the initial conversion price of the 2024 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2024 Notes, and have a cap price of approximately \$166.46. The cost of the purchased capped calls was \$44.9 million.

In November 2017, we completed a public offering of \$115.0 million aggregate principal amount of the 2022 Notes, including \$15.0 million in principal amount of 2022 Notes issued upon exercise in full by the underwriters of their option to purchase additional 2022 Notes.

The 2022 Notes have an initial conversion rate of 29.6626 shares of common stock per \$1,000 principal amount of 2022 Notes. This represents an initial effective conversion price of approximately \$33.71 per share of common stock and initially approximately 3.4 million shares issuable upon conversion. Throughout the term of the 2022 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2022 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2022 Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of our common stock or a combination of cash and shares of our common stock paid or delivered, as the case may be, to the holder upon conversion of a 2022 Note.

In connection with the issuance of the 2022 Notes, we purchased capped call options that in the aggregate relate to the total number of shares of our common stock underlying the 2022 Notes, with an initial strike price of approximately \$33.71 per share, which corresponds to the initial conversion price of the 2022 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2022 Notes, and have a cap price of approximately \$47.20. The cost of the purchased capped calls was \$12.9 million.

Based on the market price of our common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of December 31, 2020.

During fiscal year 2019, we paid \$57.8 million to repurchase \$23.0 million aggregate principal amount of the 2022 Notes. We also partially terminated capped call options entered into in connection with the 2022 Notes during fiscal year 2019 and received \$5.8 million.

During fiscal year 2020, we issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes.

Uses of Funds

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

Operating Activities

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

Operating activities provided \$15.8 million in net cash in 2020, primarily from \$116.1 million in non-cash operating expenses, which was partially offset by our net loss of \$93.4 million and by a \$6.9 million decrease in changes in operating assets and liabilities. Specifically, we recognized non-cash charges aggregating \$46.8 million for stock-based compensation expense, \$30.8 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$22.2 million of accretion on the convertible notes, \$12.6 million in amortization of commissions, \$3.7 million related to the change in fair value of contingent consideration, \$3.1 million for the increase in our provision for credit losses and sales return reserve and a \$0.4 million loss on extinguishment of convertible notes, offset by \$3.5 million for deferred income taxes. The change in operating assets

and liabilities reflected a \$25.0 million increase in deferred revenue, a \$22.6 million increase in accounts receivable, an \$18.9 million increase in deferred costs due to timing of payments made for commissions, a \$7.4 million increase in other liabilities, a \$4.0 million increase in prepaid expenses, a \$3.5 million increase in accrued employee-related expenses due to timing of payments, a \$1.5 million increase in accounts payable due to the timing of payments made and a \$1.1 million increase in accrued expenses due to timing of payments made to vendors, partially offset by a \$0.1 million decrease in other assets.

Operating activities provided \$10.3 million in net cash in 2019, primarily from \$68.2 million in non-cash operating expenses, which was partially offset by a \$5.7 million decrease in changes in operating assets and liabilities and by our net loss of \$52.3 million. Specifically, we recognized non-cash charges aggregating \$33.5 million for stock-based compensation expense, \$19.7 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$8.0 million in amortization of commissions, \$5.7 million of accretion on the convertible notes, \$1.4 million loss on extinguishment of convertible notes and \$0.7 million for the increase in our provision for credit losses and sales return reserve, offset by \$0.6 million related to the change in fair value of contingent consideration. The change in operating assets and liabilities reflected a \$25.6 million increase in accounts receivable, a \$15.3 million increase in deferred cost due to timing of payments made for commissions, a \$3.5 million increase in prepaid expenses, a \$1.4 million decrease in other liabilities, and a \$1.3 million decrease in accrued expenses due to timing of payments made to vendors. These changes were partially offset by a \$29.7 million increase in deferred revenue, a \$5.3 million increase in accounts payable due to the timing of payments made, a \$4.5 million increase in accrued employee-related expenses due to timing of payments and a \$1.8 million decrease in other assets.

Investing Activities

Our investing activities consist primarily of capital expenditures for capitalized software development costs, business acquisitions, property and equipment expenses and purchase and sales of short-term investments.

Investing activities used \$85.2 million in 2020, which consisted primarily of \$55.1 million of cash paid for the acquisitions of Connexient, CNL Software, one2many, Techwan and SnapComms, \$17.1 million of cash paid for the purchase of intangible assets, \$9.7 million of investment in software development and \$3.3 million in purchases of property and equipment.

Investing activities used \$24.6 million in 2019, which consisted primarily of our acquisitions of NC4 Inc. and NC4 Public Sector LLC (collectively, "NC4") and MissionMode Solutions, Inc. for an aggregate of \$58.4 million, investment in software development of \$7.8 million, our purchase of property and equipment of \$5.3 million, and purchase of short-term investments of \$2.0 million. These were offset by cash provided of \$47.8 million in maturities of our short-term investments and \$1.1 million attributed to a landlord reimbursement.

Financing Activities

Cash generated by financing activities includes proceeds from the issuance of common stock from our follow-on public offering, borrowings under the 2024 Notes and 2022 Notes, proceeds from the exercise of employee stock options and contributions to our employee stock purchase plan. Cash used in financing activities includes payments for debt and offering issuance costs, extinguishment of debt, payment of contingent consideration and employee withholding liabilities from the exercise of market based restricted stock units.

Financing activities provided \$5.1 million of cash in 2020, which reflects \$8.2 million from the exercise of stock options and \$3.4 million from the issuance of stock under our employee stock purchase plan. These amounts were offset by a \$6.4 million payment for restricted stock unit employee withholding taxes.

Financing activities provided \$494.1 million of cash in 2019, which reflects proceeds of \$392.4 million from our 2024 Notes offering after deducting debt issuance cost and the cost for the capped call transactions entered into in connection with the note offering, \$139.1 million from our common stock offering, \$17.4 million from the exercise of stock options and \$2.3 million from the issuance of stock under our employee stock purchase plan. These amounts were offset by a \$52.0 million payment for the 20 percent repurchase of our 2022 Notes offset by cash received for

the partial termination of the 2022 Notes capped call options and a \$4.6 million payment for restricted stock unit employee withholding taxes.

Contractual Obligations and Commitments

The following table summarizes our commitments to settle contractual obligations as of December 31, 2020 (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Debt obligations (1)	\$ —	\$ 79,795	\$ 450,000	\$ —	\$ 529,795
Operating leases (2)	5,558	10,373	3,564	2,769	22,264
	<u>\$ 5,558</u>	<u>\$ 90,168</u>	<u>\$ 453,564</u>	<u>\$ 2,769</u>	<u>\$ 552,059</u>

- (1) Debt obligations include the principal amount of the 2024 Notes and 2022 Notes but exclude interest payments to be made under the 2024 Notes and 2022 Notes. Although the 2024 Notes and 2022 Notes mature in 2024 and 2022, respectively, they can be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayments of the principal amounts sooner than the scheduled repayments as indicated in the table. The 2024 Notes and 2022 Notes balance excludes \$81.0 million and \$7.3 million, respectively, of debt discount capitalized on our balance sheet and shown net of our debt obligations. Please see Note 9 of the notes to our consolidated financial statements for more information on the terms of the 2024 Notes and 2022 Notes.
- (2) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements as described in Note 18 of our consolidated financial statements.

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

Backlog

We generally sell all of our critical communications applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 1.9 years as of December 31, 2020, and generally bill and collect payment annually in advance. Since we bill many of our customers at the beginning of each contract year, there can be amounts that we have not yet been contractually able to invoice. Until such time as these amounts are invoiced, they are not recorded in revenue, deferred revenue or elsewhere in our consolidated financial statements. We expect that the amount of backlog relative to the total value of our subscription agreements will change from year to year for several reasons, including the specific timing and duration of customer agreements, varying invoicing cycles of agreements, the specific timing of customer renewals and changes in customer financial circumstances. In addition, because revenue for any period is a function of revenue recognized from deferred revenue under contracts in existence at the beginning of the period, as well as contracts that are renewed and new customer contracts that are entered into during the period, backlog at the beginning of any period is not necessarily indicative of future performance. Our presentation of backlog may also differ from that of other companies in our industry. Due to these factors, as well as variances in billing arrangements with customers, we do not utilize backlog as a key management metric internally.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

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

Revenue Recognition

We derive our revenues primarily from subscription services and professional services. We recognize revenue in accordance with FASB ASC 606, *Revenue from Contracts with Customers*. We determine revenue recognition through the following steps:

- identification of the contract, or contracts, with a customer;
- identification of the performance obligations in the contract;
- determination of the transaction price;
- allocation of the transaction price to the performance obligations in the contract; and
- recognition of revenue when, or as, we satisfy a performance obligation.

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of our hosted applications for critical event management, with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that our service is made available to the customer. All services are recognized using an output measure of progress looking at time elapsed as the contract generally provides the customer equal benefit throughout the contract period. Our subscription contracts are generally two years or longer in length, billed annually in advance, and non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of fees for deployment and optimization services, as well as training. The majority of our consulting contracts revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion performed.

Software License Revenues

On occasion we may sell software and related post contract support for on premises usage as well as professional services, hardware and hosting which is outside of our core business and is not a significant revenue stream for us. Our on premises license transactions are generally perpetual in nature and are recognized at a point in time when made available to the customer for use. Significant judgment is required to determine the standalone selling prices for each distinct performance obligation in order to allocate the transaction price for purposes of revenue recognition. Making this judgment of estimating a standalone selling price involves consideration of overall pricing objectives, market conditions and other factors, including the value of our other similar contracts, the applications sold, customer demographics, geographic locations, and the number and types of users within our contracts. The significant judgment was primarily due to using such considerations to estimate the price that each distinct performance obligation would be sold for on a standalone basis because such performance obligations are typically sold together on a bundled basis. Changes in these estimates of standalone selling prices can have a material effect on the amount of revenue recognized from each distinct performance obligation.

Contracts with Multiple Performance Obligations

Most of our contracts with customers contain multiple performance obligations. For these contracts, we account for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis for those performance obligations with stable observable prices and then the residual method applied for any performance obligation that has pricing which is highly variable. We determine the standalone selling prices based on our overall pricing objectives, taking into consideration market conditions and other factors, including the value of our contracts, pricing when certain services are sold on a standalone basis, the applications sold, customer demographics, geographic locations, and the volume of services and users purchased.

Allowance for Credit Losses

Allowance for credit risk for accounts receivables and contract assets is established based on various factors including credit profiles of our customers, historical payments and current economic trends. We review the allowance for accounts receivables and contract assets by assessing individual accounts receivable or unbilled contract assets over a specific aging and amount. All other balances are pooled based on historical collection experience. The estimate of expected credit losses is based on information about past events, current economic conditions, and forecasts of future economic conditions that affect the collectability. Accounts receivable and contract assets are written-off on a case by case basis, net of any amounts that may be collected. If our estimate of uncollectible accounts is too low, credit loss expense may increase in future periods, and if it is too high, credit loss expense may decrease in future periods.

Deferred Costs

Sales commissions earned by our sales force are considered incremental and recoverable costs of obtaining a contract with a customer. These costs are deferred and then amortized on a straight-line basis over a period of benefit that we have determined to be four years. Sales commissions attributable to professional services are expensed within twelve months of selling the service to the customer. We determined the period of benefit by taking into consideration our customer contracts, our technology and other factors. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Stock-Based Compensation

We recognize compensation expense for option awards and restricted stock unit awards (“RSUs”) based on the fair value of the award and on a straight-line basis over the vesting period of the award based on the estimated portion of the award that is expected to vest.

Inherent in the valuation and recording of stock-based compensation for option awards, are several estimates that we made in regard to valuation and expense that will be incurred. We use the Black-Scholes option pricing model to measure the fair value of our option awards when they are granted. For RSUs, our board of directors determines the fair value based on the closing price of our common stock as reported on the Nasdaq Global Market on the date of grant. We primarily use the daily historical volatility of companies we consider to be our peers. To determine our peer companies, we use the following criteria: software or software-as-a-service companies; similar histories and relatively comparable financial leverage; sufficient public company trading history; and in similar businesses and geographical markets. We use the peers’ stock price volatility over the expected life of our granted options to calculate the expected volatility. The expected term of employee option awards is determined using the average midpoint between vesting and the contractual term for outstanding awards, because we do not yet have a sufficient history of option exercises. We consider this appropriate as we expect to see changes to our equity structure in the future and there is no other method that would be more indicative of exercise activity. The risk-free interest rate is based on the rate on U.S. Treasury securities with maturities consistent with the estimated expected term of the awards. We have not paid dividends and do not anticipate paying a cash dividend in the foreseeable future and, accordingly, use an expected dividend yield of zero.

We grant performance-based RSUs (“PSUs”), that vest upon satisfaction of certain performance-based conditions. The PSUs generally vest based on us achieving certain revenue growth thresholds. The vesting of the PSUs is

subject to the employee's continued employment with us through the date of achievement. The fair value is based on the value of our common stock at the date of issuance and the probability of achieving the performance metric. We have assessed the probability of achievement of the award as highly probable based on past performance of achievement of the performance metric. Compensation cost is recognized under the accelerated method and is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions.

In 2018, we granted market-based RSUs that vest upon satisfaction of certain market-based conditions. These RSUs were valued using the Monte-Carlo simulation model. These RSUs vested based on our common stock achieving certain stock price thresholds. The fair value was based on values calculated under the Monte Carlo simulation model on the grant date. We recognized the compensation expense associated with the market-based RSUs over the implied requisite service period subject to acceleration based on meeting the market-based condition. No market-based RSUs were granted during the years ended December 31, 2020 and 2019.

Business Combinations

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

We perform valuations of assets acquired and liabilities assumed on each acquisition accounted for as a business combination in order to record the tangible and intangible assets acquired and liabilities assumed based on our best estimate of fair value. 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. Significant estimation is required in determining the fair value of the customer relationship intangible assets, deferred revenue and contingent consideration liabilities. The significant estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, deferred revenue and contingent consideration liabilities, as well as the sensitivity of the respective fair values to the underlying significant assumptions. We use the income approach to measure the fair value of these intangible assets, a discounted cash flow approach for deferred revenue and a Monte Carlo simulation model to measure the fair value of the contingent consideration liabilities. The significant assumptions used to estimate the fair value of the intangible assets, deferred revenue and contingent consideration liabilities included forecasted revenues from existing customers, existing customer attrition rates, estimated costs required to fulfill the deferred revenue obligation and forecasted revenues for the contingent consideration earnout period. When estimating the significant assumptions to be used in the valuation we include a consideration of current industry information, market and economic trends, historical results of the acquired business, nature of the performance obligations associated with the deferred revenue and other relevant factors. These significant assumptions are forward-looking and could be affected by future economic and market conditions. We engage the assistance of valuation specialists in concluding on fair value measurements in connection with determining fair values of assets acquired and liabilities assumed in a business combination.

The valuation of the contingent consideration is derived using estimates of the probability of achievement within specified time periods based on projections of future revenue metrics per the terms of the applicable agreements. These include estimates of our assessment of the probability of meeting such results, with the probability-weighted earn-out using a Monte Carlo Simulation Model then discounted to estimate fair value. Fair value is estimated using the probability weighted cash flow estimate closer to the measurement date. The various operating performance measures included in these contingent consideration agreements primarily relate to product revenue.

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

Goodwill Impairment

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in our business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. We performed our

annual impairment assessment on November 30, 2020. We operate under one reporting unit and as a result, evaluate goodwill impairment based on our fair value as a whole.

To determine the number of operating segments and reporting units that are present, we analyzed whether there is any customer, product or geographic information that drives the chief operating decision maker's (our chief executive officer) decisions on how to allocate resources and whether any segment management exists. Management has concluded that operating decisions are made at the consolidated company level and there is no segment management in place that reviews results of operations with the chief operating decision maker.

In assessing goodwill for impairment, an entity has the option to assess qualitative factors to determine whether events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, it is more likely than not that the fair value of the reporting unit is greater than its carrying value, then performing the two-step impairment test is unnecessary. An entity can choose not to perform a qualitative assessment for any of its reporting units and proceed directly to the use of the two-step impairment test.

When assessing goodwill for impairment for the year ended December 31, 2020, we first performed a qualitative assessment to determine whether it was necessary to perform the two-step quantitative analysis. Based on the qualitative assessment we determined it was unlikely that our reporting unit fair value was less than its carrying value and the two-step impairment test was not required. Based on the results of our most recent annual qualitative assessment performed on November 30, 2020, there was no impairment of goodwill recorded.

Capitalized Software Development Costs

We capitalize certain costs related to the development of our platform and other software applications for internal use. In accordance with authoritative guidance, we begin to capitalize our costs to develop software when preliminary development efforts are successfully completed, management has authorized and committed project funding, and it is probable that the project will be completed and the software will be used as intended. We stop capitalizing these costs when the software is substantially complete and ready for its intended use, including the completion of all significant testing. These costs are amortized on a straight-line basis over the estimated useful life of the related asset, generally estimated to be three years. We also capitalize costs related to specific upgrades and enhancements when it is probable the expenditure will result in additional functionality and expense costs incurred for maintenance and minor upgrades and enhancements. Costs incurred prior to meeting these criteria together with costs incurred for training and maintenance are expensed as incurred and recorded within product development expenses in our consolidated statements of operations. We exercise judgment in determining the point at which various projects may be capitalized, in assessing the ongoing value of the capitalized costs and in determining the estimated useful lives over which the costs are amortized. To the extent that we change the manner in which we develop and test new features and functionalities related to our platform, assess the ongoing value of capitalized assets or determine the estimated useful lives over which the costs are amortized, the amount of internal-use software development costs we capitalize and amortize could change in future periods.

Convertible Senior Notes

Significant judgment is required in determining the liability component of the related convertible senior notes as well as the balance sheet classification of the elements of the convertible senior notes. We accounted for the convertible senior notes, the partial repurchase of the 2022 Notes in 2019 and 2022 Note conversions in 2020 as separate liability and equity components, determining the fair value of the respective liability components based on an estimate of the fair value of a similar liability without a conversion option and assigning the residual value to the equity component.

We estimated the fair value of the liability component of the convertible senior notes using a discounted cash flow model with a risk adjusted yield for similar debt instruments, absent any embedded conversion feature. In estimating the risk adjusted yield, we utilized both an income and market approach. For the income approach, we used a convertible bond pricing model, which included several assumptions including volatility and the risk-free rate. For the market approach, we performed an evaluation of issuances of convertible debt securities issued by other comparable companies. Additionally, a detailed analysis of the terms of the convertible senior notes transactions was

required to determine existence of any derivatives that may require separate mark-to-market accounting under applicable accounting guidance.

Recent Accounting Pronouncements

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

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

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

Interest Rate Risk

Our investment portfolio is exposed to market risk from changes in interest rates. The fair market value of fixed rate securities may be adversely impacted by fluctuations in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities. We have historically maintained a relatively short average maturity for our investment portfolio, and we believe a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not change the fair value of our interest sensitive financial instruments by a material amount. In addition, if a 100-basis point change in overall interest rates were to occur in 2020, our interest income would not change significantly in relation to amounts we would expect to earn, based on our cash, cash equivalents, and investments as of December 31, 2020.

Changes in interest rates may also impact gains or losses from the conversion of our outstanding convertible senior notes. In December 2019, we issued \$450 million in aggregate principal amount of our 2024 Notes. In November 2017, we issued \$115 million in aggregate principal amount of our 2022 Notes, of which \$79.8 million remain outstanding. The 2024 Notes and 2022 Notes are convertible under certain circumstances, including trading price conditions related to our common stock, and upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock in each case under certain circumstances, including trading price conditions related to our common stock. In the second quarter of 2018, the trading price of our common stock reached a price for a sustained period at 130% above the conversion price of \$33.71, resulting in the 2022 Notes becoming convertible at the option of the holder during the third quarter of 2018. The 2022 Notes were still convertible at the option of the holder at December 31, 2020. During the year ended December 31, 2020, we issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes. The 2024 Notes were not convertible during the year ended December 31, 2020. Upon conversion, we are required to record a gain or loss for the difference between the fair value of the debt to be extinguished and its corresponding net carrying value. The fair value of the debt to be extinguished depends on our then-current incremental borrowing rate. If our incremental borrowing rate at the time of conversion is higher or lower than the implied interest rate of the 2024 Notes and 2022 Notes, we will record a gain or loss in our consolidated statement of operations during the period in which the 2024 Notes and 2022 Notes are converted. An incremental borrowing rate that is a hypothetical 100 basis points lower than the implicit interest rate upon conversion of the 2024 Notes and 2022 Notes would result in a loss of approximately \$5.3 million.

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

We had cash and cash equivalents of \$467.2 million as of December 31, 2020, which consisted of bank deposits and money market funds. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Exchange Risk

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

Inflation Risk

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

Item 8. Financial Statements and Supplementary Data.

Financial Statements

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

Supplementary Data

The following table sets forth our unaudited quarterly consolidated statements of operations data for each of the eight quarters in the period ended December 31, 2020. We have prepared the quarterly financial data on the same basis as the audited consolidated financial statements included in this Annual Report on Form 10-K. In our opinion, the quarterly financial data reflects all adjustments, consisting only of normal recurring adjustment that we consider necessary for a fair presentation of this data. This quarterly financial data should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results to be expected in the future.

(in thousands)	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Consolidated Statements of Operations Data:								
Revenue	\$ 42,819	\$ 48,405	\$ 52,547	\$ 57,111	\$ 58,900	\$ 65,377	\$ 71,256	\$ 75,608
Cost of revenue	13,981	14,739	16,454	18,361	20,889	19,423	20,885	21,831
Gross profit	28,838	33,666	36,093	38,750	38,011	45,954	50,371	53,777
Operating expenses:								
Sales and marketing	20,071	22,015	21,903	23,742	29,588	28,741	31,395	33,606
Research and development	11,485	12,802	12,877	12,860	14,172	14,937	16,948	16,455
General and administrative	10,558	10,464	13,435	12,363	15,911	16,799	19,766	22,009
Total operating expense	42,114	45,281	48,215	48,965	59,671	60,477	68,109	72,070
Operating loss	(13,276)	(11,615)	(12,122)	(10,215)	(21,660)	(14,523)	(17,738)	(18,293)
Other expense, net	(564)	(310)	(700)	(3,023)	(4,426)	(6,201)	(6,194)	(6,628)
Loss before benefit from (provision for) income taxes	(13,840)	(11,925)	(12,822)	(13,238)	(26,086)	(20,724)	(23,932)	(24,921)
Benefit from (provision for) income taxes	(294)	(138)	(99)	106	701	1,504	(273)	335
Net loss	<u>\$ (14,134)</u>	<u>\$ (12,063)</u>	<u>\$ (12,921)</u>	<u>\$ (13,132)</u>	<u>\$ (25,385)</u>	<u>\$ (19,220)</u>	<u>\$ (24,205)</u>	<u>\$ (24,586)</u>
Other Metrics:								
Adjusted EBITDA ⁽¹⁾	\$ (1,892)	\$ 400	\$ 1,636	\$ 5,026	\$ (4,771)	\$ 3,637	\$ 5,058	\$ 4,120

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

(in thousands)	Three Months Ended							
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020
Net loss	\$ (14,134)	\$ (12,063)	\$ (12,921)	\$ (13,132)	\$ (25,385)	\$ (19,220)	\$ (24,205)	\$ (24,586)
Interest and investment expense, net	458	322	665	1,534	4,349	5,763	5,955	6,015
(Benefit from) provision for income taxes	294	138	99	(106)	(701)	(1,504)	273	(335)
Depreciation and amortization expense	3,705	3,995	5,492	6,479	6,656	7,320	8,140	8,643
Loss on extinguishment of convertible notes	—	—	—	1,406	—	—	44	402
Change in fair value of contingent consideration	—	—	—	(550)	—	—	1,500	2,165
Stock-based compensation expense	7,785	8,008	8,301	9,395	10,310	11,278	13,351	11,816
Adjusted EBITDA	<u>\$ (1,892)</u>	<u>\$ 400</u>	<u>\$ 1,636</u>	<u>\$ 5,026</u>	<u>\$ (4,771)</u>	<u>\$ 3,637</u>	<u>\$ 5,058</u>	<u>\$ 4,120</u>

Quarterly Trends in Revenue and Gross Margin

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

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

Quarterly Trends in Operating Expenses

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

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

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that as of such date, our disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2020.

Management’s Annual Report on Internal Control Over Financial Reporting

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

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of our internal control over financial reporting as of December 31, 2020. In making this assessment, our management used the Internal Control – Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting is effective as of December 31, 2020.

During 2020, we completed the acquisitions of Connexient, CNL Software, one2many, Techwan and SnapComms (the “Acquisitions”). As permitted by the U.S. Securities and Exchange Commission, we excluded the Acquisitions from our assessment of the effectiveness of internal control over financial reporting as of December 31, 2020, since it was not practical for management to conduct an assessment of internal control over financial reporting for these entities between the acquisition dates and the date of management’s assessment. Excluded from our assessment of the effectiveness of internal control over financial reporting as of December 31, 2020 were total assets and net revenues of approximately 8% of each of our consolidated total assets and net revenues as of and for the year ended December 31, 2020.

This Annual Report includes an attestation report regarding our internal control over financial reporting by our registered public accounting firm, which appears in the appendix to this Annual Report on Form 10-K.

Inherent Limitations on Effectiveness of Controls

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

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rules 13(a)-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In response to the COVID-19 pandemic, our employees began working from home starting in March 2020. Management is continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact to their design and operating effectiveness.

Item 9B. Other Information.

None

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The information required by this item is incorporated by reference to our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2020.

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

Item 11. Executive Compensation.

The information required by this item is incorporated by reference to our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2020.

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

The information required by this item is incorporated by reference to our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2020.

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

The information required by this item is incorporated by reference to our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2020.

Item 14. Principal Accounting Fees and Services.

The information required by this item is incorporated by reference to our Proxy Statement for our 2021 Annual Meeting of Stockholders to be filed with the SEC within 120 days after the end of the fiscal year ended December 31, 2020.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

(b) Exhibits:

Exhibit Index

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
2.1	Transaction Agreement dated February 13, 2018, by and among Everbridge, Inc., Everbridge Holdings Limited, and Unified Messaging Systems ASA		8-K	001-37874	2.1	4/9/18
2.2	Membership Interest Purchase Agreement dated July 29, 2019, by and among Everbridge, Inc., NC4 Inc., NC4 Public Sector LLC, and Celerium Group Inc.		8-K	001-37874	2.1	8/2/19
3.1	Fifth Amended and Restated Certificate of Incorporation of Everbridge, Inc.		8-K	001-37874	3.1	9/21/16
3.2	Amended and Restated Bylaws of Everbridge, Inc.		8-K	001-37874	3.2	9/21/16
4.1	Form of common stock certificate of Everbridge, Inc.		S-1/A	333-213217	4.1	9/6/16
4.2	Base Indenture, dated November 20, 2017, between Everbridge, Inc. and U.S. Bank National Association, as Trustee.		8-K	001-37874	4.1	11/20/17
4.3	First Supplemental Indenture, Dated November 20, 2017, between Everbridge, Inc. and U.S. Bank, National Association, as Trustee (including the form of 1.5% convertible senior notes due 2022).		8-K	001-37874	4.2	11/20/17
4.4	Indenture, dated December 13, 2019, between Everbridge, Inc. and U.S. Bank National Association, as Trustee.		8-K	001-37874	4.1	12/13/19
4.5	Description of securities registered pursuant to Section 12 of the Securities Exchange Act of 1934.		10-K	001-37874	4.5	2/28/20
10.1	Lease Agreement, dated as of April 26, 2018 by and between Everbridge, Inc. and PR 155 North Lake, LLC.		10-K	001-37874	10.1	3/1/19

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
10.2+	2008 Equity Incentive Plan, as amended and as currently in effect, and Forms of Stock Option Agreement and Notice of Exercise thereunder.		S-1/A	333-213217	10.3	9/6/16
10.3+	2016 Equity Incentive Plan and Forms of Stock Option Agreement, Notice of Exercise and Stock Option Grant Notice thereunder.		S-1/A	333-213217	10.4	9/6/16
10.4+	Form of Restricted Stock Unit Award Agreement under the Everbridge, Inc. 2016 Equity Incentive Plan, as amended.		10-Q	001-37874	10.1	8/14/17
10.5+	2016 Employee Stock Purchase Plan.		S-1/A	333-213217	10.5	9/6/16
10.6+	Non-Employee Director Compensation Plan.	X				
10.7+	Form of Indemnification Agreement by and between Everbridge, Inc. and each of its directors and executive officers.		S-1	333-213217	10.9	8/19/16
10.8+	Employment Agreement, dated as of July 26, 2012, by and between Everbridge, Inc. and Jaime Ellertson.		S-1	333-213217	10.10	8/19/16
10.9+	Amended and Restated Engagement Agreement, dated as of February 26, 2021, by and between Everbridge, Inc. and Jaime Ellertson.	X				
10.10+	Employment Agreement, dated as of July 27, 2012, by and between Everbridge, Inc. and Imad Mouline.		S-1	333-213217	10.15	8/19/16
10.11+	Amendment to Employment Agreement, dated as of February 26, 2021, by and between Everbridge, Inc. and Imad Mouline.	X				
10.12+	Employment Agreement, dated as of November 3, 2015, by and between Everbridge, Inc. and Elliot J. Mark.		S-1/A	333-213217	10.17	9/6/16
10.13+	Employment Agreement, dated as of May 15, 2018, by and between Everbridge, Inc. and James Totton.		10-Q	001-37874	10.1	8/9/18
10.14+	Employment Agreement, dated as of February 4, 2019, by and between Everbridge, Inc. and Patrick Brickley.		8-K	001-37874	10.1	3/1/19
10.15+	Employment Agreement, dated as of May 25, 2019, by and between Everbridge, Inc. and David Meredith.		8-K	001-37874	10.1	6/18/19
10.16+	Employment Agreement, dated as of August 19, 2019, by and between Everbridge, Inc. and Vernon Irvin.		10-Q	001-37874	10.2	11/8/19
10.17+	Employment Agreement, dated as of October 8, 2019, by and between Everbridge, Inc. and Ajay Nigam.		10-Q	001-37874	10.1	5/8/20

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
10.18+	2019 Management Incentive Plan of Everbridge, Inc.		10-Q	001-37874	10.1	8/9/19
10.19+	2020 Management Incentive Plan of Everbridge, Inc.		10-Q	001-37874	10.2	5/8/20
10.20	Lease, dated as of December 16, 2016, by and between Everbridge, Inc. and Burlington Centre Owner, LLC.		10-K	001-37874	10.20	3/23/17
10.21	First Amendment to Lease, dated as of February 6, 2018, by and between Everbridge, Inc. and 25 Corporate Drive LLC.		10-K	001-37874	10.20	3/1/19
21.1	Subsidiaries of Everbridge, Inc.	X				
23.1	Consent of Ernst & Young, LLP.	X				
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				

Exhibit Number	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File - the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments	X				

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

+ Indicates management contract or compensatory plan.

Item 16. Form 10-K Summary.

None.

SIGNATURES

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

Everbridge, Inc.

Date: February 26, 2021

By: /s/ David Meredith
David Meredith
Chief Executive Officer

Date: February 26, 2021

By: /s/ Patrick Brickley
Patrick Brickley
Senior Vice President and Chief Financial Officer

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

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ David Meredith</u> David Meredith	Chief Executive Officer and Director (Principal Executive Officer)	February 26, 2021
<u>/s/ Patrick Brickley</u> Patrick Brickley	Senior Vice President and Chief Financial Officer (Principal Financial Officer)	February 26, 2021
<u>/s/ Phillip E. Huff</u> Phillip E. Huff	Vice President, Corporate Controller and Chief Accounting Officer (Principal Accounting Officer)	February 26, 2021
<u>/s/ Richard D'Amore</u> Richard D'Amore	Director	February 26, 2021
<u>/s/ Alison Dean</u> Alison Dean	Director	February 26, 2021
<u>/s/ Jaime Ellertson</u> Jaime Ellertson	Chairman of the Board of Directors	February 26, 2021
<u>/s/ Bruns Grayson</u> Bruns Grayson	Director	February 26, 2021
<u>/s/ Kent Mathy</u> Kent Mathy	Director	February 26, 2021
<u>/s/ Simon Paris</u> Simon Paris	Director	February 26, 2021
<u>/s/ Sharon Rowlands</u> Sharon Rowlands	Director	February 26, 2021

EVERBRIDGE, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Everbridge, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Everbridge, Inc. and subsidiaries (the Company) as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

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

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the 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 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 financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) 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.

*Description of the
Matter*

Accounting for Acquisitions

As described in Note 8 to the consolidated financial statements, the Company completed five acquisitions in 2020 (the 2020 Acquisitions) for total consideration of \$118.5 million consisting of a combination of cash, stock and future contingent earnout payments. The acquisitions were accounted for as business combinations. The recognition, measurement and disclosure of the Company's business combinations in the 2020 consolidated financial statements was considered especially challenging and required significant auditor judgment due to the complex nature in the determination by management of the appropriate assumptions and related valuation models for the valuation of acquired assets and assumed liabilities, including, but not limited to, customer relationship intangible assets, deferred revenue and contingent consideration liabilities. The financial statement accounts primarily affected by these transactions were intangible assets, goodwill, contingent consideration liabilities and deferred revenue.

Auditing the Company's accounting for the 2020 Acquisitions was especially challenging due to the significant estimation required by management in determining the fair value of the customer relationship intangible assets, deferred revenue and contingent consideration liabilities of \$34.8 million, \$12.0 million and \$6.3 million, respectively. The significant estimation was primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, deferred revenue and contingent consideration liabilities, as well as the sensitivity of the respective fair values to the underlying significant assumptions. The Company used the income approach to measure the fair value of these intangible assets, a discounted cash flow approach for deferred revenue and a Monte Carlo simulation model to measure the fair value of the contingent consideration liabilities. The significant assumptions used to estimate the fair value of the intangible assets, deferred revenue and contingent consideration liabilities included forecasted revenues from existing customers, existing customer attrition rates, estimated costs required to fulfill the deferred revenue obligation and forecasted revenues for the contingent consideration earnout period. When estimating the significant assumptions to be used in the valuation the Company including a consideration of current industry information, market and economic trends, historical results of the acquired business, nature of the performance obligations associated with the deferred revenue and other relevant factors. These significant assumptions are forward-looking and could be affected by future economic and market conditions.

*How We Addressed the
Matter in Our Audit*

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's accounting for acquisitions. We tested controls over the valuation of intangible assets, deferred revenue and contingent consideration liabilities, including the valuation models and underlying assumptions used to develop such estimates.

To test the fair value of the acquired intangible assets, deferred revenue and contingent consideration liabilities, our audit procedures included, among others, evaluating the significant assumptions used, and the testing of the completeness and accuracy of underlying data. We tested the valuation models used to value the acquired intangible assets, deferred revenue and contingent consideration liabilities including consideration of the nature and classification of such contingent liabilities. Our testing procedures over the significant assumptions included, among others, comparing them to current industry, market and economic trends, historical results of the acquired business and to other relevant factors. We also performed sensitivity analyses of the significant assumptions to evaluate the change in the fair value resulting from changes in the assumptions.

Description of the Matter

Accounting for Software Revenue Contracts

During fiscal year 2020, the Company had a significant contract to sell software licenses, hardware, hosting, post contract support and professional services to a customer for which a portion was delivered in fiscal year 2020 and for which the revenue recognition accounting policy is discussed in Note 2 to the consolidated financial statements. The financial statement accounts primarily affected by this transaction were revenue and deferred revenue.

Auditing these accounts was especially challenging because of the significant judgment required by management to determine the standalone selling prices for each distinct performance obligation in order to allocate the transaction price for purposes of revenue recognition. Making this judgment of estimating a standalone selling price involves consideration of overall pricing objectives, market conditions and other factors, including the value of the Company's other similar contracts, the applications sold, customer demographics, geographic locations and the number and types of users within the Company's contracts. The significant judgment was primarily due to using such considerations to estimate the price that each distinct performance obligation would be sold for on a standalone basis because such performance obligations are typically sold together on a bundled basis. Changes in these estimates of standalone selling prices can have a material effect on the amount of revenue recognized from each distinct performance obligation.

How We Addressed the Matter in Our Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the revenue recognition process for software licenses, including controls over the determination of standalone selling prices for distinct performance obligations.

Our audit procedures included, among others, evaluating the Company's judgments related to the estimate of standalone selling price of each performance obligation. We tested management's estimate of stand-alone selling price of each performance obligation, including an evaluation of the assumptions applied by the Company in the estimates by comparing those significant assumptions to the Company's overall pricing objectives, market conditions and other factors, including the value of the Company's other similar contracts, the applications sold, customer demographics, geographic locations and the number and types of users within the Company's contracts. We met with the project managers to discuss and evaluate those estimates. We also performed a sensitivity analysis of the significant assumptions to evaluate the impact that the change in the standalone selling price of each identified performance obligation resulting from changes in the assumptions would have on revenue recognized during the period.

/s/ Ernst & Young LLP

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

Boston, Massachusetts
February 26, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of Everbridge, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Everbridge, Inc. and Subsidiaries' internal control over financial reporting as of December 31, 2020, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Everbridge, Inc. and Subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on the COSO criteria.

As indicated in the accompanying Management's Annual Report on Internal Control over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Connexient, CNL Software, one2many, Techwan and SnapComms, which are included in the 2020 consolidated financial statements of the Company and constituted 8% and 8%, respectively, of consolidated total assets and net revenue as of December 31, 2020 and for the year then ended. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Connexient, CNL Software, one2many, Techwan and SnapComms.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2020 and 2019, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2020, and the related notes (collectively referred to as the "consolidated financial statements"), and our report dated February 26, 2021 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

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

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) 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.

/s/ Ernst & Young LLP

Boston, Massachusetts

February 26, 2021

EVERBRIDGE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except share data)

	As of December 31,	
	2020	2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 467,171	\$ 531,575
Restricted cash	4,667	4,737
Accounts receivable, net	94,376	68,642
Prepaid expenses	11,774	6,675
Deferred costs and other current assets	20,464	13,501
Total current assets	598,452	625,130
Property and equipment, net	7,774	6,284
Capitalized software development costs, net	16,329	14,287
Goodwill	187,411	91,421
Intangible assets, net	113,762	67,100
Restricted cash	3,792	3,350
Prepaid expenses	1,943	2,009
Deferred costs and other assets	31,481	27,715
Total assets	<u>\$ 960,944</u>	<u>\$ 837,296</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 9,698	\$ 7,808
Accrued payroll and employee related liabilities	27,674	22,248
Accrued expenses	7,246	4,496
Deferred revenue	165,389	129,995
Contingent consideration liabilities	10,619	—
Other current liabilities	15,602	4,819
Total current liabilities	236,228	169,366
Long-term liabilities:		
Deferred revenue, noncurrent	4,738	3,471
Convertible senior notes	441,514	430,282
Deferred tax liabilities	10,065	2,002
Other long term liabilities	16,094	11,863
Total liabilities	708,639	616,984
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.001, 10,000,000 shares authorized, no shares issued or outstanding as of December 31, 2020 and December 31, 2019, respectively	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized, 35,449,447 and 33,848,627 shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively	35	34
Additional paid-in capital	542,776	425,945
Accumulated deficit	(293,316)	(199,920)
Accumulated other comprehensive income (loss)	2,810	(5,747)
Total stockholders' equity	252,305	220,312
Total liabilities and stockholders' equity	<u>\$ 960,944</u>	<u>\$ 837,296</u>

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2020	2019	2018
Revenue	\$ 271,141	\$ 200,882	\$ 147,094
Cost of revenue	83,028	63,535	46,810
Gross profit	188,113	137,347	100,284
Operating expenses:			
Sales and marketing	123,330	87,731	69,608
Research and development	62,512	50,024	41,305
General and administrative	74,485	46,820	31,462
Total operating expenses	260,327	184,575	142,375
Operating loss	(72,214)	(47,228)	(42,091)
Other expense, net:			
Interest income	2,007	4,499	1,842
Interest expense	(24,089)	(7,478)	(6,346)
Loss on extinguishment of convertible notes	(446)	(1,406)	—
Other expenses, net	(921)	(212)	(124)
Total other expense, net	(23,449)	(4,597)	(4,628)
Loss before income taxes	(95,663)	(51,825)	(46,719)
Benefit from (provision for) income taxes	2,267	(425)	(796)
Net loss	\$ (93,396)	\$ (52,250)	\$ (47,515)
Net loss per share attributable to common stockholders:			
Basic	\$ (2.70)	\$ (1.58)	\$ (1.63)
Diluted	\$ (2.70)	\$ (1.58)	\$ (1.63)
Weighted-average common shares outstanding:			
Basic	34,581,144	33,161,656	29,107,267
Diluted	34,581,144	33,161,656	29,107,267
Other comprehensive income (loss):			
Foreign currency translation adjustment	8,557	(679)	(5,288)
Total other comprehensive income (loss)	8,557	(679)	(5,288)
Total comprehensive loss	\$ (84,839)	\$ (52,929)	\$ (52,803)

See accompanying notes to consolidated financial statements.

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

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated-other comprehensive income (loss)	Total
	Shares	Par value				
Balance at January 1, 2018	28,330,460	\$ 28	\$ 164,995	\$ (109,252)	\$ 220	\$ 55,991
Cumulative effect of adoption of ASU 2014-09, net of taxes	—	—	—	9,097	—	9,097
Stock-based compensation	—	—	25,825	—	—	25,825
Vesting of restricted stock units	671,412	1	—	—	—	1
Restricted stock units withheld to settle employee tax withholding liability	(154,567)	—	(7,925)	—	—	(7,925)
Exercise of stock options	778,370	1	10,148	—	—	10,149
Issuance of shares under employee stock purchase plan	74,517	—	1,823	—	—	1,823
Other comprehensive loss	—	—	—	—	(5,288)	(5,288)
Net loss	—	—	—	(47,515)	—	(47,515)
Balance at December 31, 2018	29,700,192	30	194,866	(147,670)	(5,068)	42,158
Issuance of common stock, net of cost	2,645,000	3	138,831	—	—	138,834
Issuance of common stock in connection with acquisition	320,998	—	32,798	—	—	32,798
Stock-based compensation	—	—	33,989	—	—	33,989
Vesting of restricted stock units	275,680	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(54,312)	—	(4,602)	—	—	(4,602)
Exercise of stock options	918,588	1	17,410	—	—	17,411
Issuance of shares under employee stock purchase plan	42,481	—	2,337	—	—	2,337
Equity component of the convertible notes due 2024, net of allocated issuance costs and taxes	—	—	86,133	—	—	86,133
Purchase of capped call hedge for the convertible notes due 2024, including issuance costs	—	—	(44,948)	—	—	(44,948)
Equity component of repurchased convertible notes due 2022	—	—	(36,649)	—	—	(36,649)
Termination of capped call hedge for the convertible notes due 2022	—	—	5,780	—	—	5,780
Other comprehensive loss	—	—	—	—	(679)	(679)
Net loss	—	—	—	(52,250)	—	(52,250)
Balance at December 31, 2019	33,848,627	34	425,945	(199,920)	(5,747)	220,312
Issuance of common stock in connection with acquisitions	462,224	—	53,193	—	—	53,193
Stock-based compensation	—	—	47,079	—	—	47,079
Vesting of restricted stock units and performance-based restricted stock units	451,879	—	—	—	—	—
Restricted stock units and performance-based restricted stock units withheld to settle employee tax withholding liability	(48,469)	—	(6,364)	—	—	(6,364)
Exercise of stock options	323,838	1	8,159	—	—	8,160
Issuance of shares under employee stock purchase plan	49,319	—	3,389	—	—	3,389
Settlement of convertible notes due 2022	362,029	—	11,375	—	—	11,375
Other comprehensive income	—	—	—	—	8,557	8,557
Net loss	—	—	—	(93,396)	—	(93,396)
Balance at December 31, 2020	35,449,447	\$ 35	\$ 542,776	\$ (293,316)	\$ 2,810	\$ 252,305

See accompanying notes to consolidated financial statements.

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

	Year Ended December 31,		
	2020	2019	2018
Cash flows from operating activities:			
Net loss	\$ (93,396)	\$ (52,250)	\$ (47,515)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	30,759	19,671	13,693
Amortization of deferred costs	12,609	7,982	5,472
Deferred income taxes	(3,478)	109	125
Accretion of interest on debt	22,161	5,711	4,616
Loss on extinguishment of convertible notes	446	1,406	—
Provision for credit losses and sales reserve	3,071	661	252
Stock-based compensation	46,755	33,489	25,589
Change in fair value of contingent consideration obligation	3,665	(550)	(250)
Other non-cash adjustments	78	(241)	(386)
Change in operating assets and liabilities:			
Accounts receivable	(22,614)	(25,558)	(2,623)
Prepaid expenses	(3,983)	(3,481)	(1,952)
Deferred costs	(18,902)	(15,293)	(8,285)
Other assets	146	1,758	(4,014)
Accounts payable	1,547	5,312	(1,263)
Accrued payroll and employee related liabilities	3,499	4,548	4,686
Accrued expenses	1,057	(1,308)	298
Deferred revenue	24,964	29,704	13,164
Other liabilities	7,419	(1,353)	1,688
Net cash provided by operating activities	<u>15,803</u>	<u>10,317</u>	<u>3,295</u>
Cash flows from investing activities:			
Capital expenditures	(3,257)	(5,269)	(1,721)
Proceeds from landlord reimbursement	—	1,143	—
Payments for acquisition of business, net of acquired cash	(55,138)	(58,419)	(35,857)
Additions to capitalized software development costs	(9,651)	(7,819)	(8,499)
Purchase of short-term investments	—	(1,975)	(87,204)
Maturities of short-term investments	—	47,765	85,069
Purchase of intangibles	(17,139)	—	(201)
Net cash used in investing activities	<u>(85,185)</u>	<u>(24,574)</u>	<u>(48,413)</u>
Cash flows from financing activities:			
Proceeds from public offering, net of costs	—	139,110	(276)
Proceeds from issuance of convertible notes	—	450,000	—
Payments of debt issuance costs	—	(12,686)	(84)
Purchase of convertible notes capped call hedge	(131)	(44,910)	—
Repurchase of convertible notes	—	(57,791)	—
Proceeds from termination of convertible notes capped call hedge	—	5,780	—
Restricted stock units withheld to settle employee tax withholding liability	(6,364)	(4,602)	(7,925)
Payments of contingent consideration obligation	—	—	(431)
Proceeds from employee stock purchase plan	3,389	2,337	1,823
Proceeds from option exercises	8,160	17,411	10,150
Other	—	(548)	(158)
Net cash provided by financing activities	<u>5,054</u>	<u>494,101</u>	<u>3,099</u>
Effect of exchange rates on cash, cash equivalents and restricted cash	296	(250)	(964)
Net increase (decrease) in cash, cash equivalents and restricted cash	<u>(64,032)</u>	<u>479,594</u>	<u>(42,983)</u>
Cash, cash equivalents and restricted cash—beginning of year	539,662	60,068	103,051
Cash, cash equivalents and restricted cash—end of year	<u>\$ 475,630</u>	<u>\$ 539,662</u>	<u>\$ 60,068</u>
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 1,938	\$ 1,766	\$ 1,634
Taxes, net of refunds received	706	90	113
Supplemental disclosure of non-cash activities			
Common stock issued in connection with acquisitions	53,193	32,798	—
Deferred consideration in connection with acquisition	4,044	—	—
Contingent consideration in connection with acquisitions	6,267	550	—
Common stock issued in connection with settlement of convertible notes	11,375	—	—
Capitalized assets included in accounts payable and accrued expenses	291	136	1,609
Stock-based compensation capitalized for software development	324	500	236
Other non-cash activities	(163)	202	456

See accompanying notes to consolidated financial statements.

Everbridge, Inc.
Notes to the Consolidated Financial Statements

(1) Business and Nature of Operations

Everbridge, Inc., a Delaware corporation (together with its wholly-owned subsidiaries, referred to as “Everbridge” or the “Company”), is a global software company that provides enterprise software applications that automate and accelerate organizations’ operational response to critical events in order to keep people safe and businesses running. The Company’s SaaS-based platform enables the Company’s customers to manage and mitigate critical events. The Company’s enterprise applications, such as Mass Notification, Safety Connection, Incident Management, IT Alerting, Visual Command Center, Public Warning, Community Engagement, Risk Center, Crisis Management, Secure Collaboration, and Control Center, automate numerous critical event management processes. The Company generates revenue primarily from subscription fees to the Company’s enterprise applications. The Company has operations in the United States, United Kingdom, Norway, China, Netherlands, India and other countries.

(2) Summary of Significant Accounting Policies

Basis of Presentation

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

Principles of Consolidation

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

Use of Estimates

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

Assets and liabilities which are subject to judgment and use of estimates include the determination of the period of benefit for deferred commissions, relative stand-alone selling price for identified performance obligations in our revenue transactions, allowances for credit losses, the fair value of assets acquired and liabilities assumed in business combinations, the fair value of contingent consideration, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, contingencies, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. In addition, the Company engages valuation specialists to assist with management's determination of the valuation of its fair values of assets acquired and liabilities assumed in business combinations, convertible senior notes, and certain market-based performance equity awards. There have been significant changes to the global economic situation as a consequence of the COVID-19 pandemic. The global outbreak continues to cause instability and volatility in multiple markets where the Company conducts business which could cause changes to estimates as a result of the financial circumstances. Such changes to estimates could potentially result in impacts that would be material to the consolidated financial statements, particularly with respect to the timing of revenue recognition resulting from potential implementation delays, evaluating the recoverability of long-lived assets with finite useful lives for impairment and estimates of credit losses for accounts receivables and contract assets. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management's judgment regarding this could change in the future. As of the date of issuance of these financial statements, the Company's results of operations have not been significantly impacted by the COVID-19 pandemic; however, the Company continues to monitor the situation.

Recently Adopted Accounting Pronouncements

ASU No. 2016-02

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, *Leases (Topic 842)*, to require lessees to recognize most leases on the balance sheet, while recognition on the statement of operations will remain similar to current lease accounting. The ASU requires lessees to recognize a liability for lease obligations, which represents the discounted obligation to make future lease payments, and a corresponding right-of-use ("ROU") asset on the balance sheet. The guidance requires disclosure of key information about leasing arrangements that is intended to enable the assessment of the amount, timing and potential uncertainty of cash flows related to leases. The ASU also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting.

The Company adopted the standard on January 1, 2019 using the modified retrospective approach. The Company elected to apply the transition method that allows companies to continue applying the guidance under the lease standard in effect at that time in the comparative periods presented in the consolidated financial statements and recognize a cumulative-effect adjustment to the opening balance of retained earnings on the date of adoption. The Company also elected the "package of practical expedients", which permits the Company not to reassess under the new standard its prior conclusions about lease identification, lease classification and initial direct costs.

Results for reporting periods beginning after January 1, 2019 are presented under the new standard, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Upon adoption of the new lease standard, on January 1, 2019, the Company capitalized ROU assets of \$14.7 million and \$16.9 million of lease liabilities, within the Company's consolidated balance sheets upon adoption. Additionally, the Company reversed its deferred rent liability of \$2.2 million, which upon adoption became a component of the ROU asset. The adoption of this standard did not have an impact on the Company's consolidated statement of operations or cash flows and did not result in a cumulative catch-up adjustment to the opening balance of retained earnings.

ASU 2016-13

In June 2016, the FASB issued ASU 2016-13 (as amended through March 2020), *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 introduced a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables, contract assets and held-to-maturity debt securities, which requires the Company to incorporate considerations of historical information, current information and reasonable and supportable forecasts. ASU 2016-13 also expands disclosure requirements.

The Company adopted the standard on January 1, 2020 using the modified retrospective approach. Adoption of ASU 2016-13 resulted in changes to the Company's accounting policies for trade and other receivables and contract assets. Upon adoption of ASU 2016-13 the Company evaluates trade receivables and contract assets on a collective (i.e., pool) basis if they share similar risk characteristics.

Based on the results of the Company's evaluation, the adoption of ASU 2016-13 did not have a material impact on the reserve for credit losses as of January 1, 2020. Adoption of the standard had no impact on total cash provided from or used in operating, financing, or investing activities in the Company's condensed consolidated statements of cash flows.

ASU 2018-13

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements*, which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. The guidance includes retrospective and prospective basis application dependent on the requirements of specific amendments. The Company adopted ASU

2018-13 on January 1, 2020 on a prospective basis. The adoption of this standard did not have an impact on the Company's condensed consolidated financial statements.

ASU 2018-15

In August 2018, the FASB issued ASU 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, related to a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement ("CCA"). Under the new guidance, implementation costs associated with a CCA for a hosting arrangement that is a service contract are accounted for consistent with existing internal-use software implementation guidance. ASU 2018-15 also provides classification guidance on these implementation costs as well as additional quantitative and qualitative disclosures. The Company adopted ASU 2018-15 on January 1, 2020 on a prospective basis. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements.

Recent Accounting Pronouncements Not Yet Adopted

ASU 2020-01

In January 2020, the FASB issued ASU 2020-01, *Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815*. ASU 2020-01 addresses the accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. Observable transactions that require a company to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with FASB Accounting Standards Codification ("ASC") 321, *Investments – Equity Securities*, should be considered immediately before applying or upon discontinuing the equity method. Certain non-derivative forward contracts or purchased call options to acquire equity securities generally will be measured using the fair value principles of ASC 321 before settlement or exercise and consideration shall not be given to how entities will account for the resulting investments on eventual settlement or exercise. ASU 2020-01 is effective for the Company beginning in the first quarter of 2021 and early adoption is permitted. ASU 2020-01 should be applied prospectively. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

ASU 2020-06

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. ASU 2020-06 reduces the number of accounting models for convertible instruments by eliminating two of the three models that require separate accounting for embedded conversion features, amends the requirements for a contract that is potentially settled in an entity's own shares to be classified in equity, and amends certain guidance on the computation of earnings per share for convertible instruments and contracts on an entity's own equity. ASU 2020-06 is effective for the Company beginning in the first quarter of 2022 and early adoption is permitted beginning in the first quarter of 2021. ASU 2020-06 may be applied using a modified or full retrospective transition method. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

Other accounting standard updates effective for interim and annual periods beginning after December 31, 2020 are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

Fair Value Measurements

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

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

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

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

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

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

Concentrations of Credit and Business Risk

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

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

The Company's accounts receivable are generally unsecured and are derived from revenue earned from customers primarily located in the United States, Norway, Netherlands, Sweden and the United Kingdom and are generally denominated in U.S. Dollars, Norwegian Krone, Euro, Swedish Kronor or British Pounds. Each reporting period, the Company reevaluates each customer's ability to satisfy credit obligations and maintains an allowance for credit risk based on the evaluations. No single customer comprised more than 10% of the Company's total revenue for the years ended December 31, 2020, 2019 and 2018. No single customer comprised more than 10% of the Company's total accounts receivable balance at December 31, 2020 and 2019.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist of funds deposited into money market funds. Cash and cash equivalents are recorded at cost, which approximates fair value.

Restricted Cash

The Company's restricted cash balance primarily consists of cash held at a financial institution for collateral against performance on the Company's customer contracts and certain other cash deposits for specific purposes.

Short-Term Investments

Short-term investments consist of highly liquid investments, primarily commercial paper, U.S. Treasury and U.S. agency securities, with maturities over three months from the date of purchase and less than 12 months from the date of the balance sheet. Debt securities, money market funds and U.S. agency bonds that the Company has the ability and positive intent to hold to maturity are carried at amortized cost, which approximates fair value. There were no short-term investments at December 31, 2020 and 2019.

Accounts Receivable

Accounts receivable includes trade accounts receivables from the Company's customers, net of an allowance for credit risk. Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company's contract assets relate to services performed which were not billed, net of an allowance for credit risk. Allowance for credit risk for accounts receivables and contract assets is established based on various factors including credit profiles of the Company's customers, historical payments and current economic trends. The Company reviews its allowance for accounts receivables and contract assets by assessing individual accounts receivable or unbilled contract assets over a specific aging and amount. All other balances are pooled based on historical collection experience. The estimate of expected credit losses is based on information about past events, current economic conditions, and forecasts of future economic conditions that affect the collectability. Accounts receivable and contract assets are written-off on a case by case basis, net of any amounts that may be collected.

Deferred Offering Costs

Deferred offering costs consist primarily of direct incremental costs related to the Company's follow on offering of its common stock, which was completed in January 2019.

Property and Equipment, Net

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

Capitalized Software Development Costs

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

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

For software licenses for on premises usage, software development costs are capitalized in accordance with ASC 985-20, *Costs of Software to be Sold, Leased or Marketed*. The Company capitalizes software development costs incurred after technological feasibility of the software is established or for development costs that have alternative future uses. Under the Company's current practice, the technological feasibility of the underlying software is not established until substantially all product development and testing is complete, which generally includes the development of a working model. Software development costs that have been capitalized to date have not been material.

Business Combinations

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

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

The valuation of the contingent consideration is derived using estimates of the probability of achievement within specified time periods based on projections of future revenue metrics per the terms of the applicable agreements. These include estimates of the Company's assessment of the probability of meeting such results, with the probability-weighted earn-out using a Monte Carlo Simulation Model then discounted to estimate fair value. Fair value is estimated using the probability weighted cash flow estimate closer to the measurement date. The various operating performance measures included in these contingent consideration agreements primarily relate to product revenue.

Segment Information

The Company's Chief Executive Officer is the chief operating decision maker, who reviews the Company's financial information presented on a consolidated basis for purposes of allocating resources and evaluating the Company's financial performance. Accordingly, the Company has determined that it operates in a single reporting segment.

Long-Lived Assets

The Company evaluates the recoverability of its long-lived assets with finite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable or that the useful lives of those assets are no longer appropriate. Management considers the following potential indicators of impairment of its long-lived assets (asset group): a substantial decrease in the Company's stock price, a significant adverse change in the extent or manner in which a long-lived asset (asset group) is being used, a significant adverse change in legal factors or in the business climate that could affect the value of the long-lived asset (asset group), an accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset (asset group), and a current expectation that, more likely than not, a long lived asset (asset group) will be sold or otherwise disposed of significantly before the end of its previously estimated useful life. When such events occur, the Company compares the carrying amounts of the assets group to their undiscounted expected future cash flows. If this comparison indicates that there may be an impairment, the amount of the impairment is calculated as the difference between the carrying value and fair value. For the years presented, the Company did not recognize an impairment charge.

Intangible Assets

Intangible assets consist of patents, tradename, customer relationships and acquired technology. The Company records acquired intangible assets at fair value on the date of acquisition, and amortize such assets using the straight-line method over the expected useful life of the asset. The estimated useful life of acquired intangible assets is one to nine years. The Company evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets in accordance with the long-lived assets policy states above. If the estimate of an intangible asset's remaining useful life is changed, the Company amortizes the remaining carrying value of the intangible asset prospectively over the revised remaining useful life.

Goodwill

Goodwill represents the excess of the aggregate purchase price paid over the fair value of the net assets acquired in business combinations. Goodwill is not amortized and is tested for impairment at least annually or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances that could trigger an impairment review include a significant adverse change in business climate, an adverse action or assessment by a regulator, unanticipated competition, a loss of key personnel, significant changes in the manner of use of the acquired assets or the strategy for the Company's overall business, significant negative industry or economic trends, or significant underperformance relative to expected historical or projected future results of operations. The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying value, including goodwill. If, after assessing the totality of events or circumstances, the Company determines that it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, additional impairment testing is not required. The Company tests for goodwill impairment annually on November 30.

The Company performed a qualitative goodwill assessment at November 30, 2020 and concluded there was no impairment based on consideration of a number of factors, including the improvement in the Company's key operating metrics over the prior year, improvement in the strength of the general economy and the Company's continued execution against its overall strategic objectives.

Debt Issuance Costs

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

Revenue Recognition

The Company derives its revenues primarily from subscription services and professional services. The Company adopted the requirements of the ASC 606, *Revenue from Contracts with Customers*, as of January 1, 2018. See Note 15.

Revenues are recognized when control of services is transferred to the Company's customers in an amount that reflects the consideration it expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer;
- Identification of the performance obligations in the contract;
- Determination of the transaction price;
- Allocation of the transaction price to the performance obligations in the contract; and
- Recognition of revenue when, or as, the Company satisfies a performance obligation.

Identify the customer contract

A customer contract is generally identified when the Company and a customer have executed an arrangement that calls for the Company to grant access to its online software products and provide professional services in exchange for consideration from the customer.

Identify performance obligations that are distinct

A performance obligation is a promise to provide a distinct good or service or a series of distinct goods or services. A good or service that is promised to a customer is distinct if the customer can benefit from the good or service either on its own or together with other resources that are readily available to the customer, and a company's promise to transfer the good or service to the customer is separately identifiable from other promises in the contract. The Company has determined that subscriptions for its online software products are distinct because, once a customer has access to the online software product that it purchased, the online software product is fully functional and does not require any additional development, modification, or customization. Professional services sold are distinct because the customer benefits from the on-boarding and training to make better use of the online software products it purchased.

Determine the transaction price

The transaction price is the amount of consideration to which the Company expects to be entitled in exchange for transferring goods or services to a customer, excluding sales taxes that are collected on behalf of government agencies. The Company estimates any variable consideration to which it will be entitled at contract inception, and reassesses at each reporting date, when determining the transaction price. The Company does not include variable consideration to the extent that it is probable that a significant reversal in the amount of cumulative revenue recognized will occur when any uncertainty associated with the variable consideration is resolved. Variable consideration revenue was not material for the years ended December 31, 2020, 2019 and 2018.

Allocate the transaction price to the distinct performance obligations

The transaction price is allocated to the separate performance obligation on a relative standalone selling prices ("SSP") basis for those performance obligations with stable observable prices and then the residual method is applied for any performance obligation that has pricing which is highly variable. The Company determines the SSP of its goods and services based upon their average sales price or using other observable inputs, such as similar products or services.

Recognize revenue as the performance obligations are satisfied

Revenues are recognized when or as control of the promised goods or services is transferred to customers. Revenue from subscriptions to the Company's critical event management and enterprise safety applications is recognized ratably over the subscription period beginning on the date the Company's online software products are made available to customers. Most subscription contracts are two years or more. The Company recognizes revenue from professional services as the services are provided. Software on premises license transactions are generally perpetual in nature and are recognized at a point in time when made available to the customer for use.

Disaggregation of Revenue

The Company provides disaggregation of revenue based on geographic region (see Note 15) and based on the subscription versus professional services and other classification on the consolidated statements of operations as it believes this best depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors.

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of the Company's hosted applications for critical event management, with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that the Company's service is made available to the customer. All services are recognized using an output measure of progress looking at time elapsed as the contract generally provides the customer equal benefit throughout the contract period. The Company's subscription contracts are generally two years or longer in length, billed annually in advance, and non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of fees for deployment and optimization services, as well as training. The majority of the Company's consulting contracts revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion performed.

Software License Revenues

On occasion the Company may sell software and related post contract support for on premises usage as well as professional services, hardware and hosting which is outside of the Company's core business and is not a significant revenue stream for the Company. The Company's on premises license transactions are generally perpetual in nature and are recognized at a point in time when made available to the customer for use. Significant judgment is required to determine the standalone selling prices for each distinct performance obligation in order to allocate the transaction price for purposes of revenue recognition. Making this judgment of estimating a standalone selling price involves consideration of overall pricing objectives, market conditions and other factors, including the value of our other similar contracts, the applications sold, customer demographics, geographic locations, and the number and types of users within the Company's contracts. The significant judgment was primarily due to using such considerations to estimate the price that each distinct performance obligation would be sold for on a standalone basis because such performance obligations are typically sold together on a bundled basis. Changes in these estimates of standalone selling prices can have a material effect on the amount of revenue recognized from each distinct performance obligation.

Contracts with Multiple Performance Obligations

Most of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis for those performance obligations with stable observable prices and then the residual method applied for any performance obligation that has pricing which is highly variable. The Company determines the standalone selling prices based on the Company's overall pricing objectives, taking into consideration market conditions and other factors, including the value of the Company's contracts, pricing when certain services are sold on a standalone basis, the applications sold, customer demographics, geographic locations, and the volume of services and users.

Returns

The Company does not offer rights of return for its products and services in the normal course of business.

Customer Acceptance

The Company's contracts with customers generally do not include customer acceptance clauses.

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for credit risk, which is not material. Other receivables represent unbilled receivables related to subscription and professional services contracts, net of an allowance for credit losses, which is not material. On January 1, 2020, the Company adopted ASU 2016-13 (as amended through March 2020), *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. See Recently Adopted Accounting Pronouncements above.

Deferred Costs

Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Subscription-related commissions costs are deferred and then amortized on a straight-line basis over a period of benefit that the Company has determined to be four years. Sales commissions attributable to professional services are expensed within twelve months of selling the service to the customer. The Company has determined the period of benefit by taking into consideration its customer contracts, its technology and other factors. Sales commissions attributed to renewals are not material and are not commensurate with initial and growth sales. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying consolidated statements of operations.

Deferred Revenue

Deferred revenue consists of amounts that have been invoiced and for which the Company has the right to bill, but that have not been recognized as revenue because the related goods or services have not been transferred. Deferred revenue that will be realized during the succeeding 12-month period is recorded as current, and the remaining deferred revenue is recorded as non-current.

In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not to receive financing from its customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period.

Advertising Expenses

Advertising expenses to promote the Company's services are expensed as incurred. Advertising expenses included in sales and marketing expense were \$4.8 million, \$1.9 million and \$1.4 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Research and Development

Research and development expenses primarily consist of employee-related costs for research and development staff, including salaries, bonuses, benefits and stock-based compensation and the cost of certain third-party service providers related to the development of the Company's solutions that do not meet the criteria to be capitalized under ASC 350-40, *Internal Use Software* or ASC 985-20, *Costs of Software to be Sold, Leased or Marketed*.

Stock-Based Compensation

Stock-based compensation expense is comprised of stock options, restricted stock units ("RSUs"), performance-based RSUs ("PSUs") and employee stock purchase plan awards.

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

The Company grants PSUs that vest upon satisfaction of certain performance-based conditions. The vesting of PSUs is subject to the employee's continued employment with the Company through the date of achievement. The fair value is based on value of the Company's common stock at the date of issuance and the probability of achieving the performance metric. The Company has assessed the probability of achievement as highly probable based on past performance of achievement of the performance metric. Compensation cost is recognized under the accelerated

method and is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions.

In 2018, the Company granted market-based RSUs that vested upon satisfaction of certain market-based conditions. These market-based RSUs were valued using the Monte-Carlo simulation model. No market-based RSUs were granted during the years ended December 31, 2020 and 2019. The Company recognized compensation expense associated with the market-based RSUs over the implied requisite service period subject to acceleration based on meeting the market-based condition.

Income Taxes

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

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

Foreign Currency Translation

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

Other Comprehensive Income (Loss)

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

Net Loss Per Share Attributable to Common Stockholders

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

(3) Accounts Receivable, Net

On January 1, 2020, the Company adopted ASU 2016-13 using the modified retrospective approach. See Note 2. The cumulative effect of initially applying ASU 2016-13 had an immaterial impact on the Company's opening balance of accumulated deficit.

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

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

	As of December 31,	
	2020	2019
Accounts receivable amortized cost	\$ 98,164	\$ 69,767
Allowance for credit losses	(3,788)	(1,125)
Net accounts receivable	<u>\$ 94,376</u>	<u>\$ 68,642</u>

The following table summarizes the changes in the allowance for credit losses for accounts receivable (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Balance, beginning of period	\$ (1,125)	\$ (711)	\$ (863)
Provision for expected credit losses	(2,877)	(971)	(58)
Write-offs	214	557	210
Balance, end of period	<u>\$ (3,788)</u>	<u>\$ (1,125)</u>	<u>\$ (711)</u>

Contract assets, net is as follows (in thousands):

	As of December 31,	
	2020	2019
Contract asset amortized cost	\$ 2,560	\$ 1,959
Allowance for credit losses	(398)	—
Net contract asset	<u>\$ 2,162</u>	<u>\$ 1,959</u>

The following table summarizes the changes in the allowance for credit losses for contract assets (in thousands):

	Year Ended December 31, 2020
Balance, beginning of period	\$ —
Provision for expected credit losses	(398)
Balance, end of period	<u>\$ (398)</u>

Credit loss expense for the years ended December 31, 2020, 2019 and 2018 was \$2.7 million, \$0.7 million and \$0.1 million, respectively.

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

	Year Ended December 31,		
	2020	2019	2018
Balance, beginning of period	\$ (175)	\$ (200)	\$ (100)
(Additions) reductions	(85)	16	(193)
Write-offs	85	9	93
Balance, end of period	<u>\$ (175)</u>	<u>\$ (175)</u>	<u>\$ (200)</u>

(4) Property and Equipment

Property and equipment consist of the following (in thousands):

	Useful life in years	As of December 31,	
		2020	2019
Furniture and equipment	5	\$ 2,041	\$ 1,785
Leasehold improvements (1)	9	4,944	4,074
System hardware	5	807	1,596
Office computers	3	6,547	5,309
Computer and system software	3	827	1,451
		15,166	14,215
Less accumulated depreciation and amortization		(7,392)	(7,931)
Property and equipment, net		\$ 7,774	\$ 6,284

(1) Lesser of the lease term or the estimated useful lives of the improvements, which may be up to 9 years.

Depreciation and amortization expense for the years ended December 31, 2020, 2019 and 2018 was \$2.7 million, \$2.2 million and \$1.8 million, respectively.

(5) Capitalized Software Development Costs

Capitalized software development costs consisted of the following (in thousands):

	Gross carrying amount	Amortization period	Accumulated amortization	Net carrying amount
As of December 31, 2020	\$ 59,761	3 years	\$ (43,432)	\$ 16,329
As of December 31, 2019	49,909	3 years	(35,622)	14,287

The Company capitalized software development costs of \$9.9 million, \$8.8 million and \$8.8 million during the years ended December 31, 2020, 2019 and 2018, respectively.

Amortized expense for capitalized software development costs was \$7.9 million, \$7.0 million and \$5.9 million during the years ended December 31, 2020, 2019 and 2018, respectively. Amortization of capitalized software development costs is classified within cost of revenue in the consolidated statements of operations and comprehensive loss.

The expected amortization, as of December 31, 2020, for each of the next three years is as follows (in thousands):

2021	\$ 7,610
2022	5,682
2023	3,037
	\$ 16,329

(6) Fair Value Measurements

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

Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the years ended December 31, 2020, 2019 and 2018, no impairments were identified of those assets requiring measurement at fair value on a non-recurring basis.

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

The Company classifies and discloses fair value measurements in one of the following three categories of fair value hierarchy:

- Level 1 Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities.
- Level 2 Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3 Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

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

	As of December 31, 2020			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash equivalents:				
Money market funds	\$ 432,560	\$ —	\$ —	\$ 432,560
Total financial assets	<u>\$ 432,560</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 432,560</u>
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 10,619	\$ 10,619
Derivative instruments - acquisition-related deferred common stock consideration	—	1,011	—	1,011
Total financial liabilities	<u>\$ —</u>	<u>\$ 1,011</u>	<u>\$ 10,619</u>	<u>\$ 11,630</u>
	As of December 31, 2019			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash equivalents:				
Money market funds	\$ 511,436	\$ —	\$ —	\$ 511,436
Total financial assets	<u>\$ 511,436</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 511,436</u>

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. The fair value of the Company's investments in certain money market funds is their face value and such instruments are classified as Level 1 and are included in cash and cash equivalents on the consolidated balance sheets.

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

For the years ended December 31, 2020, 2019 and 2018, gains or losses realized on the sale of investments were not material. Investments are reviewed periodically to identify possible other-than-temporary impairments. As the Company has the ability and intent to hold these investments with unrealized losses for a reasonable period of time sufficient for the recovery of fair value, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired for any of the periods presented.

On May 27, 2020, the Company entered into a Stock Purchase Agreement with Techwan SA (“Techwan”) pursuant to which the Company purchased all of the issued and outstanding shares of stock of Techwan (see Note 8). In accordance with the Stock Purchase Agreement, 6,779 shares of the Company’s common stock were reserved and are expected to be issued to the sellers in November 2021 subject to the provisions in the Stock Purchase Agreement. Management analyzed the liability for derivative accounting consideration under ASC 815, *Derivatives and Hedging*, and determined that the liability qualifies for derivative accounting. The derivative liability is not designated as a hedging instrument. In accordance with ASC 815, the Company recorded the acquisition-related deferred common stock consideration derivative liability, which is carried at fair value, in other long-term liabilities on the condensed consolidated balance sheet. The derivative liability will be marked-to-market each measurement period and changes in fair value during the year ended December 31, 2020 of \$0.1 million was recorded as a component of other expense, net on the consolidated statement of operations. The fair value is derived from the Company’s stock price. The acquisition-related deferred common stock consideration derivative liability will remain in effect until such time as the associated shares are issued and the resulting derivative liability will be transitioned from a liability to equity as of such date.

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

Fair value at December 31, 2018	\$	—
Contingent consideration from MissionMode acquisition		550
Change in fair value of contingent consideration obligation from MissionMode acquisition		(550)
Fair value at December 31, 2019		—
Contingent consideration from one2many acquisition		2,190
Contingent consideration from Techwan acquisition		2,030
Contingent consideration from SnapComms acquisition		2,047
Change in fair value of contingent consideration obligation from one2many acquisition		8,114
Change in fair value of contingent consideration obligation from Techwan acquisition		(2,030)
Change in fair value of contingent consideration obligation from SnapComms acquisition		(2,047)
Foreign currency translation		315
Fair value at December 31, 2020	\$	<u>10,619</u>

The valuation of the contingent consideration was derived using estimates of the probability of achievement within specified time periods based on projections of future revenue metrics per the terms of the applicable agreements. These include estimates of the Company’s assessment of the probability of meeting such results, with the probability-weighted earn-out using a Monte Carlo Simulation Model then discounted to estimate fair value. Fair value is estimated using the probability weighted cash flow estimate closer to the measurement date. The various operating performance measures included in these contingent consideration agreements primarily relate to product revenue. As these are unobservable inputs, the contingent consideration liabilities are included in Level 3 inputs. During the year ended December 31, 2020, as a result of assessing the probabilities of One2Many Group B.V. (“one2many”) meeting revenue metrics during the period of March 1, 2020 through February 28, 2021, the Company recognized an increase in the fair value of one2many’s contingent consideration obligation in the amount

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

of \$8.1 million. During the year ended December 31, 2020, as a result of assessing the probabilities of Techwan meeting revenue metrics during the period of April 1, 2020 through March 31, 2021, the Company recognized a decrease in the fair value of Techwan’s contingent consideration obligation in the amount of \$2.0 million. During the year ended December 31, 2020, as a result of assessing the probabilities of SnapComms Limited (“SnapComms”) meeting revenue metrics during the period of April 1, 2020 through March 31, 2021, the Company recognized a decrease in the fair value of SnapComms’ contingent consideration obligation in the amount of \$2.0 million.

The Company estimates the fair value of the convertible senior notes based on their last actively traded prices (Level 1) or market-observable inputs (Level 2). As of December 31, 2020 and 2019, the fair value of the 0.125% convertible senior notes due 2024 (the “2024 Notes”) was determined to be \$663.6 million and \$450.4 million, respectively, and the carrying value of the 2024 Notes was \$369.0 million and \$351.1 million, respectively. As of December 31, 2020 and 2019, the fair value of the 1.50% convertible senior notes due 2022 (the “2022 Notes”) was determined to be \$265.5 million and \$215.8 million, respectively, and the carrying value of the 2022 Notes was \$72.5 million and \$79.2 million, respectively. See Note 9.

(7) Goodwill and Intangible Assets

The following table displays the changes in the gross carrying amount of goodwill (in thousands):

Balance at December 31, 2018	\$	48,382
Change due to acquisitions		43,302
Foreign currency translation		(263)
Balance at December 31, 2019		91,421
Change due to acquisitions		89,033
Foreign currency translation		6,957
Balance at December 31, 2020	\$	187,411

There were no impairments recorded against goodwill in 2020, 2019 or 2018.

Intangible assets consisted of the following (in thousands):

	Gross carrying amount	Weighted-average life (years)	As of December 31, 2020	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	\$ 31,851	3.54	\$ (5,322)	\$ 26,529
Tradenames	15,360	3.52	(6,638)	8,722
Customer relationships	100,590	7.41	(22,079)	78,511
Total intangible assets	\$ 147,801		\$ (34,039)	\$ 113,762

	Gross carrying amount	Weighted-average life (years)	As of December 31, 2019	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	\$ 9,485	3.00	\$ (4,232)	\$ 5,253
Tradenames	11,437	3.50	(2,724)	8,713
Customer relationships	63,667	6.84	(10,533)	53,134
Total intangible assets	\$ 84,589		\$ (17,489)	\$ 67,100

Amortization expense for intangible assets was \$20.2 million, \$10.4 million and \$5.9 million for the years ended December 31, 2020, 2019 and 2018, respectively. Amortization expense of tradenames and customer relationships is

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

included within general and administrative expenses, while amortization of developed technology is included in cost of revenue. The Company recorded amortization expense attributed to developed technology of \$4.2 million, \$2.1 million and \$1.3 million for the period ended December 31, 2020, 2019 and 2018, respectively. In December 2020, the Company completed an asset acquisition and recorded \$17.1 million to developed technology. The average useful life for the December 2020 asset acquisition of acquired technology is 4.0 years. During the year ended December 31, 2020, the Company retired \$4.4 million of fully amortized intangible assets.

The expected amortization of the intangible assets, as of December 31, 2020, for each of the next five years and thereafter is as follows (in thousands):

2021	\$	27,387
2022		24,219
2023		19,165
2024		17,443
2025		11,040
Thereafter		14,508
	\$	<u>113,762</u>

(8) Business Combinations

The Company accounted for the following acquisitions using the acquisition method of accounting for business combinations under ASC 805, *Business Combinations*, which required that the assets acquired and liabilities assumed be recognized on the balance sheet at their fair values as of the acquisition date. The excess of the purchase price over the net fair value of the assets and liabilities was recorded as goodwill. This goodwill includes the know-how of the assembled workforce, the ability of the workforce to further improve technology and product offerings, customer relationships and the expected cash flows resulting from these efforts. Goodwill may also include expected synergies resulting from the complementary strategic fit these businesses bring to existing operations.

Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the Company's results of operations. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates. Significant estimation was required by management in determining the fair value of the customer relationship intangible assets, deferred revenue and contingent consideration liabilities. The significant estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, deferred revenue and contingent consideration liabilities, as well as the sensitivity of the respective fair values to the underlying significant assumptions. The Company used the income approach to measure the fair value of these intangible assets, a discounted cash flow approach for deferred revenue and a Monte Carlo simulation model to measure the fair value of the contingent consideration liabilities. The significant assumptions used to estimate the fair value of the intangible assets, deferred revenue and contingent consideration liabilities included forecasted revenues from existing customers, existing customer attrition rates, estimated costs required to fulfill the deferred revenue obligation and forecasted revenues for the contingent consideration earnout period. When estimating the significant assumptions to be used in the valuation the Company includes a consideration of current industry information, market and economic trends, historical results of the acquired business, nature of the performance obligations associated with the deferred revenue and other relevant factors. These significant assumptions are forward-looking and could be affected by future economic and market conditions. The valuation of the contingent consideration was derived using estimates of the probability of achievement within specified time periods based on projections of future revenue metrics per the terms of the applicable agreements. These include estimates of the Company's assessment of the probability of meeting such results, with the probability-weighted earn-out using a Monte Carlo Simulation Model then discounted to estimate fair value. Fair value is estimated using the probability weighted cash flow estimate closer to the measurement date. The various operating performance measures included in these contingent consideration agreements primarily relate to product revenue.

The business acquisitions discussed below are included in the Company’s results of operations from their respective dates of acquisition.

2020 Acquisitions

During the year ended December 31, 2020, the Company acquired Connexient, Inc., CNL Software Limited, One2Many Group B.V., Techwan SA and SnapComms Limited. These acquisitions were not material individually or on a consolidated basis. Additionally, neither the investment in the assets nor the results of operations of these acquisitions were significant to the Company’s consolidated financial position or results of operations, and thus pro forma information is not required to be presented.

Connexient, Inc.

On February 7, 2020, the Company entered into a Stock Purchase Agreement with Connexient, Inc. (“Connexient”) pursuant to which the Company purchased all of the issued and outstanding shares of stock of Connexient for a base consideration of \$20.2 million. The Company paid \$11.5 million in cash at closing and paid the remaining purchase price with 96,611 newly issued shares of the Company’s common stock. On the date of this acquisition, the average price of the Company’s common stock on the Nasdaq Global Market was \$93.32 per share. In addition to the base purchase price, there is also a potential contingent payment of up to \$6.0 million that can be earned by the sellers based on fiscal year 2020 revenue metrics. As of the date of the acquisition, the fair value of the contingent consideration was zero as a result of the Company’s initial assessment of the probability of Connexient meeting the revenue metrics. At December 31, 2020, it was determined that Connexient would not meet the fiscal year 2020 revenue metric threshold. The Company acquired Connexient to expand the Company’s customer base and for its strategic technology assets to enhance the Company’s Critical Event Management (“CEM”) suite of solutions to broaden support for Internet of Things (“IoT”) applications.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of Connexient made by the Company (in thousands):

	<u>Connexient</u>
Assets acquired	
Accounts receivable	\$ 849
Prepaid expenses and other current assets	518
Property and equipment	9
Acquired technology	1,220
Trade names	630
Customer relationships	7,800
Goodwill	14,343
Other assets	238
Total assets acquired	<u>25,607</u>
Liabilities assumed	
Accounts payable	751
Accrued expenses	208
Deferred revenue	2,420
Deferred tax liabilities	2,011
Other liabilities	211
Net assets acquired	<u>\$ 20,006</u>
Consideration paid	
Cash consideration, net of cash acquired	\$ 10,991
Fair value of common stock issued	9,015
Total	<u>\$ 20,006</u>

The weighted average useful life of all identified acquired intangible assets is 7.92 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 4.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Connexient's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of Connexient support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the Connexient acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.1 million in connection with the Connexient acquisition, which were expensed as incurred and included in general and administrative expenses.

CNL Software Limited

On February 25, 2020, the Company entered into a Stock Purchase Agreement with CNL Software Limited ("CNL Software") for a base consideration of approximately \$35.7 million. The Company paid approximately \$19.8 million in cash at closing and paid the remaining purchase price with 153,217 newly issued shares of the Company's common stock. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$104.10 per share. The Company acquired CNL Software to expand the Company's customer base and for its strategic technology assets to enhance the Company's CEM suite of solutions to broaden support for IoT applications.

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Notes to the Consolidated Financial Statements—(Continued)

During the year ended December 31, 2020, the Company finalized CNL Software’s assets acquired and liabilities assumed. As a result, the Company recognized a \$0.6 million increase in CNL Software’s deferred revenue balance with a corresponding increase in goodwill from the initial assessment as of the acquisition date.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of CNL Software made by the Company (in thousands):

	<u>CNL Software</u>
Assets acquired	
Accounts receivable	\$ 1,979
Prepaid expenses and other current assets	1,095
Property and equipment	731
Acquired technology	2,150
Trade names	1,080
Customer relationships	5,500
Goodwill	28,679
Other assets	1,314
Total assets acquired	<u>42,528</u>
Liabilities assumed	
Accounts payable	315
Accrued expenses	1,653
Deferred revenue	3,751
Deferred tax liabilities	1,553
Other liabilities	1,276
Net assets acquired	<u>\$ 33,980</u>
Consideration paid	
Cash paid, net of cash acquired	\$ 18,030
Fair value of common stock issued	15,950
Total	<u>\$ 33,980</u>

The weighted average useful life of all identified acquired intangible assets is 5.01 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 6.0 years and 4.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company’s best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of CNL Software’s products with the Company’s other solutions. The Company believes that the factors listed above in relation to the purchase of CNL Software support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the CNL Software acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.1 million in connection with the CNL Software acquisition, which were expensed as incurred and included in general and administrative expenses.

One2Many Group B.V.

On March 19, 2020, the Company entered into a Stock Purchase Agreement with One2Many Group B.V. pursuant to which the Company purchased all of the issued and outstanding shares of stock of one2many for a base consideration of \$13.1 million. The Company paid \$5.5 million in cash at closing, acquired purchase liabilities of \$2.0 million and paid the remaining purchase price with 52,113 newly issued shares of the Company’s common

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

stock. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$104.95 per share. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$15.0 million that can be earned by the sellers based on revenue metrics during the period of March 1, 2020 through February 28, 2021. The potential contingent payment includes an amount payable to the Company if a certain revenue threshold is not met during the period of March 1, 2020 through February 28, 2021. At the date of the acquisition, the Company preliminarily assessed the probabilities of one2many meeting the revenue metrics during the period of March 1, 2020 through February 28, 2021 and recorded a \$2.2 million initial fair value of contingent consideration as part of the purchase price allocation. During the year ended December 31, 2020, the Company recognized an increase in the fair value of one2many's contingent consideration obligation in the amount of \$8.1 million recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss. The Company acquired one2many to expand the Company's customer base and for its cell broadcast technology to enhance the Company's public warning applications.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of one2many made by the Company (in thousands):

	<u>one2many</u>
Assets acquired	
Accounts receivable	\$ 521
Other current assets	1,441
Property and equipment	19
Acquired technology	970
Trade names	580
Customer relationships	3,100
Goodwill	10,704
Other assets	176
Total assets acquired	<u>17,511</u>
Liabilities assumed	
Accounts payable	72
Accrued expenses	636
Deferred revenue	1,460
Deferred tax liabilities	985
Other current liabilities	136
Net assets acquired	<u>\$ 14,222</u>
Consideration paid	
Cash consideration, net of cash acquired	\$ 6,563
Fair value of common stock issued	5,469
Contingent consideration	2,190
Total	<u>\$ 14,222</u>

The weighted average useful life of all identified acquired intangible assets is 5.67 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 7.0 years and 3.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of one2many's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of one2many support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the one2many acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.2 million in connection with the one2many acquisition, which were expensed as incurred and included in general and administrative expenses.

Techwan SA

On May 27, 2020, the Company entered into a Stock Purchase Agreement with Techwan SA pursuant to which the Company purchased all of the issued and outstanding shares of stock of Techwan for a base consideration of \$15.5 million. The Company paid \$9.4 million in cash at closing, acquired purchase liabilities of \$0.1 million and paid the remaining purchase price with 38,425 newly issued shares of the Company's common stock. In addition, in accordance with the Stock Purchase Agreement, 6,779 shares of the Company's common stock were reserved and are expected to be issued to the sellers in November 2021 subject to the provisions in the Stock Purchase Agreement. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$132.05 per share. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$7.0 million that can be earned by the sellers based on revenue metrics during the period of April 1, 2020 through March 31, 2021. At the date of the acquisition, the Company preliminarily assessed the probabilities of Techwan meeting the revenue metrics during the period of April 1, 2020 through March 31, 2021 and recorded a \$2.0 million initial fair value of contingent consideration as part of the purchase price allocation. During the year ended December 31, 2020, the Company recognized a decrease in the fair value of Techwan's contingent consideration obligation in the amount of \$2.0 million recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss. The Company acquired Techwan to expand the Company's customer base and for its strategic technology assets to enhance the Company's CEM suite of solutions.

As the Company finalizes its estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). The initial accounting is incomplete as of December 31, 2020 for the acquired assets and liabilities as the Company is in the process of completing the assessment of the tax attributes of the business combination. The finalization of the acquisition accounting valuation assessment may result in a change in the valuation of the deferred tax assets and liabilities which could have a material impact on the Company's results of operations and financial position.

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

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of Techwan made by the Company (in thousands):

	<u>Techwan</u>
Assets acquired	
Accounts receivable	\$ 921
Other current assets	235
Acquired technology	1,160
Trade names	580
Customer relationships	5,100
Goodwill	12,678
Other assets	254
Total assets acquired	<u>20,928</u>
Liabilities assumed	
Accrued expenses	673
Deferred revenue	1,190
Deferred tax liabilities	838
Other current liabilities	927
Net assets acquired	<u>\$ 17,300</u>
Consideration paid	
Cash consideration, net of cash acquired	\$ 9,301
Fair value of common stock issued	5,074
Acquisition-related deferred common stock consideration	895
Contingent consideration	2,030
Total	<u>\$ 17,300</u>

The weighted average useful life of all identified acquired intangible assets is 7.47 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 3.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Techwan's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of Techwan support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the Techwan acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.2 million in connection with the Techwan acquisition, which were expensed as incurred and included in general and administrative expenses.

SnapComms Limited

On August 4, 2020, the Company entered into a Stock Purchase Agreement with SnapComms Limited pursuant to which the Company purchased all of the issued and outstanding shares of stock of SnapComms for a base consideration of \$34.4 million. The Company paid \$13.6 million in cash and issued 121,858 newly issued shares of the Company's common stock at closing. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$145.13 per share. On the first anniversary of the acquisition date, the Company expects to pay deferred consideration of approximately \$3.3 million in cash and shares of the Company's common stock subject to the provisions in the Stock Purchase Agreement. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$5.0 million that can be earned by the sellers based on revenue metrics during the period of April 1, 2020 through March 31, 2021. At the date of

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Notes to the Consolidated Financial Statements—(Continued)

the acquisition, the Company preliminarily assessed the probability of SnapComms meeting the revenue metrics during the period of April 1, 2020 through March 31, 2021 and recorded a \$2.0 million initial fair value of contingent consideration as part of the purchase price allocation. During the year ended December 31, 2020, the Company recognized a decrease in the fair value of SnapComms' contingent consideration obligation in the amount of \$2.0 million recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss. The Company acquired SnapComms to expand the Company's customer base and for its internal communications software to enhance the Company's CEM suite of solutions.

During the year ended December 31, 2020, the Company recognized a \$0.9 million decrease in SnapComms' deferred revenue balance with a corresponding decrease in goodwill from the initial assessment as of the acquisition date. As the Company finalizes its estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). The initial accounting is incomplete as of December 31, 2020 for the acquired assets and liabilities as the Company is in the process of completing the assessment of the tax attributes of the business combination. The finalization of the acquisition accounting valuation assessment may result in a change in the valuation of the deferred tax assets and liabilities which could have a material impact on the Company's results of operations and financial position.

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of SnapComms made by the Company (in thousands):

	<u>SnapComms</u>
Assets acquired	
Accounts receivable	\$ 1,808
Other current assets	283
Property and equipment	118
Acquired technology	2,300
Trade names	960
Customer relationships	13,300
Goodwill	22,629
Other assets	943
Total assets acquired	<u>42,341</u>
Liabilities assumed	
Accrued expenses	503
Deferred revenue	3,165
Deferred tax liabilities	4,960
Other liabilities	742
Net assets acquired	<u>\$ 32,971</u>
Consideration paid	
Cash consideration, net of cash acquired	\$ 10,090
Fair value of common stock issued	17,685
Acquisition-related deferred consideration	3,149
Contingent consideration	2,047
Total	<u>\$ 32,971</u>

The weighted average useful life of all identified acquired intangible assets is 7.82 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 3.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of SnapComms' products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of SnapComms support the amount of

goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the SnapComms acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.1 million in connection with the SnapComms acquisition, which were expensed as incurred and included in general and administrative expenses.

2019 Acquisitions

MissionMode Solutions, Inc.

On April 1, 2019, the Company entered into a Stock Purchase Agreement with MissionMode Solutions, Inc. (“MissionMode”) pursuant to which the Company purchased all of the issued and outstanding shares of stock of MissionMode for base consideration of \$6.8 million. There was also a potential contingent payment of up to \$1.0 million that could have been earned in addition to the base consideration by the sellers based on successfully converting MissionMode’s customers to the Company’s products. At the date of the acquisition, the Company assessed the probabilities of MissionMode meeting the threshold to convert MissionMode’s customers to the Company’s products required for the seller to earn the contingent payment. Therefore, contingent consideration was recorded as part of the purchase price allocation and the fair value of the contingent consideration was determined to be \$0.6 million. At December 31, 2019, it was determined to not be probable that MissionMode would meet the threshold to convert MissionMode’s customers to the Company’s products which resulted in a decrease of the contingent consideration obligation in the amount of \$0.6 million recognized in general and administrative expenses in the consolidated statements of operations and comprehensive loss. The Company’s acquisition of MissionMode was made primarily to expand the Company’s customer base and to a lesser extent to complement some of the existing facets of MissionMode’s business with the Company’s existing products.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as well as the aggregate consideration during the year ended December 31, 2019 for the acquisition of MissionMode made by the Company (in thousands):

	<u>MissionMode</u>
Assets acquired	
Accounts receivable	\$ 295
Other assets	7
Property and equipment	6
Trade names	220
Acquired technology	310
Customer relationships	4,600
Goodwill	2,918
Total assets acquired	<u>8,356</u>
Liabilities assumed	
Accounts payable and accrued expenses	152
Deferred revenue	880
Other liabilities	10
Net assets acquired	<u>\$ 7,314</u>
Consideration paid	
Cash paid, net of cash acquired	\$ 6,764
Contingent consideration	550
Total	<u>\$ 7,314</u>

The weighted average useful life of all identified acquired intangible assets is 6.50 years. The weighted average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 7.0 years and 1.0 year, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of MissionMode's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of MissionMode support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the MissionMode acquisition is not deductible for income tax purposes.

During the year ended December 31, 2019, the Company incurred transaction costs of \$0.1 million in connection with the MissionMode acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations and comprehensive loss.

Neither the investment in the assets nor the results of operations of the acquisition of MissionMode was significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not presented.

NC4 Inc. and NC4 Public Sector

On July 29, 2019, the Company entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with NC4 Inc., NC4 Public Sector LLC, and Celerium Group Inc., pursuant to which the Company purchased all of the outstanding membership interest of NC4 Inc. and NC4 Public Sector LLC (collectively, "NC4") for total consideration of approximately \$84.5 million. The Company paid approximately \$51.7 million in cash at closing from the Company's cash and cash equivalents. The remaining purchase price was paid with 320,998 newly issued shares of the Company's common stock. On the date of this acquisition the average price of the Company's common stock on the Nasdaq Global Market was \$102.18 per share. On August 1, 2019, the Acquisition was consummated pursuant to the Purchase Agreement, except for the transfer of the NC4 Public Sector business which was consummated on September 30, 2019. The Company determined that the two transactions should be accounted for as a single transaction in accordance with ASC 810-10-40-6, *Consolidation*, as the transactions were entered in contemplation of one another and were essentially a single transaction designed to achieve an overall commercial effect. The Company's acquisition of NC4 was made primarily to expand the Company's customer base and to a lesser extent to complement some of the existing facets of NC4's business with the Company's existing products.

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Notes to the Consolidated Financial Statements—(Continued)

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed as well as the aggregate consideration during the year ended December 31, 2019 for the acquisition of NC4 made by the Company (in thousands):

	<u>NC4</u>
Assets acquired	
Accounts receivable	\$ 2,611
Other current assets	530
Property and equipment	75
Acquired technology	5,210
Trade names	8,610
Customer relationships	35,490
Goodwill	40,384
Total assets acquired	<u>92,910</u>
Liabilities assumed	
Deferred revenue	7,540
Other current liabilities	917
Net assets acquired	<u>\$ 84,453</u>
Consideration paid	
Cash paid	\$ 51,655
Fair value of common stock issued	32,798
Total	<u>\$ 84,453</u>

The weighted average useful life of all identified acquired intangible assets is 5.88 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 7.0 years and 3.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of NC4's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of NC4 support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the NC4 acquisition is deductible for income tax purposes.

During the year ended December 31, 2019, the Company incurred transaction costs of \$0.2 million in connection with the NC4 acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations and comprehensive loss.

Unaudited Pro Forma Financial Information

The following tables reflect the results of acquired business included in the Company's unaudited financial information for the year ended December 31, 2019 as well as the unaudited pro forma combined results of operations for the years ended December 31, 2019 and 2018 as if the acquisition of NC4 had taken place on January 1, 2018. The unaudited pro forma financial information includes the effects of certain adjustments, including the amortization of acquired intangible assets and the associated tax effect and the elimination of the Company's and the acquiree's non-recurring acquisition related expenses (in thousands, except per share amounts):

	<u>Revenue</u>	<u>Net loss</u>
From the acquisition date to December 31, 2019	\$ 6,404	\$ (3,079)
For the year ended December 31, 2019 pro forma	211,830	(55,659)
For the year ended December 31, 2018 pro forma	163,435	(55,753)

	Year Ended December 31,	
	2019	2018
Basic and diluted loss per share pro forma	\$ (1.67)	\$ (1.89)

The unaudited pro forma information presented does not purport to be indicative of the results that would have been achieved had the acquisition been consummated at January 1, 2018 nor of the results which may occur in the future. The pro forma adjustments are based upon available information and certain assumptions that the Company believes are reasonable.

(9) Convertible Senior Notes

0.125% Convertible Senior Notes Due 2024

In December 2019, the Company issued \$450.0 million aggregate principal amount of 0.125% convertible senior notes due 2024, including \$75.0 million aggregate principal amount of 2024 Notes issued upon the initial purchasers' exercise in full of their option to purchase additional 2024 Notes. The 2024 Notes will mature on December 15, 2024, unless earlier redeemed or repurchased by the Company or converted by the holder pursuant to their terms. Interest is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020.

The 2024 Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank National Association, as trustee (the "2024 Notes Indenture"). The 2024 Notes are unsecured and rank: senior in right of payment to the Company's indebtedness that is expressly subordinated in right of payment to the 2024 Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including its 1.50% convertible senior notes due 2022 (see 1.50% Convertible Senior Notes Due 2022 below); effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

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

The 2024 Notes have an initial conversion rate of 8.8999 shares of common stock per \$1,000 principal amount of 2024 Notes. This represents an initial effective conversion price of approximately \$112.36 per share of common stock and approximately 4.0 million shares issuable upon conversion. Throughout the term of the 2024 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2024 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2024 Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a 2024 Note.

Holders may convert all or a portion of their 2024 Notes prior to the close of business on the business day immediately preceding June 15, 2024, in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any ten consecutive trading day period (the "2024 Notes Measurement Period"), in which the "trading price" (as the term is defined in the 2024 Notes Indenture) per \$1,000 principal amount of notes for each trading day of such 2024 Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;

- if the Company calls such notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

On or after June 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2024 Notes at the conversion rate at any time regardless of whether the conditions set forth below have been met.

As of December 31, 2020, the 2024 Notes are not yet convertible. The 2024 Notes are classified as long-term on the consolidated balance sheet as of December 31, 2020 as it is the Company's intent to settle all of the debt at maturity or to settle in shares if exercised by the debt holder prior to maturity.

The 2024 Notes are not redeemable by the Company prior to December 20, 2022. The Company may redeem for cash all or any portion of the 2024 Notes, at its option, on or after December 20, 2022 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2024 Notes to be approximately 5.16%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the 2024 Notes, which resulted in a fair value of the liability component of \$360.4 million upon issuance, calculated as the present value of implied future payments based on the \$450.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the 2024 Notes. The \$89.6 million difference between the aggregate principal amount of \$450.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the 2024 Notes were not considered redeemable.

Significant judgment is required in determining the liability component of the related convertible senior notes as well as the balance sheet classification of the elements of the convertible senior notes. The Company accounted for the convertible senior notes and the partial extinguishment of the 2022 Notes, discussed below, as separate liability and equity components, determining the fair value of the respective liability components based on an estimate of the fair value of a similar liability without a conversion option and assigning the residual value to the equity component.

The Company estimated the fair value of the liability component of the convertible senior notes using a discounted cash flow model with a risk adjusted yield for similar debt instruments, absent any embedded conversion feature. In estimating the risk adjusted yield, the Company utilized both an income and market approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility and the risk-free rate. For the market approach, the Company performed an evaluation of issuances of convertible debt securities issued by other comparable companies. Additionally, a detailed analysis of the terms of the convertible senior notes transactions was required to determine existence of any derivatives that may require separate mark-to-market accounting under applicable accounting guidance.

In accounting for the transaction costs related to the issuance of the 2024 Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component, totaling \$10.2 million, are being amortized to expense over the term of the 2024 Notes, and transaction costs attributable to the equity component, totaling \$2.6 million, and were netted with the equity component in shareholders' equity.

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The 2024 Notes consist of the following (in thousands):

	As of December 31,	
	2020	2019
Liability component:		
Principal	\$ 450,000	\$ 450,000
Less: debt discount, net of amortization	(80,968)	(98,942)
Net carrying amount	\$ 369,032	\$ 351,058
Equity component (1)	86,133	86,133

(1) Recorded in the consolidated balance sheet within additional paid-in capital, net of \$2.6 million transaction costs in equity and net of \$0.9 million for taxes.

The following table sets forth total interest expense recognized related to the 2024 Notes (in thousands):

	Year Ended December 31,	
	2020	2019
0.125% coupon	\$ 564	\$ 27
Amortization of debt discount and transaction costs	17,974	827
	<u>\$ 18,538</u>	<u>\$ 854</u>

The fair value of the 2024 Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the 2024 Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's 2024 Notes classified in equity) were as follows (in thousands):

	As of December 31,			
	2020		2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
2024 Notes	\$ 663,615	\$ 369,032	\$ 450,414	\$ 351,058

In connection with the issuance of the 2024 Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and other financial institutions. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the 2024 Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the 2024 Notes, with an initial strike price of approximately \$112.36 per share, which corresponds to the initial conversion price of the 2024 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2024 Notes, and with a cap price of approximately \$166.46. The cost of the purchased capped calls of \$44.9 million was recorded to shareholders' equity and will not be re-measured.

Based on the closing price of the Company's common stock of \$149.07 on December 31, 2020, the if-converted value of the 2024 Notes was more than their respective principal amounts.

1.50% Convertible Senior Notes Due 2022

In November 2017, the Company issued \$115.0 million aggregate principal amount of

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

1.50% convertible senior notes due 2022, including \$15.0 million aggregate principal amount of 2022 Notes issued upon the initial purchasers' exercise in full of their option to purchase additional 2022 Notes. The 2022 Notes will mature on November 1, 2022, unless earlier redeemed or repurchased by the Company or converted by the holder pursuant to their terms. Interest is payable semiannually in arrears on May 1 and November 1 of each year, commencing on May 1, 2018.

The 2022 Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank, National Association, as trustee (the "2022 Notes Indenture"). The 2022 Notes are unsecured and rank: senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2022 Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including the Company's 2024 Notes; effectively subordinated in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election. The Company's current intention is to settle the conversion in shares of common stock if a conversion were to occur.

The 2022 Notes have an initial conversion rate of 29.6626 shares of common stock per \$1,000 principal amount of 2022 Notes. This represents an initial effective conversion price of approximately \$33.71 per share of common stock and initially approximately 3.4 million shares issuable upon conversion. Throughout the term of the 2022 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2022 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2022 Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a 2022 Note.

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

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "2022 Notes Measurement Period"), in which the "trading price" (as the term is defined in the 2022 Notes Indenture) per \$1,000 principal amount of notes for each trading day of such 2022 Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock on such trading day and the conversion rate on each such trading day;
- if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date; or
- upon the occurrence of specified corporate events.

On or after May 1, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2022 Notes at the conversion rate at any time regardless of whether the conditions set forth below have been met.

The 2022 Notes were not redeemable by the Company prior to November 6, 2020. The Company may redeem for cash all or any portion of the 2022 Notes, at its option, on or after November 6, 2020 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2022 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Company has not provided notice to exercise its option to redeem the 2022 Notes.

Based on the market price of the Company's common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of December 31, 2020.

In connection with the issuance of the 2024 Notes in December 2019, the Company paid \$57.8 million to repurchase \$23.0 million aggregate principal amount of the 2022 Notes. The Company determined the fair value of the liability portion being extinguished immediately prior to extinguishment. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes to be approximately 4.64%. The fair value of such liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The difference between the fair value of the liability and its carrying value, inclusive of any unamortized debt issue costs, were recognized as an extinguishment loss in the amount of \$1.4 million in Loss on extinguishment of convertible notes on the consolidated statement of operations and comprehensive loss during the year ended December 31, 2019. The remaining consideration was allocated to the reacquisition of the equity component and recognized as a reduction of Additional paid-in capital on the consolidated balance sheet in the amount of \$36.7 million. The Company also partially terminated capped call options entered into in connection with the 2022 Notes during fiscal year 2019 and received \$5.8 million recorded to additional paid-in capital on the consolidated balance sheet.

During the year ended December 31, 2020, the Company issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes and recognized \$11.4 million in additional paid-in capital on the consolidated balance sheet related to shares issued. The Company determined the fair value of the liability portion being extinguished immediately prior to extinguishment. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes ranged from approximately 4.64% to 5.13%. The fair value of such liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The difference between the fair value of the liability and its carrying value, inclusive of any unamortized debt issue costs, were recognized as an extinguishment loss in the amount of \$0.4 million in Loss on extinguishment of convertible notes on the consolidated statement of operations and comprehensive loss during the year ended December 31, 2020. Of the \$0.4 million Loss on extinguishment of convertible notes, \$0.1 million Loss on extinguishment of convertible notes was recognized during the year ended December 31, 2020 related to a conversion notice which was received on December 31, 2020 and settled in January 2021.

The 2022 Notes are classified as long-term on the consolidated balance sheet as of December 31, 2020. The Company may repurchase the 2022 Notes prior to maturity and intends to settle in shares if exercised by the debt holder prior to maturity.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes at the time of issuance to be approximately 6.93%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the 2022 Notes, which resulted in a fair value of the liability component of \$92.1 million upon issuance, calculated as the present value of implied future payments based on the \$115.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the 2022 Notes. The \$22.9 million difference between the aggregate principal amount of \$115.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the 2022 Notes were not considered redeemable.

In accounting for the transaction costs related to the issuance of the 2022 Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component on the remaining outstanding notes as of the issuance date, totaling \$2.2 million, are being amortized to expense over the term of the 2022 Notes, and transaction costs attributable to the

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equity component as of the issuance date, totaling \$0.8 million, and were netted with the equity component in shareholders' equity.

The 2022 Notes consist of the following (in thousands):

	As of December 31,	
	2020	2019
Liability component:		
Principal	\$ 79,795	\$ 92,000
Less: debt discount, net of amortization	(7,313)	(12,776)
Net carrying amount	\$ 72,482	\$ 79,224
Equity component (1)	(21,318)	(14,555)

(1) Recorded in the consolidated balance sheet within additional paid-in capital, net of \$0.8 million transaction costs in equity. Additional paid-in capital also includes \$36.7 million market premium representing the excess of the total consideration delivered over the fair value of the liability recognized related to the \$23.0 million principal balance extinguishment of the 2022 Notes in December 2019.

The following table sets forth total interest expense recognized related to the 2022 Notes (in thousands):

	Year Ended December 31,		
	2020	2019	2018
1.50% coupon	\$ 1,363	\$ 1,709	\$ 1,725
Amortization of debt discount and transaction costs	4,187	4,884	4,616
	<u>\$ 5,550</u>	<u>\$ 6,593</u>	<u>\$ 6,341</u>

The fair value of the 2022 Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the 2022 Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's convertible notes classified in equity) were as follows (in thousands):

	As of December 31,			
	2020		2019	
	Fair Value	Carrying Value	Fair Value	Carrying Value
2022 Notes	\$ 265,488	\$ 72,482	\$ 215,801	\$ 79,224

In connection with the issuance of the 2022 Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and others. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the 2022 Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the 2022 Notes, with an initial strike price of approximately \$33.71 per share, which corresponds to the initial conversion price of the 2022 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2022 Notes, and have a cap price of approximately \$47.20. The cost of the purchased capped calls of \$12.9 million was recorded to shareholders' equity and will not be re-measured.

Based on the closing price of the Company's common stock of \$149.07 on December 31, 2020, the if-converted value of the 2022 Notes was more than their respective principal amounts.

The following table summarizes the Company's debt obligations at December 31, 2020 (in thousands):

	Less than 1 Year	1 to 3 Years	3 to 5 Years	More than 5 Years	Total
Debt obligations	\$ —	\$ 79,795	\$ 450,000	\$ —	\$ 529,795

Debt obligations include the principal amount of the 2024 Notes and 2022 Notes but exclude interest payments to be made under the 2024 Notes and 2022 Notes. Although the 2024 Notes and 2022 Notes mature in 2024 and 2022, respectively, they can be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayments of the principal amounts sooner than the scheduled repayments as indicated in the table. The 2024 Notes and 2022 Notes balance excludes \$81.0 million and \$7.3 million, respectively, of debt discount capitalized on the balance sheet and shown net of our debt obligations.

(10) Stockholders' Equity

Preferred Stock

As of December 31, 2020, the Company had authorized 10,000,000 shares of preferred stock, par value \$0.001, of which no shares were outstanding.

Common Stock

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

As of December 31, 2020, the Company had authorized 100,000,000 shares of common stock, par value \$0.001. At December 31, 2020 and 2019, there are 35,449,447 and 33,848,627 shares of common stock issued and outstanding, respectively.

(11) Stock Plans and Stock-Based Compensation

The Company's 2016 Equity Incentive Plan (the "2016 Plan"), became effective on September 15, 2016. The 2016 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and performance share awards to employees, directors and consultants of the Company. The number of shares of common stock reserved for issuance under the 2016 Plan will automatically increase on January 1 of each year by 3% of the number of shares of the Company's capital stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

Employee Stock Purchase Plan

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

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

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

For the years ended December 31, 2020, 2019 and 2018, 49,319, 42,481, and 74,517 shares of common stock, respectively, were purchased under the 2016 ESPP. As of December 31, 2020, 2019 and 2018, total recognized compensation cost was \$1.4 million, \$0.9 million, and \$0.7 million, respectively. As of December 31, 2020, unrecognized compensation cost related to the 2016 ESPP was \$0.4 million which will be amortized over a weighted-average period of 0.20 years.

Stock Options

Stock option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant based on the closing market price of its common stock as reported on The Nasdaq Global Market. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

The weighted-average grant-date fair value per share of stock options granted for the year ended December 31, 2018 was \$35.00. There were no stock options granted during the years ended December 31, 2020 and 2019. The Company recorded stock-based compensation expense of \$3.5 million, \$5.7 million and \$7.7 million for the years ended December 31, 2020, 2019 and 2018, respectively, attributed to stock options.

The total intrinsic value of options exercised in 2020, 2019 and 2018 was \$30.6 million, \$48.2 million and \$25.7 million, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option. Based on the fair market value of the Company's common stock at December 31, 2020, 2019 and 2018 the total intrinsic value of all outstanding options was \$34.5 million, \$37.3 million and \$59.9 million, respectively.

There were no excess tax benefits realized for the tax deductions from stock options exercised during the years ended December 31, 2020, 2019 and 2018.

The fair value of stock option grants and shares issuable under the ESPP is determined using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Year Ended December 31,		
	2020	2019	2018
Employee Stock Options:			
Fair value of common stock	—	—	\$33.06 - \$58.75
Expected term (in years) (1)	—	—	6.00
Expected volatility (2)	—	—	45% - 50%
Risk-free interest rate (3)	—	—	2.72% - 2.98%
Dividend rate (4)	—	—	0%
Employee Stock Purchase Plan:			
Expected term (in years) (1)	0.50	0.50	0.50
Expected volatility (2)	55% - 65%	45%	40% - 60%
Risk-free interest rate (3)	0.12% - 0.29%	1.93% - 2.52%	1.18% - 2.33%
Dividend rate (4)	0%	0%	0%

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

Total unrecognized compensation cost related to nonvested stock options was approximately \$1.4 million as of December 31, 2020 and is expected to be recognized over a weighted average period of 0.9 years. The amount of cash received from the exercise of stock options in 2020, 2019 and 2018 was \$8.2 million, \$17.4 million, and \$10.2 million, respectively.

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The following table summarizes the Company's stock option activity:

	Stock options outstanding	Weighted average exercise price
Outstanding at December 31, 2019	723,383	\$ 26.56
Exercised	(323,838)	25.20
Forfeited	(120,524)	32.57
Outstanding at December 31, 2020	<u>279,021</u>	25.55

Stock options outstanding, vested and expected to vest and exercisable are as follows:

	As of December 31, 2020		
	Number of shares	Remaining contractual life (years)	Weighted- average exercise price
Outstanding	279,021	6.30	\$ 25.55
Vested and expected to vest	277,328	6.30	25.50
Exercisable	166,634	5.90	21.69

Vested and nonvested stock option activity was as follows:

	Vested		Nonvested	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at December 31, 2020	166,634	\$ 21.69	112,387	\$ 31.28

Restricted Stock Units

During the year ended December 31, 2020, the Company granted 346,912 RSUs to members of its senior management and certain other employees pursuant to the 2016 Plan. The Company accounts for RSUs issued to employees at fair value, based on the market price of the Company's common stock on the date of grant. The weighted-average grant date fair values of RSUs granted during the years ended December 31, 2020, 2019 and 2018 were \$122.82, \$80.16 and \$52.11 respectively. The fair values of RSUs that vested during the years ended December 31, 2020, 2019 and 2018, were \$18.2 million, \$11.9 million and \$3.1 million, respectively. During the years ended December 31, 2020, 2019 and 2018, the Company recorded \$20.1 million, \$16.3 million, and \$5.4 million respectively, of stock-based compensation related to the RSUs. There were 315,111 RSUs that vested during the year ended December 31, 2020.

As of December 31, 2020, there was \$50.7 million of unrecognized compensation expense related to unvested RSUs which is expected to be recognized over a weighted-average period of approximately 2.4 years. For RSUs subject to graded vesting, the Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

Performance-Based Restricted Stock Units

During the year ended December 31, 2020, the Company granted 302,050 PSUs to members of its management pursuant to the 2016 Plan. The PSUs generally vest based on the Company achieving certain revenue growth thresholds which range from 20% to 40% compounded annual growth over a measurement period of two years for the first 50% of PSUs and three years for the remaining PSUs. The vesting of the PSUs is subject to the employee's continued employment with the Company through the date of achievement. During the year ended December 31, 2020, the share price of the Company's common stock on the date of issuance of the PSUs ranged from \$82.23 to \$158.95 per share. The fair value is based on the value of the Company's common stock at the date of issuance and the probability of achieving the performance metric. The Company has assessed the probability of achievement of the award at 100% based on past performance of achievement of the performance metric. Compensation cost is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions. The weighted-average grant date fair value of PSUs granted during the years ended December 31, 2020, 2019 and 2018 was \$119.78, \$80.87 and \$55.99, respectively. 136,768 PSUs vested during the year ended December 31, 2020. No PSUs vested during the years ended December 31, 2019 and 2018. For the years ended December 31, 2020, 2019 and 2018, the Company recognized \$21.8 million, \$10.6 million and \$1.5 million, respectively, of stock compensation expense in connection with the PSU awards.

As of December 31, 2020, there was \$37.5 million of unrecognized compensation expense related to unvested PSUs which is expected to be recognized over a weighted-average period of approximately 1.8 years. Compensation cost is recognized under the accelerated method and is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions.

Market-Based Restricted Stock Units

During the years ended December 31, 2020 and 2019, the Company granted no market-based RSUs pursuant to the 2016 Plan. The market-based RSUs granted prior to the year ended December 31, 2019 vested based on the Company achieving certain stock price thresholds, which ranged from \$35 per share to \$65 per share for 30 consecutive trading days as reported by The Nasdaq Stock Market, LLC, subject to the employee's continued employment with the Company through the date of achievement. The share price of the Company's common stock on the date of issuance of the market-based RSUs was between \$33.06 and \$45.17 per share. The fair value was based on values calculated under the Monte Carlo simulation model on the grant date. The key estimates used in the Monte-Carlo simulation were a risk-free rate of 2.26% to 2.90%, dividend yield of zero, expected term of 10 years and volatility of 50% to 60%. Compensation cost was not adjusted in future periods for subsequent changes in the expected outcome of market related conditions. During the years ended December 31, 2020 and 2019, the Company recognized no stock compensation expense in connection with these awards. During the year ended December 31, 2018, the Company recognized \$10.5 million of stock compensation expense in connection with these awards.

As of December 31, 2020, there was no unrecognized compensation expense related to unvested market-based awards.

The following table summarizes the Company's RSU and PSU activity:

	Number of Shares
Outstanding at December 31, 2019	1,314,791
Granted	648,962
Vested	(451,879)
Forfeited	(91,333)
Outstanding at December 31, 2020	1,420,541

Stock-Based Compensation Expense

The Company recorded the total stock-based compensation expense as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 2,954	\$ 1,966	\$ 2,306
Sales and marketing	15,946	9,983	9,282
Research and development	8,703	7,820	7,106
General and administrative	19,152	13,720	7,131
Total	<u>\$ 46,755</u>	<u>\$ 33,489</u>	<u>\$ 25,825</u>

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

(12) Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential dilutive shares of common stock. Basic and diluted net loss per share of common stock were the same for all periods presented as the impact of all potentially dilutive securities outstanding was anti-dilutive. The Company uses the if converted method for convertible senior notes for calculating any potential dilutive effect on diluted loss per share.

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

	Year Ended December 31,		
	2020	2019	2018
Convertible senior notes	6,371,882	6,733,914	3,411,199
Stock-based compensation grants	1,699,562	2,038,174	2,562,274
Total	<u>8,071,444</u>	<u>8,772,088</u>	<u>5,973,473</u>

In connection with the issuance of the 2024 Notes in December 2019, the Company paid \$44.9 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the 2024 Notes. In connection with the issuance of the 2022 Notes in November 2017, the Company paid \$12.9 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the 2022 Notes. In December 2019, the Company partially terminated capped call options related to the 2022 Notes and received \$5.8 million. The capped call option agreements are excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive.

Reserve for Unissued Shares of Common Stock

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient for the exercise of all shares granted and available for grant under the Company's 2008 Equity Incentive Plan, 2016 Plan and 2016 ESPP. The amount of such shares of the Company's common stock reserved for these purposes at December 31, 2020 was 4.8 million shares. Additionally, the Company is required to reserve and keep available out of its authorized but unissued shares of common stock shares that become issuable pursuant to the terms of the 2024 Notes and 2022 Notes.

(13) Income Taxes

The components of loss before income taxes are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Domestic	\$ (72,164)	\$ (47,218)	\$ (41,985)
Foreign	(23,499)	(4,607)	(4,734)
Total	<u>\$ (95,663)</u>	<u>\$ (51,825)</u>	<u>\$ (46,719)</u>

For purposes of reconciling the Company's provision for income taxes at the statutory rate and the Company's provision (benefit) for income taxes at the effective tax rate, a notional 21% tax rate was applied as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Income tax at federal statutory rate	\$ (20,089)	\$ (10,883)	\$ (9,811)
Increase (decrease) in tax resulting from:			
State income tax expense, net of federal tax effect	(3,763)	(3,657)	(2,749)
Nondeductible permanent items	1,659	3,522	(1,522)
Executive Compensation	6,020	—	—
Foreign rate differential	(156)	(367)	552
Tax rate change	—	—	134
Adjustment to deferred taxes	(3,190)	(1,904)	307
Change in valuation allowance	25,339	22,481	15,805
Uncertain tax positions	151	128	143
Nonqualified stock option and performance award windfall upon exercise	(8,608)	(9,128)	(1,983)
Other	370	233	(80)
Total	<u>\$ (2,267)</u>	<u>\$ 425</u>	<u>\$ 796</u>

The difference between the statutory federal income tax rate and the Company's effective tax rate in 2020, 2019 and 2018 is primarily attributable to the effect of state income taxes, difference between the U.S. and foreign tax rates, deferred tax state rate adjustments, share-based compensation, true up of deferred taxes, other non-deductible permanent items, and change in valuation allowance. In addition, the Company's foreign subsidiaries are subject to varied applicable statutory income tax rates for the periods presented.

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

	Year Ended December 31,		
	2020	2019	2018
Current:			
Federal	\$ 353	\$ —	\$ —
State	94	139	48
Foreign	492	116	753
	<u>939</u>	<u>255</u>	<u>801</u>
Deferred:			
Federal	(15,835)	(16,460)	(11,425)
State	(6,115)	(5,100)	(3,250)
Foreign	(6,595)	(751)	(1,135)
	<u>(28,545)</u>	<u>(22,311)</u>	<u>(15,810)</u>
Change in valuation allowance	25,339	22,481	15,805
Total	<u>\$ (2,267)</u>	<u>\$ 425</u>	<u>\$ 796</u>

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The net deferred tax assets (liabilities) are comprised of the following (in thousands):

	As of December 31,	
	2020	2019
Deferred tax assets		
Lease liability	\$ 4,447	\$ 4,295
AMT credit	9	9
Accrued expenses	3,066	2,837
Deferred revenue	555	—
Net operating loss carryforward	73,752	50,950
Other assets	7,483	6,967
Intangible assets	2,448	2,416
Valuation allowance	(52,320)	(24,637)
Total net deferred tax assets	39,440	42,837
Deferred tax liabilities		
Deferred commissions	(5,996)	(4,308)
Deferred revenue	—	(336)
Intangible assets	(18,199)	(7,948)
Property and equipment	(685)	(296)
Debt discount	(20,370)	(26,589)
Right-of-use asset	(4,029)	(3,909)
Deferred state taxes	—	(1,101)
Other	(134)	(352)
Total deferred tax liabilities	(49,413)	(44,839)
Total non-current deferred income tax liabilities	\$ (9,973)	\$ (2,002)

A valuation allowance is recorded to reduce deferred tax assets to the amount that is more likely than not to be realized based on an assessment of positive and negative evidence, including estimates of future taxable income necessary to realize future deductible amounts. A significant piece of objective negative evidence evaluated was the cumulative loss incurred over the three-year period ended December 31, 2020. Such objective evidence limits the ability to consider other subjective evidence such as its projections for future growth. On the basis of this evaluation, at December 31, 2020 and 2019, a valuation allowance of \$52.3 million and \$24.6 million, respectively, has been recorded.

As of December 31, 2020, the Company has accumulated federal and state net operating loss (“NOL”) carryforwards of \$240.1 million and \$222.4 million, respectively. Of the \$240.1 million of federal NOL carryforwards, \$64.3 million was generated before January 1, 2018 and is subject to the 20-year carryforward period (“pre-Tax Act losses”). The remaining \$175.8 million (“post-Tax Act losses”) can be carried forward indefinitely but is subject to the 80% taxable income limitation. Of the \$222.4 million of state NOL carryforwards, \$76.2 million can be carried forward indefinitely. The pre-Tax Act U.S. federal and state net operating loss carryforwards will expire in varying amounts through 2040. The Company completed a Section 382 study for the period through March 31, 2019 and determined that a Section 382 ownership change occurred on December 31, 2017 subjecting all pre-Tax Act losses to a utilization limitation; however, such limitation is not expected to result in NOLs expiring unused. Any future annual limitation may result in the expiration of NOLs before utilization. Included in the Company’s NOLs are federal and state NOLs of \$9.2 million and \$9.1 million, respectively, from various acquisitions which are subject to limitations under Section 382.

As of December 31, 2020 and 2019, the Company had combined foreign net operating loss carry-forwards available to reduce future taxable income of approximately \$48.4 million and \$25.6 million, respectively. As of December 31, 2020 and 2019, valuation allowances of \$29.9 million and \$24.6 million, respectively, had been recorded against the related deferred tax assets for those loss carry-forwards that are not more likely than not to be fully utilized in reducing future taxable income.

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

The following changes occurred in the amount of unrecognized tax benefits (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Beginning balance of unrecognized tax benefits	\$ 597	\$ 469	\$ 326
Additions for current year tax positions	131	106	142
Reductions for prior year tax positions	—	—	(14)
Ending balance (excluding interest and penalties)	728	575	454
Interest and penalties	20	22	15
Total	<u>\$ 748</u>	<u>\$ 597</u>	<u>\$ 469</u>

For the year ended December 31, 2020, 2019 and 2018, the Company has recorded income tax expense of \$151,000, \$128,000 and \$143,000, respectively, related to uncertain tax positions. The Company's policy is to recognize potential interest and penalties related to unrecognized tax benefits associated with uncertain tax positions, if any, in the income tax provision. At December 31, 2020, 2019 and 2018, the Company had accrued \$20,000, \$22,000 and \$15,000, respectively, in interest and penalties related to uncertain tax positions.

The Company is subject to taxation in the United States and various states along with other foreign countries. The Company has not been notified that it is under audit by the IRS or any state or foreign taxing authorities, however, due to the presence of NOL carryforwards, all of the income tax years remain open for examination in each of these jurisdictions. The Company does not believe that it is reasonably possible that the total amount of unrecognized tax benefits will significantly increase or decrease in the next 12 months.

Deferred income taxes have not been provided for undistributed earnings of the Company's consolidated foreign subsidiaries because of the Company's intent to reinvest such earnings indefinitely in active foreign operations. At December 31, 2020, the Company had \$7.5 million in unremitted earnings that were permanently reinvested related to its consolidated foreign subsidiaries.

(14) Segment information

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

(15) Revenue Recognition

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* ("Topic 606"). Topic 606 superseded the revenue recognition requirements in ASC Topic 605, *Revenue Recognition* ("Topic 605"), and requires the recognition of revenue when promised goods or services are transferred to customers in an amount that reflects the considerations to which the entity expects to be entitled to in exchange for those goods or services. Topic 606 also includes Subtopic 340-40, *Other Assets and Deferred Costs - Contracts with Customers*, which requires the deferral of incremental costs of obtaining a contract with a customer. Collectively, the Company refers to Topic 606 and Subtopic 340-40 as the "new revenue standard" or "ASC 606."

The Company adopted the requirements of the new revenue standard as of January 1, 2018, utilizing the modified retrospective method of transition. The Company recognized the cumulative effect of initially applying the new revenue standard as an adjustment to the opening balance of accumulated deficit. Adoption of the new revenue standard resulted in changes to the Company's accounting policies for revenue recognition and deferred commissions as detailed below. The Company applied the new revenue standard using a practical expedient where

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

the consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application is not disclosed.

Based on the results of the Company's evaluation, the adoption of the new revenue standard did not have a material impact on its revenue for the year ended December 31, 2018. The primary impact of adopting the new revenue standard relates to the deferral of incremental commission costs of obtaining subscription contracts. Under Topic 605, the Company deferred only direct and incremental commission costs to obtain a contract and amortized those costs over one year. Under the new revenue standard, the Company defers all incremental commission costs to obtain the contract. The Company amortizes costs for subscription-related commissions over a period of benefit that the Company has determined to be four years. Sales commissions attributable to professional services are expensed within twelve months of selling the service to the customer. Adoption of the new revenue standard had no impact on total cash provided from or used in operating, financing, or investing activities in the Company's consolidated statements of cash flows.

The cumulative effect of the changes made to the Company's consolidated January 1, 2018 balance sheet for the adoption of the new revenue standard was as follows (in thousands):

	Balance at December 31, 2017	Adjustments Due to ASC 606	Balance at January 1, 2018
BALANCE SHEET			
Assets			
Accounts receivable, net	\$ 31,699	\$ 100	\$ 31,799
Deferred costs	2,429	2,132	4,561
Deferred costs (non-current)	—	6,965	6,965
Liabilities and Stockholders' Equity			
Other current liabilities	808	100	908
Deferred revenue (current and non-current)	73,072	—	73,072
Accumulated deficit	(109,252)	9,097	(100,155)

The following table disaggregates the Company's revenue by geography which provides information as to the major source of revenue (in thousands):

Primary Geographic Markets	Year Ended December 31,		
	2020	2019	2018
United States	\$ 201,458	\$ 157,039	\$ 119,589
International	69,683	43,843	27,505
Total	\$ 271,141	\$ 200,882	\$ 147,094

The following table presents the Company's revenues disaggregated by revenue source (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Subscription services	\$ 242,651	\$ 179,934	\$ 137,260
Professional services	20,410	17,187	9,538
Software licenses and other	8,080	3,761	296
Total	\$ 271,141	\$ 200,882	\$ 147,094

Contract Assets

The Company does not have material amounts of contract assets since revenue is recognized as control of goods is transferred or as services are performed. There are a small number of professional services that may occur over a

period of time, but that period of time is generally very short in duration. Any contract assets that may arise are recorded in other assets in the Company's consolidated balance sheet net of an allowance for credit losses.

Contract Liabilities

The Company's contract liabilities consist of advance payments and deferred revenue. The Company's contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies advance payments and deferred revenue as current or noncurrent based on the timing of when it expects to recognize revenue. Generally, all contract liabilities are expected to be recognized within one year and are included in deferred revenue in the Company's consolidated balance sheet. The noncurrent portion of deferred revenue is included and separately disclosed in the Company's consolidated balance sheet.

Deferred Costs

Current deferred costs, which primarily consist of deferred sales commissions, were \$14.5 million and \$9.9 million as of December 31, 2020 and 2019, respectively. Noncurrent deferred costs, which primarily consist of deferred sales commissions, were \$15.9 million and \$14.2 million as of December 31, 2020 and 2019, respectively. During the years ended December 31, 2020, 2019 and 2018, amortization expense for the deferred costs was \$12.6 million, \$8.0 million and \$5.5 million, respectively. There was no impairment loss in relation to the costs capitalized.

Deferred Revenue

For the years ended December 31, 2020, 2019 and 2018, \$123.3 million, \$86.2 million and \$62.5 million, respectively, of subscription services, license and other revenue was recognized and was included in the deferred revenue balances at the beginning of the respective period. For the years ended December 31, 2020 and 2019, \$6.6 million and \$6.0 million, respectively, of professional services revenue was recognized and was included in the deferred revenue balance at the beginning of the period.

As of December 31, 2020, approximately \$358.4 million of revenue is expected to be recognized from remaining performance obligations for subscription and other contracts. The Company expects to recognize revenue on approximately \$212.8 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

As of December 31, 2020, approximately \$16.5 million of revenue is expected to be recognized from remaining performance obligations for professional services contracts. The Company expects to recognize revenue on approximately \$13.5 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

(16) Geographic Concentrations

Revenue by location is determined by the billing address of the customer. Approximately 74%, 78% and 81% of the Company's revenue was from the United States for the fiscal years ended December 31, 2020, 2019 and 2018, respectively. No other individual country comprised more than 6% of total revenue for the fiscal years ended December 31, 2020, 2019 and 2018. Property and equipment by geographic location is based on the location of the legal entity that owns the asset. As of December 31, 2020 and 2019, more than 83% of the Company's property and equipment was located in the United States.

(17) Employee Benefit Plan

The Company maintains a 401(k) plan for the benefit of the Company's eligible employees. The plan covers all employees who have attained minimum service requirements. The 401(k) plan allows each participant to contribute up to an amount not to exceed an annual statutory maximum. The Company may, at its discretion, make matching contributions to the 401(k) plan. There was \$1.7 million, \$1.2 million and \$0.6 million cash contributions made to the plan by the Company for the years ended December 31, 2020, 2019 and 2018, respectively. Contribution

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

expense recognized for the 401(k) plan was \$1.7 million, \$1.2 million and \$0.5 million for the years ended December 31, 2020, 2019, and 2018, respectively.

(18) Leases

The Company's leases relate primarily to office facilities that expire on various dates from 2021 through 2029. The terms of the Company's non-cancelable operating lease arrangements typically contain fixed lease payment which increases over the term of the lease at fixed rates, rent holidays and provide for additional renewal periods. Lease expense is recognized over the term of the lease on a straight-line basis. All of the Company's leases are classified as operating leases. The Company has determined that periods covered by options to extend the Company's leases are excluded from the lease term as the Company is not reasonably certain the Company will exercise such options. Operating lease expense, including expenses related to short-term leases, were \$6.0 million, \$4.8 million and \$3.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

The Company records its ROU Assets within other assets (long term) and its operating lease liabilities within other current and long-term liabilities.

Additional information related to the Company's leases is as follows (in thousands, except lease term and discount rate):

	As of December 31,	
	2020	2019
Balance sheet information		
ROU assets	\$ 15,045	\$ 13,071
Lease liabilities, current	\$ 4,259	\$ 3,567
Lease liabilities, non-current	14,403	11,823
Total lease liabilities	<u>\$ 18,662</u>	<u>\$ 15,390</u>
Supplemental data		
Weighted average remaining lease term	4.57 years	4.11 years
Weighted average discount rate	7.00%	7.00%

	Year Ended December 31,	
	2020	2019
Cash paid for amounts included in lease liabilities	\$ 4,891	\$ 3,986
ROU assets obtained in exchange for new lease obligations	5,870	17,724

Maturities of lease liabilities as of December 31, 2020 were as follows (in thousands):

Year ending December 31,		
2021		\$ 5,558
2022		5,268
2023		5,105
2024		2,635
2025		929
Thereafter		2,769
Total undiscounted lease payments		<u>22,264</u>
Less: imputed interest		<u>(3,602)</u>
Total lease liabilities		<u>\$ 18,662</u>

The following table presents components of lease expense (in thousands):

	Year Ended December 31,	
	2020	2019
Operating lease expense	\$ 5,024	\$ 3,879
Short-term lease expense ⁽¹⁾	982	958
	6,006	4,837
Less: Sublease income	(236)	(91)
Total lease expense	\$ 5,770	\$ 4,746

(1) Short-term lease expense includes all leases with lease terms ranging from less than one month to one year.

As of December 31, 2020, the Company does not have any leases that have not yet commenced that create significant rights and obligations.

(19) Commitments and Contingencies

For a summary of the Company's debt and lease obligations, see Notes 9 and 18, respectively.

(a) Litigation

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact because of defense and settlement costs, diversion of management resources and other factors.

(b) Employee Contracts

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

(20) Subsequent Events

Red Sky Technologies Inc. Acquisition

On January 15, 2021, the Company entered into a Stock Purchase Agreement with Red Sky Technologies Inc. ("Red Sky") pursuant to which the Company purchased all of the issued and outstanding shares of stock of Red Sky for a base consideration of \$55.4 million, net of cash acquired. The Company paid \$32.4 million in cash, net of cash acquired, and issued 162,820 newly issued shares of the Company's common stock at closing. In addition to the base purchase price, there is also a potential contingent payment of up to approximately \$30 million that can be earned by the sellers based on certain revenue targets through June 30, 2021. The Company acquired Red Sky to expand the Company's customer base and for its E911 incident response solutions platform to enhance the Company's CEM suite of solutions.

2022 Notes Conversions

From January 1, 2021 through February 26, 2021, the Company issued 581,829 shares of common stock to holders of the 2022 Notes for settlement of conversion of an aggregate principal amount of approximately \$19.6 million of such notes.

Non-Employee Director Compensation Policy

Cash Compensation

Effective January 1, 2021, each non-employee member of the board of directors (the “Board”) of Everbridge, Inc. (the “Company”) will receive an annual cash retainer of \$40,000. The chairpersons of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee will receive additional annual cash retainers of \$20,000, \$12,000 and \$8,000, respectively. Other members of the Audit Committee, Compensation Committee, and Nominating and Corporate Governance Committee will receive additional annual cash retainers of \$10,000, \$5,000 and \$4,000, respectively for each such committee of which they are a member. Such annual cash retainers shall be payable in equal quarterly installments, in arrears, following the end of each quarter in which the service occurred, prorated for any partial quarters of service.

The Company will also reimburse all reasonable out-of-pocket expenses incurred by non-employee directors in attending meetings of the Board or any committee of the Board; *provided*, that such non-employee director timely submits to the Company appropriate documentation substantiating such expenses in accordance with the Company’s travel and expense policy, as in effect from time to time.

Equity Compensation

Upon initial election to the Board, each non-employee director will receive a grant of restricted stock units with a value of \$170,000, based on the closing price of a share of Company common stock on the date of grant. Such grant will vest at the end of the month after the first anniversary of the grant date, provided that the applicable non-employee director is, as of such vesting date, then a director of the Company. At each annual meeting of the Company’s stockholders, each continuing non-employee director as of the date of such meeting will receive a grant of restricted stock units with a value of \$170,000, based on the closing price of a share of Company common stock on the date of grant. Such grant will vest in full at the end of the month after the next annual stockholders’ meeting, provided that the applicable non-employee director is, as of such vesting date, then a director of the Company.

All equity awards granted pursuant to this policy will be granted under and shall be subject to the Company’s 2016 Equity Incentive Plan (the “Plan”), as amended, or any successor equity incentive plan and the applicable award agreements thereunder, including the limitations on compensation payable to non-employee directors set forth therein. All equity awards granted pursuant to this policy will vest in full upon, but subject to the occurrence of, a Change in Control (as defined in the Plan).

February 25, 2021

Mr. Jaime Ellertson
Address
Address

Re: Amended and Restated Letter Agreement

Dear Jaime:

This letter amends and restates the terms of your employment agreement with Everbridge, Inc. (the "Company") dated July 26, 2012 (the "Agreement"). Capitalized terms used without definition herein shall have the meaning assigned to such terms in the Agreement.

This letter agreement (this "**Agreement**") will set forth the terms of your engagement as the Chairman of the Board of Directors of Everbridge, Inc. (the "**Company**"). This Agreement hereby supersedes any and all previous agreements relating to your employment relationship with the Company. The terms of your position with the Company are as set forth below and will be subject to this Agreement and any other agreements or documentation required hereunder, by you and the Company.

1. Engagement.

(a) Title and Duties. Subject to the terms and conditions of this Agreement, the Company will engage you as the Chairman of the Board of Directors of the Company (the "**Board**"), beginning on January 1, 2021. You shall do and perform all services, acts or things necessary or advisable in such capacity as determined by the Board, and as further described in the Company's Amended and Restated Bylaws.

(b) Best Efforts. For so long as you are engaged as Chairman of the Board hereunder, you shall at all times faithfully, industriously and to the best of your ability, experience and talent, perform all of your duties and responsibilities hereunder. In furtherance of, and not in limitation of the foregoing, during the term of your engagement as Chairman of the Board, you further agree that you shall not render commercial or professional services of any nature, including as a founder, advisor, to any person or organization that is principally involved in critical event management.

(c) Location. Unless the parties hereto otherwise agree in writing, during the term of this Agreement, the Company shall provide you with office space and an executive assistant at the Company's Massachusetts offices, currently located in Burlington, Massachusetts; provided, however, that the Company may from time to time require you to travel temporarily to other locations in connection with the Company's business. The Company also will provide you with access to your existing personal computer and related productivity tools (email, etc.) to execute your duties as Chairman of the Board.

Phone: +1-818-230-9700
Fax: +1-818-230-9505

25 Corporate Drive
Burlington, MA 01803

www.everbridge.com

2. Compensation. During the term of your engagement as Chairman of the Board, the Company will pay you the compensation set for you by the Board. For the period from January 1, 2021 to June 30, 2022, you will receive an annual retainer of \$180,000. Beginning on July 1, 2022, the annual retainer will be decreased to \$150,000. The retainer will be paid quarterly, consistent with the payment terms for the retainer paid to other non-employee directors. You also have received a grant of Restricted Stock Units under the Company's 2016 Equity Incentive Plan valued at \$6,000,000.00 with \$3,000,000.00 vesting on December 31, 2021 and the other \$3,000,000.00 vesting on December 31, 2022. All of your other existing equity grants will continue to vest in accordance with their terms.

(a) Expenses. During the term of your engagement as Chairman of the Board, the Company shall reimburse you for all reasonable and documented expenses incurred by you in the performance of your duties under this Agreement in accordance with Company policy, including Business Class airfare for flights exceeding three hours in duration.

(b) Benefits. As a member of the Board, you will be eligible to receive the same benefits as other members of the Board, including indemnification and directors and officers insurance coverage.

3. Confidential and Proprietary Information.

(a) Proprietary Information and Inventions Agreement. You acknowledge and agree to continue to abide by the Company's Proprietary Information and Inventions Agreement previously signed by you and the Company. In furtherance, and not in limitation of the provisions thereof, you agree, during the term hereof and thereafter, that you shall take all steps reasonably necessary to hold the Company's proprietary information in trust and confidence, will not use proprietary information in any manner or for any purpose not expressly set forth in this Agreement, and will not (other than in the performance of the services to the Company as herein contemplated), disclose any such proprietary information to any third party without first obtaining the Company's express written consent on a case-by-case basis.

(b) Third Party Information. You understand that the Company has received, and will in the future receive, from third parties confidential or proprietary information ("**Third Party Information**") subject to a duty on the Company's part to maintain the confidentiality of such information and use it only for certain limited purposes. You agree to hold Third Party Information in confidence and not to disclose to anyone (other than the Company's personnel who need to know such information in connection with their work for the Company) or to use, except in connection with the performance of your services to the Company, Third Party Information unless expressly authorized in writing by an officer of the Company.

4. Arbitration of Disputes; Voluntary Nature of Agreement.

(a) Arbitration. Except as provided for any action arising out of any violation of the Inventions Agreement or any excluded claims and remedies under state law, you and the

Company both agree that any disputes of any kind whatsoever arising out of or relating to any breach of this Agreement, shall be subject to final and binding arbitration, in any forum and form agreed upon by the parties or, in the absence of such an agreement, under the auspices of the American Arbitration Association ("**AAA**") in Boston, Massachusetts in accordance with the Employment Dispute Resolution Rules of the AAA, including, but not limited to, the rules and procedures applicable to the selection of arbitrators. Judgment upon the award rendered by the arbitrator may be entered in any court having jurisdiction thereof. This Section 4 shall be specifically enforceable. Notwithstanding the foregoing, this Section 4 shall not preclude either party from pursuing a court action for the sole purpose of obtaining a temporary restraining order or a preliminary injunction in circumstances in which such relief is appropriate; provided that any other relief shall be pursued through an arbitration proceeding pursuant to this Section 4. You further understand that this Agreement to arbitrate also applies to any disputes that the Company may have with you relating to or arising from, the termination of your engagement with the Company, except for any action arising out of the Inventions Agreement.

(b) Voluntary Nature of Agreement. You acknowledge and agree that you are executing this Agreement voluntarily and without any duress or undue influence by the Company or anyone else. You further acknowledge and agree that you have carefully read this Agreement and have asked any questions needed for you to understand the terms, consequences, and binding effect of this Agreement and fully understand it, including that ***you are waiving your right to a jury trial.*** Finally, you acknowledge that you have been advised by the Company to seek the advice of an attorney of your choice before signing this Agreement and you agree that you have been provided such an opportunity.

5. General.

(a) Entire Agreement. Amendment and Waiver. This Agreement, together with the other agreements specifically referred to herein, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. The terms and provisions of this Agreement may be modified or amended only by written agreement executed by the parties hereto. The terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. Each such waiver or consent will be effective only in the specific instance and for the purpose for which it was given, and will not constitute a continuing waiver or consent.

(b) Notices. Any notice, request, instruction or other document required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) three (3) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (c) one (1) business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt. All communications shall be sent to the party to be notified at the following address of such party or at such other address as such party may designate by ten (10) days advance written notice to the other parties hereto in accordance with the provisions hereof:

If to the Company:

Everbridge, Inc.
25 Corporate Drive
Burlington, MA 01803

If to you:

Jaime Ellertson
Address
Address

(c) Availability of Injunctive Relief. The parties hereto agree that, notwithstanding anything to the contrary herein contained, any party may petition a court for injunctive relief where either party alleges or claims a violation of this Agreement or the Inventions Agreement or any other agreement regarding trade secrets, confidential information or nonsolicitation. In the event either party seeks injunctive relief, the prevailing party shall be entitled to recover reasonable costs and attorneys fees.

(d) Assignment. The Company may assign its rights and obligations hereunder to any person or entity that succeeds to all or substantially all of the Company's business or that aspect of the Company's business in which you are principally involved. You may not assign your rights and obligations under this Agreement without the prior written consent of the Company.

(e) Governing Law. This Agreement, and the rights and obligations of the parties hereunder, will be construed in accordance with and governed by the law of the Commonwealth of Massachusetts, without giving effect to the conflict of law principles thereof.

(t) Taxes. All payments to you under this Agreement shall be subject to all applicable federal, state and local withholding, payroll and other taxes.

(g) Severability. The finding by an arbitrator or a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such arbitrator or court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the parties' intention with respect to the invalid or unenforceable term or provision. If moreover, any one or more of the provisions contained in this Agreement will for any reason be held to be excessively broad as to duration, geographic scope, activity or subject, it will be construed by limiting and reducing it, so as to be enforceable to the extent compatible with the applicable law as it will then appear.

(h) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel to the Company, but you have been encouraged to consult with, and have consulted with, your own independent counsel and tax advisors with respect to the terms of this Agreement. The parties acknowledge that each party and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and the normal rule of construction to

the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(i) Return of Company Property. Upon termination of this Agreement or earlier as requested by the Company, you shall deliver to the Company any and all equipment, and, at the election of the Company, either deliver or destroy, and certify thereto, any and all drawings, notes, memoranda, specifications, devices, formulas and documents, together with all copies, extracts and summaries thereof, and any other material containing or disclosing any Third Party Information or Proprietary Information (as defined in the Inventions Agreement) of the Company.

(j) Survival. The provisions of Sections 3, 4 and 5, and the provisions of the Inventions Agreement, shall survive termination of this Agreement.

(k) Representations and Warranties. By signing this Agreement, you represent and warrant that (i) you are not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and (ii) your execution and performance of this Agreement shall not violate or breach any other agreements between you and any other person or entity. You further represent and warrant that you will not, during the term hereof, enter into any oral or written agreement in conflict with any of the provisions of this Agreement, the agreements referenced herein and the Company's policies.

(l) Trade Secrets of Others. It is the understanding of both the Company and you that you shall not divulge to the Company and/or its subsidiaries any confidential information or trade secrets belonging to others, including your former employers, nor shall the Company seek to elicit from you any such information. Consistent with the foregoing, you shall not provide to the Company and/or its affiliates, and the Company and/or its affiliates shall not request, any documents or copies of documents containing such information.

(m) Telecopy Execution and Delivery. A facsimile, telecopy or other reproduction of this Agreement may be executed by one or more parties hereto and delivered by such party by facsimile or any similar electronic transmission device pursuant to which the signature of or on behalf of such party can be seen. Such execution and delivery shall be considered valid, binding and effective for all purposes. At the request of any party hereto, all parties hereto agree to execute and deliver an original of this Agreement as well as any facsimile telecopy or other reproduction hereof.

(n) Counterparts. This Agreement may be executed in two counterparts, each of which shall be deemed an original, all of which together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS BELOW]

EVERBRIDGE, INC.

Letter Agreement -- Counterpart Signature Page

If the foregoing accurately sets forth our agreement, please so indicate by signing and returning to us the enclosed copy of this letter.

Very truly yours,

EVERBRIDGE, INC.

By: /s/ David Meredith
David Meredith
Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ Jaime Ellertson
Jaime Ellertson

Date: February 26, 2021

February 25, 2021

Mr. Imad Mouline
Address
Address

Re: Amendment to Terms of Employment

Dear Imad:

This letter amends and supplements the terms of your employment agreement with Everbridge, Inc. (the "Company") dated July 26, 2012 (the "Agreement"). Capitalized terms used without definition herein shall have the meaning assigned to such terms in the Agreement.

1. Section 1(b) of the Agreement shall be amended and restated as follows:

(b) Best Efforts. For so long as you are employed hereunder, you will devote an average of 20% of your business time and energies to the business and affairs of the Company, and, when performing work for the Company, shall faithfully, industriously and to the best of your ability, experience and talent, perform the duties and responsibilities described in Schedule 1. In furtherance of, and not in limitation of the foregoing, during the term of this Agreement, you further agree that you shall not, with the exception of the company or companies that are identified on Schedule 2 attached hereto, if any, and subject to the provisions thereof, render commercial or professional services of any nature, including as a founder, advisor, or a member of a board of directors, to any person or organization, whether or not for compensation, that is competitive with the business, products or services at any time offered, developed or marketed by the Company and/or its subsidiaries, without the prior approval of the Chief Executive Officer in his sole discretion; provided, however, that nothing contained in this Section 1(b) will be deemed to prevent or limit your right to manage your personal investments on your own personal time. As set forth above, your employment with the Company is "at-will," and, accordingly, either you or the Company may terminate your employment at any time, with or without cause, for any reason or no reason.

2. Section 2 of the Agreement shall be amended and restated as follows:

1. Compensation. During the term of your employment with the Company, the Company will pay you the following compensation:

- (a) Base Salary. As of January 4, 2021 (the "**Effective Date**"), you will be paid an annual salary of \$58,300 (the "**Base Salary**"). The Base Salary shall be prorated for any partial year of employment on the basis of a 365-day year. Your Base Salary will be subject to standard payroll deductions and withholdings, and payable in accordance with the Company's standard payroll practice as it exists from time to time. You also will receive an

additional \$15,000 as additional consideration for this part-time employment arrangement and your commitments to the Company, payable no later than April 2022.

(b) Expenses. During the term of your employment, the Company shall reimburse you for all reasonable and documented expenses incurred by you in the performance of your duties under this Agreement in accordance with Company policy.

(c) Annual Performance Bonus. You will be eligible to earn an annual performance bonus at the conclusion of each year of employment with the Company (the "**Annual Bonus**"). The amount, award and timing of the payment of the Annual Bonus shall be set forth in a Company Management Incentive Plan, established each year by the Board, in its discretion. Your Annual Bonus target for fiscal 2021 is \$22,000. You will be eligible for payment of the 2021 Annual Bonus as long as you remain an employee of the Company through December 31, 2021, provided that the amount of the bonus payment shall be as determined by the Board and the Chief Executive Officer based on the Company's performance against the metrics established in the Company's Management Incentive Plan for fiscal year 2021 and your performance. Any bonus payment shall be paid at the same time as other members of the Company's Senior Management Team in or about April 2022. Company Management Incentive Plans, if any, for subsequent years, shall be provided to you by the Chief Executive Officer.

(d) Equity Grant. You also have received a grant of 4,000 Performance-based Restricted Stock Units (the "2021 Grant") under the Company's 2016 Equity Incentive Plan, which will vest on December 31, 2021, subject to your achievement of performance goals established by the Chief Executive Officer and set forth in the grant agreement. If your employment with the Company is terminated prior to December 31, 2021, other than for Cause (as defined in Section 3(e) below), then you will receive pro-rated vesting of the 2021 Grant, which will vest on your last day of employment. All of your other existing equity grants will continue to vest in accordance with their terms.

(e) Employee Benefits. As an employee of the Company, you will be eligible to participate in such Company-sponsored benefits and programs as are made generally available by the Board to other employees of the Company, provided that you acknowledge that you are not eligible for medical benefits due to your part-time status. In addition, you will be entitled to paid vacation in accordance with the Company's vacation policy as established by the Board and as in effect from time to time. The Company reserves the right to change or eliminate any benefit plans at any time, upon notice to you.

3. Any inventions and works made for hire, described in prior agreements between you and the Company related to proprietary information and inventions owned by the Company, does not include work created by you or in which you are involved resulting from work performed by you for third parties, other than the Company or its customers or partners.
 4. Schedule 1, Duties and Responsibilities, of the Agreement shall be amended and restated as follows:
-

Your duties and responsibilities will be allocated across particular categories of activities and events as agreed by you and the Chief Executive Officer.

5. Except as set forth in this Amendment, the terms and conditions of the Agreement remain in full force and effect.

Please sign below to indicate your agreement with the terms of this Amendment.

Very truly yours,

EVERBRIDGE, INC.

By: /s/ David Meredith
David Meredith
Chief Executive Officer

ACCEPTED AND AGREED TO BY:

/s/ Imad Mouline
Imad Mouline

Date: February 26, 2021

List of Subsidiaries of Everbridge, Inc.

Company Name	Jurisdiction
Beijing Wan Qiao Da Guan Information & Technology Ltd.	China
CNL Software Limited	United Kingdom
CNL Software, Inc.	Delaware
Connexient, Inc.	Delaware
Everbridge Asia Pte. Ltd.	Singapore
Everbridge Holdings Limited	United Kingdom
Everbridge Denmark ApS	Denmark
Everbridge Europe Limited	United Kingdom
Everbridge Finland OY	Finland
Everbridge France SAS	France
Everbridge Netherlands Holdings B.V.	Netherlands
Everbridge Netherlands B.V.	Netherlands
Everbridge Norway AS	Norway
Everbridge Securities Corporation	Massachusetts
Microtech USA LLC	Delaware
NC4, LLC	Delaware
NC4 Public Sector, LLC	Delaware
Previstar, Inc.	Delaware
Previstar Private Limited	India
Red Sky Technologies, Inc.	Michigan
SnapComms Limited	New Zealand
SnapComms, Inc.	Delaware
SnapComms UK Limited	United Kingdom
Svensk Krisledning AB	Sweden
Techwan SA	Switzerland
UMS AB	Sweden
UMS Americas, LLC	Florida
UMS Limited	United Kingdom
Unified Messaging Systems & Services Private Limited	India

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

- (1) Registration Statement (Form S-3 Nos. 333-229239 and 333-220777) of Everbridge, Inc,
- (2) Registration Statement (Form S-8 Nos. 333-236767, 333-230032, 333-227502 and 333-216909) pertaining to the 2016 Equity Incentive Plan and the 2016 Employee Stock Purchase Plan of Everbridge, Inc., and
- (3) Registration Statement (Form S-8 No. 333-213679) pertaining to the 2008 Equity Incentive Plan, the 2016 Equity Incentive Plan, and the 2016 Employee Stock Purchase Plan of Everbridge, Inc.;

of our reports dated February 26, 2021, with respect to the consolidated financial statements of Everbridge, Inc. and the effectiveness of internal control over financial reporting of Everbridge, Inc. included in this Annual Report (Form 10-K) of Everbridge, Inc. for the year ended December 31, 2020.

/s/ Ernst & Young LLP

Boston, Massachusetts
February 26, 2021

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, David Meredith, certify that:

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

Date: February 26, 2021

By: /s/ David Meredith

Name: David Meredith

Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER

PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Patrick Brickley, certify that:

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

Date: February 26, 2021

By: /s/ Patrick Brickley

Name: Patrick Brickley
Title: Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

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

I, David Meredith, Chief Executive Officer of Everbridge, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Annual Report on Form 10-K of Everbridge, Inc. for the year ended December 31, 2020 (the "Report"):

- (1) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Everbridge, Inc.

Date: February 26, 2021

By: /s/ David Meredith

Name: David Meredith

Title: Chief Executive Officer
(Principal Executive Officer)

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

I, Patrick Brickley, Chief Financial Officer of Everbridge, Inc., do hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge, the Annual Report on Form 10-K of Everbridge, Inc. for the year ended December 31, 2020 (the "Report"):

- (1) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Everbridge, Inc.

Date: February 26, 2021

By: /s/ Patrick Brickley

Name: Patrick Brickley

Title: Senior Vice President and
Chief Financial Officer
(Principal Financial Officer)

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2021

OR

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

For the transition period from _____ to _____

Commission File Number: 001-37874

Everbridge, Inc.

(Exact name of registrant as specified in its charter)

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

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

01803
(Zip Code)

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, \$0.001 par value	EVBG	The Nasdaq Global Market

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

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

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

Large accelerated filer	<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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of August 3, 2021, the registrant had 38,385,479 shares of common stock issued and outstanding.

EVERBRIDGE, INC. AND SUBSIDIARIES
FORM 10-Q
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PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands, except share data)
(unaudited)

	June 30, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	\$ 559,851	\$ 467,171
Restricted cash	4,666	4,667
Accounts receivable, net	83,183	94,376
Prepaid expenses	13,301	11,774
Deferred costs and other current assets	21,348	20,464
Total current assets	682,349	598,452
Property and equipment, net	9,567	7,774
Capitalized software development costs, net	18,368	16,329
Goodwill	405,223	187,411
Intangible assets, net	216,723	113,762
Restricted cash	3,785	3,792
Prepaid expenses	1,795	1,943
Deferred costs and other assets	37,214	31,481
Total assets	<u>\$ 1,375,024</u>	<u>\$ 960,944</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,964	\$ 9,698
Accrued payroll and employee related liabilities	26,860	27,674
Accrued expenses	10,235	7,246
Deferred revenue	196,481	165,389
Contingent consideration liabilities	18,775	10,619
Other current liabilities	14,376	15,602
Total current liabilities	277,691	236,228
Long-term liabilities:		
Deferred revenue, noncurrent	13,509	4,738
Convertible senior notes	646,533	441,514
Deferred tax liabilities	14,022	10,065
Other long-term liabilities	17,940	16,094
Total liabilities	969,695	708,639
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.001, 10,000,000 shares authorized, no shares issued or outstanding as of June 30, 2021 and December 31, 2020, respectively	—	—
Common stock, \$0.001 par value, 100,000,000 shares authorized, 38,288,685 and 35,449,447 shares issued and outstanding as of June 30, 2021 and December 31, 2020, respectively	38	35
Additional paid-in capital	752,773	542,776
Accumulated deficit	(348,926)	(293,316)
Accumulated other comprehensive income	1,444	2,810
Total stockholders' equity	405,329	252,305
Total liabilities and stockholders' equity	<u>\$ 1,375,024</u>	<u>\$ 960,944</u>

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 86,649	\$ 65,377	\$ 168,859	\$ 124,277
Cost of revenue	27,665	19,423	52,945	40,312
Gross profit	<u>58,984</u>	<u>45,954</u>	<u>115,914</u>	<u>83,965</u>
Operating expenses:				
Sales and marketing	41,483	28,741	76,010	58,329
Research and development	20,251	14,937	38,330	29,109
General and administrative	24,664	16,799	47,226	32,710
Total operating expenses	<u>86,398</u>	<u>60,477</u>	<u>161,566</u>	<u>120,148</u>
Operating loss	<u>(27,414)</u>	<u>(14,523)</u>	<u>(45,652)</u>	<u>(36,183)</u>
Other expense, net:				
Interest and investment income	100	235	233	1,808
Interest expense	(9,655)	(5,998)	(16,215)	(11,920)
Loss on extinguishment of convertible notes and capped call modification	(37)	—	(2,925)	—
Other expense, net	(602)	(438)	(651)	(515)
Total other expense, net	<u>(10,194)</u>	<u>(6,201)</u>	<u>(19,558)</u>	<u>(10,627)</u>
Loss before income taxes	(37,608)	(20,724)	(65,210)	(46,810)
Benefit from income taxes	3,787	1,504	9,600	2,205
Net loss	<u>\$ (33,821)</u>	<u>\$ (19,220)</u>	<u>\$ (55,610)</u>	<u>\$ (44,605)</u>
Net loss per share attributable to common stockholders:				
Basic	<u>\$ (0.89)</u>	<u>\$ (0.56)</u>	<u>\$ (1.49)</u>	<u>\$ (1.30)</u>
Diluted	<u>\$ (0.89)</u>	<u>\$ (0.56)</u>	<u>\$ (1.49)</u>	<u>\$ (1.30)</u>
Weighted-average common shares outstanding:				
Basic	38,014,107	34,402,704	37,204,958	34,238,887
Diluted	38,014,107	34,402,704	37,204,958	34,238,887

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (33,821)	\$ (19,220)	\$ (55,610)	\$ (44,605)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of taxes	1,231	2,343	(1,366)	(4,177)
Total comprehensive loss	<u>\$ (32,590)</u>	<u>\$ (16,877)</u>	<u>\$ (56,976)</u>	<u>\$ (48,782)</u>

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(in thousands, except share data)
(unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated- other comprehensive income	Total
	Shares	Par value				
Balance at December 31, 2020	35,449,447	\$ 35	\$ 542,776	\$ (293,316)	\$ 2,810	\$ 252,305
Issuance of common stock in connection with acquisition	162,820	—	23,032	—	—	23,032
Stock-based compensation	—	—	12,770	—	—	12,770
Vesting of restricted stock units and performance-based restricted stock units	64,304	1	—	—	—	1
Restricted stock units and performance-based restricted stock units withheld to settle employee tax withholding liability	(11,649)	—	(1,611)	—	—	(1,611)
Exercise of stock options	52,955	—	1,604	—	—	1,604
Issuance of shares under employee stock purchase plan	23,499	—	2,451	—	—	2,451
Equity component of convertible notes due 2026, net of allocated issuance costs and taxes	—	—	99,000	—	—	99,000
Purchase of capped call hedge for the convertible notes due 2026, including issuance costs	—	—	(35,124)	—	—	(35,124)
Settlement of convertible notes due 2022	1,870,823	2	15,650	—	—	15,652
Termination and modification of capped call hedge for convertible notes due 2022	—	—	10,886	—	—	10,886
Other comprehensive loss	—	—	—	—	(2,597)	(2,597)
Net loss	—	—	—	(21,789)	—	(21,789)
Balance at March 31, 2021	37,612,199	38	671,434	(315,105)	213	356,580
Issuance of common stock in connection with acquisition	555,332	—	64,482	—	—	64,482
Issuance of common stock for contingent consideration	6,188	—	720	—	—	720
Stock-based compensation	—	—	15,635	—	—	15,635
Vesting of restricted stock units and performance-based restricted stock units	65,364	—	—	—	—	—
Restricted stock units and performance-based restricted stock units withheld to settle employee tax withholding liability	(9,929)	—	(1,233)	—	—	(1,233)
Exercise of stock options	22,898	—	559	—	—	559
Settlement of convertible notes due 2022	36,633	—	1,176	—	—	1,176
Other comprehensive income	—	—	—	—	1,231	1,231
Net loss	—	—	—	(33,821)	—	(33,821)
Balance at June 30, 2021	<u>38,288,685</u>	<u>\$ 38</u>	<u>\$ 752,773</u>	<u>\$ (348,926)</u>	<u>\$ 1,444</u>	<u>\$ 405,329</u>

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated-other comprehensive loss	Total
	Shares	Par value				
Balance at December 31, 2019	33,848,627	\$ 34	\$ 425,945	\$ (199,920)	\$ (5,747)	\$ 220,312
Issuance of common stock in connection with acquisitions	301,941	—	30,434	—	—	30,434
Stock-based compensation	—	—	10,368	—	—	10,368
Vesting of restricted stock units	44,606	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(4,483)	—	(400)	—	—	(400)
Exercise of stock options	126,374	—	2,989	—	—	2,989
Issuance of shares under employee stock purchase plan	30,943	—	1,710	—	—	1,710
Other comprehensive loss	—	—	—	—	(6,520)	(6,520)
Net loss	—	—	—	(25,385)	—	(25,385)
Balance at March 31, 2020	34,348,008	34	471,046	(225,305)	(12,267)	233,508
Issuance of common stock in connection with acquisition	38,425	—	5,074	—	—	5,074
Stock-based compensation	—	—	11,372	—	—	11,372
Vesting of restricted stock units	21,507	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(3,980)	—	(527)	—	—	(527)
Exercise of stock options	59,841	—	1,596	—	—	1,596
Other comprehensive income	—	—	—	—	2,343	2,343
Net loss	—	—	—	(19,220)	—	(19,220)
Balance at June 30, 2020	34,463,801	\$ 34	\$ 488,561	\$ (244,525)	\$ (9,924)	\$ 234,146

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30,	
	2021	2020
Cash flows from operating activities:		
Net loss	\$ (55,610)	\$ (44,605)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	23,854	13,976
Amortization of deferred costs	7,184	5,735
Deferred income taxes	(9,778)	(3,014)
Accretion of interest on debt	15,821	10,949
Loss on extinguishment of convertible notes and capped call modification	2,925	—
Provision for credit losses and sales reserve	1,905	1,387
Stock-based compensation	28,190	21,588
Other non-cash adjustments	(32)	—
Changes in operating assets and liabilities:		
Accounts receivable	19,312	3,341
Prepaid expenses	(922)	(3,265)
Deferred costs	(8,107)	(6,943)
Other assets	(850)	(3,429)
Accounts payable	(60)	2,164
Accrued payroll and employee related liabilities	(5,320)	(334)
Accrued expenses	971	(593)
Deferred revenue	(180)	(2,722)
Other liabilities	(4,632)	2,696
Net cash provided by (used in) operating activities	14,671	(3,069)
Cash flows from investing activities:		
Capital expenditures	(2,128)	(1,175)
Payments for acquisition of business, net of acquired cash	(197,666)	(44,265)
Additions to capitalized software development costs	(6,082)	(4,673)
Net cash used in investing activities	(205,876)	(50,113)
Cash flows from financing activities:		
Proceeds from issuance of convertible notes	375,000	—
Payments of debt issuance costs	(10,391)	(131)
Purchase of convertible notes capped call hedge	(35,100)	—
Repurchase of convertible notes	(58,641)	—
Proceeds from termination of convertible notes capped call hedge	10,650	—
Restricted stock units withheld to settle employee tax withholding liability	(2,843)	(927)
Proceeds from employee stock purchase plan	2,451	1,710
Proceeds from stock option exercises	2,163	4,585
Net cash provided by financing activities	283,289	5,237
Effect of exchange rates on cash, cash equivalents and restricted cash	588	(419)
Net increase (decrease) in cash, cash equivalents and restricted cash	92,672	(48,364)
Cash, cash equivalents and restricted cash—beginning of period	475,630	539,662
Cash, cash equivalents and restricted cash—end of period	\$ 568,302	\$ 491,298
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	\$ 610	\$ 974
Taxes, net of refunds received	935	476
Supplemental disclosure of non-cash activities:		
Common stock issued in connection with acquisitions	87,514	35,508
Deferred consideration in connection with acquisition	—	895
Purchase accounting payable, net	—	619
Contingent consideration in connection with acquisitions	9,135	4,220
Common stock issued in connection with contingent consideration	720	—
Common stock issued in connection with settlement of convertible notes	16,826	—
Debt issuance costs included in accrued expenses	250	—
Stock-based compensation capitalized for software development costs	215	152
Other non-cash activities	220	376

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

(1) Business and Nature of Operations

Everbridge, Inc., a Delaware corporation (together with its wholly-owned subsidiaries, referred to as “Everbridge” or the “Company”), is a global software company that provides enterprise software applications that automate and accelerate organizations’ operational response to critical events in order to keep people safe and organizations running. The Company’s SaaS-based platform enables the Company’s customers to manage and mitigate critical events. The Company’s enterprise applications, such as Mass Notification, Safety Connection, Incident Management, IT Alerting, Visual Command Center, Public Warning, Community Engagement, Risk Center, Crisis Management, Secure Collaboration, and Control Center, automate numerous critical event management (“CEM”) processes. The Company generates revenue primarily from subscription fees to the Company’s enterprise applications. The Company has operations in the United States, United Kingdom, Norway, China, Netherlands, Canada, New Zealand, France, India, and other countries.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“U.S. GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020.

The condensed consolidated balance sheet as of December 31, 2020, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by U.S. GAAP on an annual reporting basis.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, statements of stockholders’ equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2021 or any future period.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

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

Assets and liabilities which are subject to judgment and use of estimates include the determination of the period of benefit for deferred commissions, relative stand-alone selling price for identified performance obligations in our revenue transactions, allowances for credit losses, the fair value of assets acquired and liabilities assumed in business combinations, the fair value of contingent consideration, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, contingencies, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. In addition, the Company engages valuation specialists to assist with management’s determination of the valuation of its fair values of assets acquired and liabilities assumed in business combinations, convertible senior notes, and certain market-based performance equity awards. There have been significant changes to the global economic situation as a consequence of the COVID-19 pandemic. The global outbreak continues to cause instability and volatility in multiple markets where the Company conducts business which could cause changes to estimates as a result of the financial circumstances. Such changes to estimates could potentially result in impacts that would be material to the consolidated financial statements, particularly with respect to the timing of revenue recognition resulting from potential implementation delays, evaluating the recoverability of long-lived assets with finite useful lives for impairment and estimates of credit losses for accounts receivables and contract assets. No impairments were recorded as of the balance sheet date; however, due to significant uncertainty surrounding the situation, management’s judgment regarding this could change in the future. As of the date of issuance of these financial statements, the Company’s results of operations have not been significantly impacted by the COVID-19 pandemic; however, the Company continues to monitor the situation.

Concentrations of Credit and Business Risk

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

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

The Company’s accounts receivable are generally unsecured and are derived from revenue earned from customers primarily located in the United States, Norway, Netherlands, Sweden and the United Kingdom and are generally denominated in U.S. Dollars, Norwegian Krone, Euro, Swedish Kronor or British Pounds. Each reporting period, the Company reevaluates each customer’s ability to satisfy credit obligations and maintains an allowance for credit risk based on the evaluations. No single customer comprised more than 10% of the Company’s total revenue for the three and six months ended June 30, 2021 and 2020. No single customer comprised more than 10% of the Company’s total accounts receivable as of June 30, 2021 and December 31, 2020.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash equivalents consist of funds deposited into money market funds. Cash and cash equivalents are recorded at cost, which approximates fair value.

Restricted Cash

The Company’s restricted cash balance primarily consists of cash held at a financial institution for collateral against performance on the Company’s customer contracts and certain other cash deposits for specific purposes.

Significant Accounting Policies

There have been no changes to the Company’s significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 26, 2021, that have had a material impact on the Company’s condensed consolidated financial statements and related notes.

Revenue Recognition

The Company derives its revenues primarily from subscription services and professional services. Revenues are recognized when control of services is transferred to the Company’s customers in an amount that reflects the consideration it expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

- Identification of the contract, or contracts, with a customer
- Identification of the performance obligations in the contract
- Determination of the transaction price
- Allocation of the transaction price to the performance obligations in the contract
- Recognition of revenue when, or as, the Company satisfies a performance obligation

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of the Company’s hosted applications for critical event management, with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that the Company’s service is made available to the customer. All services are recognized using an output measure of progress looking at time elapsed as the contract generally provides the customer equal benefit throughout the contract period. The Company’s subscription contracts are generally two years or longer in length, billed annually in advance, and non-cancelable.

Professional Services Revenues

Professional services revenues primarily consist of fees for deployment and optimization services, as well as training. The majority of the Company’s consulting contracts revenue is recognized over time as the services are performed. For contracts billed on a fixed price basis, revenue is recognized over time based on the proportion performed.

Software License Revenues

On occasion the Company may sell software and related post contract support for on premises usage as well as professional services, hardware and hosting which is outside of the Company's core business and is not a significant revenue stream for the Company. The Company's on premises license transactions are generally perpetual in nature and are recognized at a point in time when made available to the customer for use. Significant judgment is required to determine the standalone selling prices for each distinct performance obligation in order to allocate the transaction price for purposes of revenue recognition. Making this judgment of estimating a standalone selling price involves consideration of overall pricing objectives, market conditions and other factors, including the value of our other similar contracts, the applications sold, customer demographics, geographic locations, and the number and types of users within the Company's contracts. The significant judgment was primarily due to using such considerations to estimate the price that each distinct performance obligation would be sold for on a standalone basis because such performance obligations are typically sold together on a bundled basis. Changes in these estimates of standalone selling prices can have a material effect on the amount of revenue recognized from each distinct performance obligation.

Contracts with Multiple Performance Obligations

Most of the Company's contracts with customers contain multiple performance obligations. For these contracts, the Company accounts for individual performance obligations separately if they are distinct. The transaction price is allocated to the separate performance obligations on a relative standalone selling price basis for those performance obligations with stable observable prices and then the residual method applied for any performance obligation that has pricing which is highly variable. The Company determines the standalone selling prices based on the Company's overall pricing objectives, taking into consideration market conditions and other factors, including the value of the Company's contracts, pricing when certain services are sold on a standalone basis, the applications sold, customer demographics, geographic locations, and the volume of services and users.

Returns

The Company does not offer rights of return for its products and services in the normal course of business.

Customer Acceptance

The Company's contracts with customers generally do not include customer acceptance clauses.

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for credit risk, which is not material. Other receivables represent unbilled receivables related to subscription and professional services contracts, net of an allowance for credit losses, which is not material.

Deferred Costs

Sales commissions earned by the Company's sales force are considered incremental and recoverable costs of obtaining a contract with a customer. Subscription-related commissions costs are deferred and then amortized on a straight-line basis over a period of benefit that the Company has determined to be four years. Sales commissions attributable to professional services are expensed within twelve months of selling the service to the customer. The Company has determined the period of benefit by taking into consideration its customer contracts, its technology and other factors. Sales commissions attributed to renewals are not material and are not commensurate with initial and growth sales. Amortization of deferred commissions is included in sales and marketing expenses in the accompanying condensed consolidated statements of operations.

Deferred Revenue

Deferred revenue consists of amounts that have been invoiced and for which the Company has the right to bill, but that have not been recognized as revenue because the related goods or services have not been transferred. Deferred revenue that will be realized during the succeeding 12-month period is recorded as current, and the remaining deferred revenue is recorded as non-current.

In instances where the timing of revenue recognition differs from the timing of invoicing, the Company has determined its contracts generally do not include a significant financing component. The primary purpose of the Company's invoicing terms is to provide customers with simplified and predictable ways of purchasing the Company's products and services, not to receive financing from its customers or to provide customers with financing. Examples include invoicing at the beginning of a subscription term with revenue recognized ratably over the contract period.

Recently Adopted Accounting Pronouncements

ASU 2020-01

In January 2020, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2020-01, *Clarifying the Interactions Between Topic 321, Topic 323, and Topic 815*. ASU 2020-01 addresses the accounting for the transition into and out of the equity method and measuring certain purchased options and forward contracts to acquire investments. Observable transactions that require a company to either apply or discontinue the equity method of accounting for the purposes of applying the measurement alternative in accordance with FASB Accounting Standards Codification (“ASC”) 321, *Investments – Equity Securities*, should be considered immediately before applying or upon discontinuing the equity method. Certain non-derivative forward contracts or purchased call options to acquire equity securities generally will be measured using the fair value principles of ASC 321 before settlement or exercise and consideration shall not be given to how entities will account for the resulting investments on eventual settlement or exercise. ASU 2020-01 is effective for the Company beginning in the first quarter of 2021 and early adoption is permitted. ASU 2020-01 should be applied prospectively. The adoption of this standard did not have an impact on the Company’s condensed consolidated financial statements.

Recently Issued Accounting Guidance Not Yet Adopted

ASU 2021-04

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. ASU 2021-04 requires accounting for modifications or exchanges of freestanding equity-classified written call options (for example, warrants) that remain equity classified after the modification or exchange based on the economic substance of the modification or exchange. The recognition of the modification depends on the nature of the transaction in which the equity-classified written call option is modified. If there is more than one element in a transaction (for example, if the modification involves both a debt modification and an equity issuance), then the guidance requires allocating the effect of the option modification to each element. ASU 2021-04 is effective for the Company beginning in the first quarter of 2022. ASU 2021-04 should be applied prospectively to modifications or exchanges occurring on or after the effective date of the amendments. The Company is currently assessing the impact this standard will have on the Company’s condensed consolidated financial statements.

ASU 2020-06

In August 2020, the FASB issued ASU 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. ASU 2020-06 reduces the number of accounting models for convertible instruments by eliminating two of the three models that require separate accounting for embedded conversion features, amends the requirements for a contract that is potentially settled in an entity’s own shares to be classified in equity, and amends certain guidance on the computation of earnings per share for convertible instruments and contracts on an entity’s own equity. ASU 2020-06 is effective for the Company beginning in the first quarter of 2022 and early adoption is permitted beginning in the first quarter of 2021. ASU 2020-06 may be applied using a modified or full retrospective transition method. The Company is currently assessing the impact this standard will have on the Company’s condensed consolidated financial statements.

Other accounting standard updates effective for interim and annual periods beginning after December 31, 2020 are not expected to have a material impact on the Company’s financial position, results of operations or cash flows.

(3) Accounts Receivable and Contract Assets, Net

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

	As of June 30, 2021	As of December 31, 2020
Accounts receivable amortized cost	\$ 88,426	\$ 98,164
Allowance for credit losses	(5,243)	(3,788)
Net accounts receivable	<u>\$ 83,183</u>	<u>\$ 94,376</u>

The following table summarizes the changes in the allowance for credit losses for accounts receivable (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance, beginning of period	\$ (4,772)	\$ (1,753)	\$ (3,788)	\$ (1,125)
Provision for expected credit losses	(405)	(585)	(1,417)	(1,328)
Write-offs, net	(66)	81	(38)	196
Balance, end of period	<u>\$ (5,243)</u>	<u>\$ (2,257)</u>	<u>\$ (5,243)</u>	<u>\$ (2,257)</u>

Contract assets, net is as follows (in thousands):

	As of June 30, 2021	As of December 31, 2020
Contract asset amortized cost	\$ 4,235	\$ 2,560
Allowance for credit losses	(841)	(398)
Net contract asset	<u>\$ 3,394</u>	<u>\$ 2,162</u>

The following table summarizes the changes in the allowance for credit losses for contract assets (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance, beginning of period	\$ (842)	\$ (25)	\$ (398)	\$ —
Provision for expected credit losses	(29)	(3)	(473)	(28)
Write-offs	30	—	30	—
Balance, end of period	<u>\$ (841)</u>	<u>\$ (28)</u>	<u>\$ (841)</u>	<u>\$ (28)</u>

Credit loss expense was \$0.1 million and \$0.4 million for the three months ended June 30, 2021 and 2020, respectively. Credit loss expense was \$1.5 million and \$1.1 million for the six months ended June 30, 2021 and 2020, respectively.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Balance, beginning of period	\$ (149)	\$ (375)	\$ (175)	\$ (175)
Additions	(259)	—	(259)	(200)
Write-offs	8	—	34	—
Balance, end of period	<u>\$ (400)</u>	<u>\$ (375)</u>	<u>\$ (400)</u>	<u>\$ (375)</u>

(4) Property and Equipment, Net

Property and equipment consisted of the following (in thousands):

	Useful life in years	As of	As of
		June 30, 2021	December 31, 2020
Furniture and equipment	5	\$ 2,165	\$ 2,041
Leasehold improvements (1)	9	6,241	4,944
System hardware	5	813	807
Office computers	3	7,323	6,547
Computer and system software	3	2,068	827
		18,610	15,166
Less accumulated depreciation and amortization		(9,043)	(7,392)
Property and equipment, net		<u>\$ 9,567</u>	<u>\$ 7,774</u>

(1) Lesser of the lease term or the estimated useful lives of the improvements, which may be up to 9 years.

Depreciation and amortization expense for property and equipment was \$0.9 million and \$0.7 million for the three months ended June 30, 2021 and 2020, respectively. Depreciation and amortization expense for property and equipment was \$1.7 million and \$1.3 million for the six months ended June 30, 2021 and 2020, respectively.

(5) Capitalized Software Development Costs, Net

Capitalized software development costs consisted of the following (in thousands):

	Gross carrying amount	Amortization period	Accumulated amortization	Net carrying amount
As of June 30, 2021	\$ 66,057	3 years	\$ (47,689)	\$ 18,368
As of December 31, 2020	59,761	3 years	(43,432)	16,329

The Company capitalized software development costs of \$6.1 million and \$4.7 million for the six months ended June 30, 2021 and 2020, respectively.

Amortization expense for capitalized software development costs was \$2.2 million and \$1.9 million for the three months ended June 30, 2021 and 2020, respectively. Amortization expense for capitalized software development costs was \$4.3 million and \$3.8 million for the six months ended June 30, 2021 and 2020, respectively. Amortization of capitalized software development costs is classified within cost of revenue in the condensed consolidated statements of operations.

The expected amortization of capitalized software development costs, as of June 30, 2021, for each of the following years is as follows (in thousands):

2021 (for the remaining six months)	\$	4,779
2022		7,630
2023		4,985
2024		974
	\$	<u>18,368</u>

(6) Fair Value Measurements

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

Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the six months ended June 30, 2021 and year ended December 31, 2020, no impairments were identified.

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

	As of June 30, 2021			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash equivalents:				
Money market funds	\$ 489,632	\$ —	\$ —	\$ 489,632
Total financial assets	<u>\$ 489,632</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 489,632</u>
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 18,775	\$ 18,775
Derivative instruments - acquisition-related deferred common stock consideration	—	922	—	922
Total financial liabilities	<u>\$ —</u>	<u>\$ 922</u>	<u>\$ 18,775</u>	<u>\$ 19,697</u>
	As of December 31, 2020			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
Assets:				
Cash equivalents:				
Money market funds	\$ 432,560	\$ —	\$ —	\$ 432,560
Total financial assets	<u>\$ 432,560</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 432,560</u>
Liabilities:				
Contingent consideration	\$ —	\$ —	\$ 10,619	\$ 10,619
Derivative instruments - acquisition-related deferred common stock consideration	—	1,011	—	1,011
Total financial liabilities	<u>\$ —</u>	<u>\$ 1,011</u>	<u>\$ 10,619</u>	<u>\$ 11,630</u>

The Company classifies and discloses fair value measurements in one of the following three categories of fair value hierarchy:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities.

Level 2 - Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

The Company's assets that are measured by management at fair value on a recurring basis are generally classified within Level 1 or Level 2 of the fair value hierarchy. The Company did not have any transfers into and out of Level 1 or Level 2 during the six months ended June 30, 2021.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. The fair value of the Company's investments in certain money market funds is their face value and such instruments are classified as Level 1 and are included in cash and cash equivalents on the consolidated balance sheets.

On May 27, 2020, the Company entered into a Stock Purchase Agreement with Techwan SA ("Techwan") pursuant to which the Company purchased all of the issued and outstanding shares of stock of Techwan (see Note 8). In accordance with the Stock Purchase Agreement, 6,779 shares of the Company's common stock were reserved and are expected to be issued to the sellers in November 2021 subject to the provisions in the Stock Purchase Agreement. Management analyzed the liability for derivative accounting

consideration under ASC 815, *Derivatives and Hedging*, and determined that the liability qualifies for derivative accounting. The derivative liability is not designated as a hedging instrument. In accordance with ASC 815, the Company recorded the acquisition-related deferred common stock consideration derivative liability, which is carried at fair value, in other long-term liabilities on the condensed consolidated balance sheet. The derivative liability will be marked-to-market each measurement period. The change in fair value during the three and six months ended June 30, 2021 of \$0.1 million and \$(0.1) million, respectively, was recorded as a component of other expense, net on the condensed consolidated statement of operations. The fair value is derived from the Company's stock price. The acquisition-related deferred common stock consideration derivative liability will remain in effect until such time as the associated shares are issued and the resulting derivative liability will be transitioned from a liability to equity as of such date.

The following tables summarize the changes in Level 3 financial instruments (in thousands):

Fair value at December 31, 2019	\$	—
Contingent consideration from Connexient acquisition		340
Contingent consideration from one2many acquisition		2,190
Fair value at March 31, 2020		2,530
Contingent consideration from Techwan acquisition		2,030
Adjustment for Connexient acquisition		(340)
Foreign currency translation		72
Fair value at June 30, 2020	\$	4,292
Fair value at December 31, 2020	\$	10,619
Contingent consideration from RedSky acquisition		9,135
Adjustment for one2many acquisition		(690)
Adjustment for SnapComms acquisition		732
Foreign currency translation		(465)
Fair value at March 31, 2021		19,331
Adjustment for one2many acquisition		38
Adjustment for SnapComms acquisition		(23)
Payment for SnapComms acquisition		(720)
Foreign currency translation		149
Fair value at June 30, 2021	\$	18,775

The valuation of the contingent consideration was derived using estimates of the probability of achievement within specified time periods based on projections of future revenue metrics per the terms of the applicable agreements. These include estimates of the Company's assessment of the probability of meeting such results, with the probability-weighted earn-out using a Monte Carlo Simulation Model then discounted to estimate fair value. Fair value is estimated using the probability weighted cash flow estimate closer to the measurement date. The various operating performance measures included in these contingent consideration agreements primarily relate to product revenue. As these are unobservable inputs, the contingent consideration liabilities are included in Level 3 inputs.

During the three and six months ended June 30, 2021, as a result of assessing the probabilities of SnapComms Limited ("SnapComms") meeting revenue metrics during the period of April 1, 2020 through March 31, 2021, the Company recognized a decrease in the fair value of SnapComms' contingent consideration obligation in the amount of less than \$0.1 million and an increase of \$0.7 million, respectively. During the three months ended June 30, 2021, the Company issued 6,188 shares of the Company's common stock to settle SnapComms' contingent consideration liability.

During the three and six months ended June 30, 2021, as a result of assessing the probabilities of One2Many Group B.V. ("one2many") meeting revenue metrics during the period of March 1, 2020 through February 28, 2021, the Company recognized an increase in the fair value of one2many's contingent consideration obligation in the amount of less than \$0.1 million and a decrease of \$0.7 million, respectively. Subsequent to June 30, 2021, the Company paid €4.1 million in cash and issued 41,668 shares of the Company's common stock to settle one2many's contingent consideration liability.

The Company estimates the fair value of the convertible senior notes based on their last actively traded prices (Level 1) or market-observable inputs (Level 2). As of June 30, 2021, the fair value of the 0% convertible senior notes due March 15, 2026 (the "2026 Notes") was determined to be \$383.4 million and the principal amount of the notes was \$375.0 million. As of June 30, 2021 and December 31, 2020, the fair value of the 0.125% convertible senior notes due December 15, 2024 (the "2024 Notes") was determined to be \$616.5 million and \$663.6 million, respectively, and the principal amount of the notes was \$450.0 million for each period. As of June 30, 2021 and December 31, 2020, the fair value of the 1.50% convertible senior notes due November 1, 2022 (the "2022 Notes") was determined to be \$1.2 million and \$265.5 million, respectively, and the principal amount of the notes was \$0.3 million and \$79.8 million, respectively.

(7) Goodwill and Intangible Assets, Net

The following table displays the changes in the gross carrying amount of goodwill (in thousands):

Balance at December 31, 2020	\$	187,411
Increase due to acquisition		219,345
Foreign currency translation		(1,533)
Balance at June 30, 2021	\$	<u>405,223</u>

There were no impairments recorded against goodwill during the six months ended June 30, 2021 and for the year ended December 31, 2020.

Intangible assets consisted of the following (in thousands):

	Gross carrying amount	Weighted average life (years)	As of June 30, 2021	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	\$ 42,581	3.40	\$ (9,754)	\$ 32,827
Tradenames	25,722	4.04	(9,404)	16,318
Customer relationships	198,999	8.20	(31,421)	167,578
Total intangible assets	<u>\$ 267,302</u>		<u>\$ (50,579)</u>	<u>\$ 216,723</u>

	Gross carrying amount	Weighted average life (years)	As of December 31, 2020	
			Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	\$ 31,851	3.54	\$ (5,322)	\$ 26,529
Tradenames	15,360	3.52	(6,638)	8,722
Customer relationships	100,590	7.41	(22,079)	78,511
Total intangible assets	<u>\$ 147,801</u>		<u>\$ (34,039)</u>	<u>\$ 113,762</u>

Amortization expense for intangible assets was \$10.0 million and \$4.8 million for the three months ended June 30, 2021 and 2020, respectively. Amortization expense for intangible assets was \$17.9 million and \$8.9 million for the six months ended June 30, 2021 and 2020, respectively. The Company recorded amortization expense attributed to developed technology within cost of revenue of \$5.6 million and \$1.7 million for the six months ended June 30, 2021 and 2020, respectively. During the six months ended June 30, 2021, the Company retired \$1.1 million of fully amortized intangible assets.

The expected amortization of the intangible assets, as of June 30, 2021, for each of the next five years and thereafter is as follows (in thousands):

2021 (for the remaining six months)	\$	22,166
2022		41,275
2023		36,270
2024		31,509
2025		23,664
Thereafter		61,839
	\$	<u>216,723</u>

(8) Business Combinations

The Company continually evaluates potential acquisitions that either strategically fit within the Company's existing portfolio or expand the Company's portfolio into new product lines or adjacent markets. The Company has completed a number of acquisitions that have been accounted for as business combinations under ASC 805, *Business Combinations*, and have resulted in the recognition of goodwill in the Company's financial statements. This goodwill includes the know-how of the assembled workforce, the ability of the workforce to further improve technology and product offerings, customer relationships and the expected cash flows resulting from

these efforts. Goodwill may also include expected synergies resulting from the complementary strategic fit these businesses bring to existing operations.

Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the Company's results of operations. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates. Significant estimation was required by management in determining the fair value of the customer relationship intangible assets, deferred revenue and contingent consideration liabilities. The significant estimation is primarily due to the judgmental nature of the inputs to the valuation models used to measure the fair value of these intangible assets, deferred revenue and contingent consideration liabilities, as well as the sensitivity of the respective fair values to the underlying significant assumptions. The Company used the income approach to measure the fair value of these intangible assets, a discounted cash flow approach for deferred revenue and a Monte Carlo simulation model to measure the fair value of the contingent consideration liabilities. The significant assumptions used to estimate the fair value of the intangible assets, deferred revenue and contingent consideration liabilities included forecasted revenues from existing customers, existing customer attrition rates, estimated costs required to fulfill the deferred revenue obligation and forecasted revenues for the contingent consideration earnout period. When estimating the significant assumptions to be used in the valuation the Company includes a consideration of current industry information, market and economic trends, historical results of the acquired business, nature of the performance obligations associated with the deferred revenue and other relevant factors. These significant assumptions are forward-looking and could be affected by future economic and market conditions. The valuation of the contingent consideration was derived using estimates of the probability of achievement within specified time periods based on projections of future revenue metrics per the terms of the applicable agreements. These include estimates of the Company's assessment of the probability of meeting such results, with the probability-weighted earn-out using a Monte Carlo Simulation Model then discounted to estimate fair value. Fair value is estimated using the probability weighted cash flow estimate closer to the measurement date. The various operating performance measures included in these contingent consideration agreements primarily relate to product revenue.

The business acquisitions discussed below are included in the Company's results of operations from their respective dates of acquisition.

2021 Acquisitions

During the six months ended June 30, 2021, the Company acquired Red Sky Technologies Inc and xMatters Holdings, Inc. These acquisitions were not material and neither the investment in the assets nor the results of operations of these acquisitions were significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not required to be presented.

xMatters Holdings, Inc.

On April 6, 2021, the Company and xMatters Holdings, Inc. ("xMatters") signed a definitive agreement pursuant to which the Company agreed to purchase all of the issued and outstanding shares of stock of xMatters. This acquisition closed on May 7, 2021. The Company purchased all of the issued and outstanding shares of stock of xMatters for a base consideration of \$242.3 million. The Company paid \$177.8 million in cash and issued 555,332 newly issued shares of the Company's common stock at closing. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$116.12 per share. The Company acquired xMatters for its service reliability platforms to enhance the Company's CEM suite of solutions as well as market penetration and customer reach.

As the Company finalizes its estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). The initial accounting is incomplete as of June 30, 2021 for the acquired assets and liabilities as the Company is currently in the process of completing the assessment of valuation inputs and assumptions as well as completing the assessment of the tax attributes of the business combination. The finalization of the acquisition accounting valuation assessment may result in a change in the valuation of the deferred tax assets and liabilities, deferred revenue and intangible assets, along with the opening working capital accounts, which could have a material impact on the Company's results of operations and financial position.

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of xMatters made by the Company (in thousands):

	xMatters
Assets acquired	
Accounts receivable	\$ 6,716
Property and equipment	1,458
Trade names	8,200
Acquired technology	8,390
Customer relationships	79,090
Goodwill	170,037
Other assets	5,433
Total assets acquired	279,324
Liabilities assumed	
Accounts payable	1,164
Accrued expenses	5,501
Deferred revenue	34,421
Deferred tax liabilities	3,436
Other liabilities	5,055
Net assets acquired	\$ 229,747
Consideration paid	
Cash paid, net of cash acquired	\$ 165,265
Fair value of common stock issued	64,482
Total	\$ 229,747

The weighted average useful life of all identified acquired intangible assets is 8.13 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 5.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of xMatters' products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of xMatters support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the xMatters acquisition is not deductible for income tax purposes.

For the six months ended June 30, 2021, the Company incurred transaction costs of \$1.5 million in connection with the xMatters acquisition, of which \$0.6 million was expensed during the six months ended June 30, 2021 and included in general and administrative expenses.

Red Sky Technologies Inc.

On January 15, 2021, the Company entered into a Stock Purchase Agreement with Red Sky Technologies Inc. ("RedSky") pursuant to which the Company purchased all of the issued and outstanding shares of stock of RedSky for a base consideration of \$55.4 million, net of cash acquired. The Company paid \$32.4 million in cash, net of cash acquired, and issued 162,820 newly issued shares of the Company's common stock at closing. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$141.46 per share. In addition to the base purchase price, there is also a potential contingent payment of up to \$30 million that can be earned by the sellers based on certain revenue targets through June 30, 2021. At the date of the acquisition, the Company preliminarily assessed the probability of RedSky meeting the revenue metrics through June 30, 2021 and recorded a \$9.1 million preliminary fair value of contingent consideration as part of the purchase price allocation. The Company acquired RedSky for its E911 incident response solutions platform to enhance the Company's CEM suite of solutions as well as market penetration and customer reach.

As the Company finalizes its estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). The initial accounting is incomplete as of June 30, 2021 for the acquired assets and liabilities as the Company is currently in the process of completing the assessment of valuation inputs and assumptions as well as completing the assessment of the tax attributes of the business combination. The finalization of the acquisition accounting valuation assessment may result in a change in the valuation of the deferred tax assets and liabilities, deferred revenue,

contingent consideration and intangible assets, along with the opening working capital accounts, which could have a material impact on the Company's results of operations and financial position.

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of RedSky made by the Company (in thousands):

	<u>RedSky</u>
Assets acquired	
Accounts receivable	\$ 2,926
Other assets	242
Property and equipment	18
Trade names	2,230
Acquired technology	3,590
Customer relationships	20,200
Goodwill	49,308
Total assets acquired	<u>78,514</u>
Liabilities assumed	
Accounts payable	233
Accrued expenses	773
Deferred revenue	5,866
Deferred tax liabilities	7,048
Other liabilities	26
Net assets acquired	<u>\$ 64,568</u>
Consideration paid	
Cash paid, net of cash acquired	\$ 32,401
Fair value of common stock issued	23,032
Contingent consideration	9,135
Total	<u>\$ 64,568</u>

The weighted average useful life of all identified acquired intangible assets is 7.74 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 4.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of RedSky's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of RedSky support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the RedSky acquisition is not deductible for income tax purposes.

For the six months ended June 30, 2021, the Company incurred transaction costs of less than \$0.1 million in connection with the RedSky acquisition, which were expensed as incurred and included in general and administrative expenses.

2020 Acquisitions

During the year ended December 31, 2020, the Company acquired Connexient, Inc., CNL Software Limited, One2Many Group B.V., Techwan SA and SnapComms Limited. These acquisitions were not material individually or on a consolidated basis. Additionally, neither the investment in the assets nor the results of operations of these acquisitions were significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not required to be presented.

Connexient, Inc.

On February 7, 2020, the Company entered into a Stock Purchase Agreement with Connexient, Inc. (“Connexient”) pursuant to which the Company purchased all of the issued and outstanding shares of stock of Connexient for a base consideration of \$20.2 million. The Company paid \$11.5 million in cash at closing and paid the remaining purchase price with 96,611 newly issued shares of the Company’s common stock. On the date of this acquisition, the average price of the Company’s common stock on the Nasdaq Global Market was \$93.32 per share. In addition to the base purchase price, there was also a potential contingent payment of up to \$6.0 million that was eligible to be earned by the sellers based on fiscal year 2020 revenue metrics. At December 31, 2020, it was determined that Connexient would not meet the fiscal year 2020 revenue metric threshold. The Company acquired Connexient for its strategic technology assets to enhance the Company’s CEM suite of solutions to broaden support for Internet of Things (“IoT”) applications as well as market penetration and customer reach.

CNL Software Limited

On February 25, 2020, the Company entered into a Stock Purchase Agreement with CNL Software Limited (“CNL Software”) for a base consideration of approximately \$35.7 million. The Company paid approximately \$19.8 million in cash at closing and paid the remaining purchase price with 153,217 newly issued shares of the Company’s common stock. On the date of this acquisition, the average price of the Company’s common stock on the Nasdaq Global Market was \$104.10 per share. The Company acquired CNL Software for its strategic technology assets to enhance the Company’s CEM suite of solutions to broaden support for IoT applications as well as market penetration and customer reach.

One2Many Group B.V.

On March 19, 2020, the Company entered into a Stock Purchase Agreement with One2Many Group B.V. pursuant to which the Company purchased all of the issued and outstanding shares of stock of one2many for a base consideration of \$13.1 million. The Company paid \$5.5 million in cash at closing, acquired purchase liabilities of \$2.0 million and paid the remaining purchase price with 52,113 newly issued shares of the Company’s common stock. On the date of this acquisition, the average price of the Company’s common stock on the Nasdaq Global Market was \$104.95 per share. In addition to the base purchase price, there was also a potential contingent payment of up to approximately \$15.0 million that was eligible to be earned by the sellers based on revenue metrics during the period of March 1, 2020 through February 28, 2021. The potential contingent payment included an amount payable to the Company if a certain revenue threshold is not met during the period of March 1, 2020 through February 28, 2021. At the date of the acquisition, the Company preliminarily assessed the probabilities of one2many meeting the revenue metrics during the period of March 1, 2020 through February 28, 2021 and recorded a \$2.2 million initial fair value of contingent consideration as part of the purchase price allocation. During the three and six months ended June 30, 2021, the Company recognized an increase in the fair value of one2many’s contingent consideration obligation in the amount of less than \$0.1 million and a decrease of \$0.7 million, respectively, in general and administrative expenses in the condensed consolidated statement of operations. Subsequent to June 30, 2021, the Company paid €4.1 million in cash and issued 41,668 shares of the Company’s common stock to settle one2many’s contingent consideration liability. The Company acquired one2many for its cell broadcast technology to enhance the Company’s public warning applications as well as market penetration and customer reach.

Techwan SA

On May 27, 2020, the Company entered into a Stock Purchase Agreement with Techwan SA pursuant to which the Company purchased all of the issued and outstanding shares of stock of Techwan for a base consideration of \$15.5 million. The Company paid \$9.4 million in cash at closing, acquired purchase liabilities of \$0.1 million and paid the remaining purchase price with 38,425 newly issued shares of the Company’s common stock. In addition, in accordance with the Stock Purchase Agreement, 6,779 shares of the Company’s common stock were reserved and are expected to be issued to the sellers in November 2021 subject to the provisions in the Stock Purchase Agreement. On the date of this acquisition, the average price of the Company’s common stock on the Nasdaq Global Market was \$132.05 per share. In addition to the base purchase price, there was also a potential contingent payment of up to approximately \$7.0 million that was eligible to be earned by the sellers based on revenue metrics during the period of April 1, 2020 through March 31, 2021. At the date of the acquisition, the Company preliminarily assessed the probabilities of Techwan meeting the revenue metrics during the period of April 1, 2020 through March 31, 2021 and recorded a \$2.0 million initial fair value of contingent consideration as part of the purchase price allocation. During the three months ended March 31, 2021, the Company determined that Techwan did not meet the revenue metrics during the period of April 1, 2020 through March 31, 2021. The Company acquired Techwan for its strategic technology assets to enhance the Company’s CEM suite of solutions as well as market penetration and customer reach.

The following table summarizes the estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of Techwan made by the Company (in thousands):

	<u>Techwan</u>
Assets acquired	
Accounts receivable	\$ 921
Other current assets	235
Acquired technology	1,160
Trade names	580
Customer relationships	5,100
Goodwill	12,678
Other assets	254
Total assets acquired	<u>20,928</u>
Liabilities assumed	
Accrued expenses	673
Deferred revenue	1,190
Deferred tax liabilities	838
Other current liabilities	927
Net assets acquired	<u>\$ 17,300</u>
Consideration paid	
Cash consideration, net of cash acquired	\$ 9,301
Fair value of common stock issued	5,074
Acquisition-related deferred common stock consideration	895
Contingent consideration	2,030
Total	<u>\$ 17,300</u>

The weighted average useful life of all identified acquired intangible assets is 7.47 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 3.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Techwan's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of Techwan support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the Techwan acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.2 million in connection with the Techwan acquisition, which were expensed as incurred and included in general and administrative expenses.

SnapComms Limited

On August 4, 2020, the Company entered into a Stock Purchase Agreement with SnapComms Limited pursuant to which the Company purchased all of the issued and outstanding shares of stock of SnapComms for a base consideration of \$34.4 million. The Company paid \$13.6 million in cash and issued 121,858 newly issued shares of the Company's common stock at closing. On the date of this acquisition, the average price of the Company's common stock on the Nasdaq Global Market was \$145.13 per share. In August 2021, the Company paid deferred consideration of approximately New Zealand \$2.5 million in cash and issued 12,390 shares of the Company's common stock. In addition to the base purchase price, there was also a potential contingent payment of up to approximately \$5.0 million that was eligible to be earned by the sellers based on revenue metrics during the period of April 1, 2020 through March 31, 2021. At the date of the acquisition, the Company preliminarily assessed the probability of SnapComms meeting the revenue metrics during the period of April 1, 2020 through March 31, 2021 and recorded a \$2.0 million initial fair value of contingent consideration as part of the purchase price allocation. During the three and six months ended June 30, 2021, the Company recognized a decrease in the fair value of SnapComms' contingent consideration obligation in the amount of less than \$0.1 million and an increase of \$0.7 million, respectively, recognized in general and administrative expenses in the consolidated statements of operations. During the three months ended June 30, 2021, the Company issued 6,188 shares of the Company's common stock to settle SnapComms' contingent consideration liability. The Company acquired SnapComms for its internal communications software to enhance the Company's CEM suite of solutions as well as market penetration and customer reach.

As the Company finalizes its estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). The initial accounting is incomplete as of June 30, 2021 for the acquired assets and liabilities as the Company is currently in the process of completing the assessment of the tax attributes of the business combination. The finalization of the acquisition accounting valuation assessment may result in a change in the valuation of the deferred tax assets and liabilities which could have a material impact on the Company's results of operations and financial position.

The following table summarizes the preliminary estimated fair value of the assets acquired and the liabilities assumed, which were recorded as of the acquisition date, as well as the aggregate consideration for the acquisition of SnapComms made by the Company (in thousands):

	<u>SnapComms</u>
Assets acquired	
Accounts receivable	\$ 1,808
Other current assets	283
Property and equipment	118
Acquired technology	2,300
Trade names	960
Customer relationships	13,300
Goodwill	22,629
Other assets	943
Total assets acquired	42,341
Liabilities assumed	
Accrued expenses	503
Deferred revenue	3,165
Deferred tax liabilities	4,960
Other liabilities	742
Net assets acquired	\$ 32,971
Consideration paid	
Cash consideration, net of cash acquired	\$ 10,090
Fair value of common stock issued	17,685
Acquisition-related deferred consideration	3,149
Contingent consideration	2,047
Total	\$ 32,971

The weighted average useful life of all identified acquired intangible assets is 7.82 years. The average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 9.0 years and 3.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method. The straight-line method of amortization represents the Company's best estimate of the period of expected cash flows of the identifiable intangible assets.

The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of SnapComms' products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of SnapComms support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the SnapComms acquisition is not deductible for income tax purposes.

During the year ended December 31, 2020, the Company incurred transaction costs of \$0.1 million in connection with the SnapComms acquisition, which were expensed as incurred and included in general and administrative expenses.

(9) Convertible Senior Notes

0% Convertible Senior Notes Due 2026

In March 2021, the Company issued \$375.0 million aggregate principal amount of

0% convertible senior notes due 2026, including \$50.0 million aggregate principal amount of 2026 Notes issued upon the initial purchasers' exercise in full of their option to purchase additional 2026 Notes. The 2026 Notes will mature on March 15, 2026, unless earlier redeemed or repurchased by the Company or converted by the holders pursuant to their terms. The Company will pay special interest, if any, at the Company's election as the sole remedy relating to the failure to comply with certain reporting obligations and under certain circumstances.

The 2026 Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank National Association, as trustee (the "2026 Notes Indenture"). The 2026 Notes are unsecured and rank: senior in right of payment to the Company's indebtedness that is expressly subordinated in right of payment to the 2026 Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including its 1.50% convertible senior notes due 2022 (see 1.50% Convertible Senior Notes Due 2022 below) and 0.125% convertible senior notes due 2024 (see 0.125% Convertible Senior Notes Due 2024 below); effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

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

The 2026 Notes have an initial conversion rate of 5.5341 shares of common stock per \$1,000 principal amount of 2026 Notes. This represents an initial effective conversion price of approximately \$180.70 per share of common stock and approximately 2.1 million shares issuable upon conversion. Throughout the term of the 2026 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2026 Notes will not receive any cash payment representing accrued and unpaid special interest, if any, upon conversion of a 2026 Note, except in limited circumstances. Accrued but unpaid special interest, if any, will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a 2026 Note.

Holders may convert all or a portion of their 2026 Notes prior to the close of business on the business day immediately preceding December 15, 2025, in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on June 30, 2021 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any ten consecutive trading day period (the "2026 Notes Measurement Period"), in which the "trading price" (as the term is defined in the 2026 Notes Indenture) per \$1,000 principal amount of notes for each trading day of such 2026 Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls such notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date, but only with respect to the notes called (or deemed called) for redemption; or
- upon the occurrence of specified corporate events.

On or after December 15, 2025 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2026 Notes at the conversion rate at any time regardless of whether the conditions set forth above have been met.

As of June 30, 2021, the 2026 Notes are not yet convertible. The 2026 Notes are classified as long-term on the condensed consolidated balance sheet as of June 30, 2021 as it is the Company's intent to settle all of the debt at maturity or to settle in shares if exercised by the debt holder prior to maturity.

The 2026 Notes are not redeemable by the Company prior to March 20, 2024. The Company may redeem for cash all or any portion of the 2026 Notes, at its option, on or after March 20, 2024 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2026 Notes to be redeemed, plus accrued and unpaid special interest, if any, to, but excluding, the redemption date.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2026 Notes to be approximately 7.25%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the 2026 Notes, which resulted in a fair value of the liability component of \$269.6 million upon issuance, calculated as the present value of implied future payments based on the \$375.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the 2026 Notes. The \$105.4 million difference between the aggregate principal amount of \$375.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the 2026 Notes were not considered redeemable.

Significant judgment is required in determining the liability component of the related convertible senior notes as well as the balance sheet classification of the elements of the convertible senior notes. The Company accounted for the convertible senior notes and the partial extinguishment of the 2022 Notes, discussed below, as separate liability and equity components, determining the fair value of the respective liability components based on an estimate of the fair value of a similar liability without a conversion option and assigning the residual value to the equity component.

The Company estimated the fair value of the liability component of the convertible senior notes using a discounted cash flow model with a risk adjusted yield for similar debt instruments, absent any embedded conversion feature. In estimating the risk adjusted yield, the Company utilized both an income and market approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility and the risk-free rate. For the market approach, the Company performed an evaluation of issuances of convertible debt securities issued by other comparable companies. Additionally, a detailed analysis of the terms of the convertible senior notes transactions was required to determine existence of any derivatives that may require separate mark-to-market accounting under applicable accounting guidance.

In accounting for the transaction costs related to the issuance of the 2026 Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component, totaling \$7.6 million, are being amortized to expense over the term of the 2026 Notes, and transaction costs attributable to the equity component, totaling \$3.0 million, were netted with the equity component in shareholders' equity.

The 2026 Notes consist of the following (in thousands):

	<u>As of June 30, 2021</u>	
Liability component:		
Principal	\$	375,000
Less: debt discount, net of amortization		<u>(107,122)</u>
Net carrying amount	\$	267,878
Equity component (1)		99,000

(1) Recorded in the consolidated balance sheet within additional paid-in capital, net of \$3.0 million transaction costs in equity and net of \$3.4 million for taxes.

The following table sets forth total interest expense recognized related to the 2026 Notes (in thousands):

	<u>Three Months Ended June 30, 2021</u>		<u>Six Months Ended June 30, 2021</u>	
Amortization of debt discount and transaction costs	\$	4,798	\$	5,854

The fair value of the 2026 Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the 2026 Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's 2026 Notes classified in equity) was as follows (in thousands):

	<u>As of June 30, 2021</u>			
	<u>Fair Value</u>		<u>Carrying Value</u>	
2026 Notes	\$	383,400	\$	267,878

In connection with the issuance of the 2026 Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and other financial institutions. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the 2026 Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the 2026 Notes, with an initial strike price of approximately \$180.70 per share, which corresponds to the initial conversion price of the 2026 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2026 Notes, and with a cap price of approximately \$258.14. The cost of the purchased capped calls of \$35.1 million was recorded to shareholders' equity and will not be re-measured.

Based on the closing price of the Company's common stock of \$136.08 on June 30, 2021, the if-converted value of the 2026 Notes was less than their respective principal amounts.

0.125% Convertible Senior Notes Due 2024

In December 2019, the Company issued \$450.0 million aggregate principal amount of 0.125% convertible senior notes due 2024, including \$75.0 million aggregate principal amount of 2024 Notes issued upon the initial purchasers' exercise in full of their option to purchase additional 2024 Notes. The 2024 Notes will mature on December 15, 2024, unless earlier redeemed or repurchased by the Company or converted by the holders pursuant to their terms. Interest is payable semiannually in arrears on June 15 and December 15 of each year, commencing on June 15, 2020.

The 2024 Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank National Association, as trustee (the "2024 Notes Indenture"). The 2024 Notes are unsecured and rank: senior in right of payment to the Company's indebtedness that is expressly subordinated in right of payment to the 2024 Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including its 2026 Notes and 2022 Notes; effectively junior in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally junior to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

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

The 2024 Notes have an initial conversion rate of 8.8999 shares of common stock per \$1,000 principal amount of 2024 Notes. This represents an initial effective conversion price of approximately \$112.36 per share of common stock and approximately 4.0 million shares issuable upon conversion. Throughout the term of the 2024 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2024 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2024 Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a 2024 Note.

Holders may convert all or a portion of their 2024 Notes prior to the close of business on the business day immediately preceding June 15, 2024, in multiples of \$1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2020 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any ten consecutive trading day period (the "2024 Notes Measurement Period"), in which the "trading price" (as the term is defined in the 2024 Notes Indenture) per \$1,000 principal amount of notes for each trading day of such 2024 Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock and the conversion rate on each such trading day;
- if the Company calls such notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

On or after June 15, 2024 until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2024 Notes at the conversion rate at any time regardless of whether the conditions set forth above have been met.

As of June 30, 2021, the 2024 Notes are not yet convertible. The 2024 Notes are classified as long-term on the condensed consolidated balance sheet as of June 30, 2021 and December 31, 2020 as it is the Company's intent to settle all of the debt at maturity or to settle in shares if exercised by the debt holder prior to maturity.

The 2024 Notes are not redeemable by the Company prior to December 20, 2022. The Company may redeem for cash all or any portion of the 2024 Notes, at its option, on or after December 20, 2022 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2024 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2024 Notes to be approximately 5.16%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the 2024 Notes, which resulted in a fair value of the liability component of \$360.4 million upon issuance, calculated as the present value of implied future payments based on the \$450.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the 2024 Notes. The \$89.6 million difference between the aggregate principal amount of \$450.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the 2024 Notes were not considered redeemable.

Significant judgment is required in determining the liability component of the related convertible senior notes as well as the balance sheet classification of the elements of the convertible senior notes. The Company accounted for the convertible senior notes and the partial extinguishment of the 2022 Notes, discussed below, as separate liability and equity components, determining the fair value of the respective liability components based on an estimate of the fair value of a similar liability without a conversion option and assigning the residual value to the equity component.

The Company estimated the fair value of the liability component of the convertible senior notes using a discounted cash flow model with a risk adjusted yield for similar debt instruments, absent any embedded conversion feature. In estimating the risk adjusted yield, the Company utilized both an income and market approach. For the income approach, the Company used a convertible bond pricing model, which included several assumptions including volatility and the risk-free rate. For the market approach, the Company performed an evaluation of issuances of convertible debt securities issued by other comparable companies. Additionally, a detailed analysis of the terms of the convertible senior notes transactions was required to determine existence of any derivatives that may require separate mark-to-market accounting under applicable accounting guidance.

In accounting for the transaction costs related to the issuance of the 2024 Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component, totaling \$10.2 million, are being amortized to expense over the term of the 2024 Notes, and transaction costs attributable to the equity component, totaling \$2.6 million, were netted with the equity component in shareholders' equity.

The 2024 Notes consist of the following (in thousands):

	As of June 30, 2021	As of December 31, 2020
Liability component:		
Principal	\$ 450,000	\$ 450,000
Less: debt discount, net of amortization	(71,627)	(80,968)
Net carrying amount	\$ 378,373	\$ 369,032
Equity component (1)	86,133	86,133

(1)

Recorded in the consolidated balance sheet within additional paid-in capital, net of \$2.6 million transaction costs in equity and net of \$0.9 million for taxes.

The following table sets forth total interest expense recognized related to the 2024 Notes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
0.125% coupon	\$ 140	\$ 140	\$ 281	\$ 281
Amortization of debt discount and transaction costs	4,702	4,466	9,341	8,872
	<u>\$ 4,842</u>	<u>\$ 4,606</u>	<u>\$ 9,622</u>	<u>\$ 9,153</u>

The fair value of the 2024 Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the 2024 Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's 2024 Notes classified in equity) were as follows (in thousands):

	As of June 30, 2021		As of December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
2024 Notes	\$ 616,500	\$ 378,373	\$ 663,615	\$ 369,032

In connection with the issuance of the 2024 Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and other financial institutions. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the 2024 Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the 2024 Notes, with an initial strike price of approximately \$112.36 per share, which corresponds to the initial conversion price of the 2024 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2024 Notes, and with a cap price of approximately \$166.46. The cost of the purchased capped calls of \$44.9 million was recorded to shareholders' equity and will not be re-measured.

Based on the closing price of the Company's common stock of \$136.08 on June 30, 2021, the if-converted value of the 2024 Notes was more than their respective principal amounts.

1.50% Convertible Senior Notes Due 2022

In November 2017, the Company issued \$115.0 million aggregate principal amount of 1.50% convertible senior notes due 2022 including \$15.0 million aggregate principal amount of 2022 Notes issued upon the initial purchasers' exercise in full of their option to purchase additional 2022 Notes. The 2022 Notes will mature on November 1, 2022, unless earlier redeemed or repurchased by the Company or converted by the holders pursuant to their terms. Interest is payable semiannually in arrears on May 1 and November 1 of each year, commencing on May 1, 2018.

The 2022 Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank, National Association, as trustee (the "2022 Notes Indenture"). The 2022 Notes are unsecured and rank: senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the 2022 Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated, including the Company's 2026 Notes and 2024 Notes; effectively subordinated in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election. The Company's current intention is to settle the conversion in shares of common stock if a conversion were to occur.

The 2022 Notes have an initial conversion rate of 29.6626 shares of common stock per \$1,000 principal amount of 2022 Notes. This represents an initial effective conversion price of approximately \$33.71 per share of common stock and initially approximately 3.4 million shares issuable upon conversion. Throughout the term of the 2022 Notes, the conversion rate may be adjusted upon the occurrence of certain events. Holders of the 2022 Notes will not receive any cash payment representing accrued and unpaid interest, if any, upon conversion of a 2022 Note, except in limited circumstances. Accrued but unpaid interest will be deemed to be paid by cash, shares of the Company's common stock or a combination of cash and shares of the Company's common stock paid or delivered, as the case may be, to the holder upon conversion of a 2022 Note.

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

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "2022 Notes Measurement Period"), in which the "trading price" (as the term is defined in the 2022 Notes Indenture) per \$1,000 principal amount of notes for each trading day of such 2022 Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock on such trading day and the conversion rate on each such trading day;
- if the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date; or
- upon the occurrence of specified corporate events.

On or after May 1, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their 2022 Notes at the conversion rate at any time regardless of whether the conditions set forth above have been met.

The 2022 Notes were not redeemable by the Company prior to November 6, 2020. The Company may redeem for cash all or any portion of the 2022 Notes, at its option, on or after November 6, 2020 if the last reported sale price of the Company's common stock has been at least 130% of the conversion price then in effect for at least 20 trading days (whether or not consecutive), including the trading day immediately preceding the date on which the Company provides notice of redemption, during any 30 consecutive trading day period ending on, and including, the trading day immediately preceding the date on which the Company provides notice of redemption at a redemption price equal to 100% of the principal amount of the 2022 Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date. The Company has not provided notice to exercise its option to redeem the 2022 Notes.

Based on the market price of the Company's common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of June 30, 2021.

In connection with the issuance of the 2024 Notes in December 2019, the Company paid \$57.8 million to repurchase \$23.0 million aggregate principal amount of the 2022 Notes. The Company determined the fair value of the liability portion being extinguished immediately prior to extinguishment. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes to be approximately 4.64%. The fair value of such liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The difference between the fair value of the liability and its carrying value, inclusive of any unamortized debt issue costs, was recognized as an extinguishment loss in the amount of \$1.4 million in loss on extinguishment of convertible notes on the consolidated statement of operations and comprehensive loss during the year ended December 31, 2019. The remaining consideration was allocated to the reacquisition of the equity component and recognized as a reduction of additional paid-in capital on the consolidated balance sheet in the amount of \$36.7 million. The Company also partially terminated capped call options entered into in connection with the 2022 Notes during fiscal year 2019 and received \$5.8 million recorded to additional paid-in capital on the consolidated balance sheet.

During the year ended December 31, 2020, the Company issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes and recognized \$11.4 million in additional paid-in capital on the condensed consolidated balance sheet related to shares issued. The Company determined the fair value of the liability portion being extinguished immediately prior to extinguishment. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes ranged from approximately 4.64% to 5.13%. The fair value of such liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The difference between the fair value of the liability and its carrying value, inclusive of any unamortized debt issue costs, was recognized as an extinguishment loss in the amount of \$0.4 million in loss on extinguishment of convertible notes on the consolidated statements of operations and comprehensive loss during the year ended December 31, 2020.

During the six months ended June 30, 2021, the Company issued 618,462 shares upon the conversion of approximately \$20.9 million in aggregate principal amount of the 2022 Notes and recognized \$19.5 million in additional paid-in capital on the condensed

consolidated balance sheet related to shares issued. The Company determined the fair value of the liability portion being extinguished immediately prior to extinguishment. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes ranged from approximately 4.87% to 5.13%. The fair value of such liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The difference between the fair value of the liability and its carrying value, inclusive of any unamortized debt issue costs, was recognized as an extinguishment loss in the amount of \$0.1 million and \$0.5 million, respectively, in loss on extinguishment of convertible notes and capped call modification on the condensed consolidated statement of operations during the three and six months ended June 30, 2021.

In connection with the issuance of the 2026 Notes in March 2021, the Company paid approximately \$58.6 million in cash and issued 1,288,994 shares of common stock to repurchase approximately \$58.6 million aggregate principal amount of the 2022 Notes. The Company determined the fair value of the liability portion being extinguished immediately prior to extinguishment. Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes to be approximately 4.87%. The fair value of such liability portion was then deducted from the amount of consideration transferred and allocated to the liability component. The difference between the fair value of the liability and its carrying value, inclusive of any unamortized debt issue costs, was recognized as an extinguishment loss in the amount of \$2.2 million in loss on extinguishment of convertible notes and capped call modification on the condensed consolidated statement of operations during the three months ended March 31, 2021. The remaining consideration was allocated to the reacquisition of the equity component and recognized as a reduction of additional paid-in capital on the consolidated balance sheet in the amount of \$2.7 million. The Company also partially terminated capped call options entered into in connection with the 2022 Notes in March 2021 and received \$10.6 million recorded to additional paid-in capital on the condensed consolidated balance sheet and modified a capped call option agreement entered into in connection with the 2022 Notes and recognized modification expense of \$0.2 million in loss on extinguishment of convertible notes and capped call modification on the condensed consolidated statement of operations and additional paid-in capital on the condensed consolidated balance sheet.

The 2022 Notes are classified as long-term on the consolidated balance sheet as of June 30, 2021 and December 31, 2020. The Company may repurchase the 2022 Notes prior to maturity and intends to settle in shares if exercised by the debt holder prior to maturity.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its 2022 Notes at the time of issuance to be approximately 6.93%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the 2022 Notes, which resulted in a fair value of the liability component of \$92.1 million upon issuance, calculated as the present value of implied future payments based on the \$115.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the 2022 Notes. The \$22.9 million difference between the aggregate principal amount of \$115.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the 2022 Notes were not considered redeemable.

In accounting for the transaction costs related to the issuance of the 2022 Notes, the Company allocated the total amount incurred to the liability and equity components based on their estimated relative fair values. Transaction costs attributable to the liability component on the remaining outstanding notes as of the issuance date, of less than \$0.1 million, are being amortized to expense over the term of the 2022 Notes, and transaction costs attributable to the equity component as of the issuance date, totaling \$0.8 million, were netted with the equity component in shareholders' equity.

The 2022 Notes consist of the following (in thousands):

	As of June 30, 2021	As of December 31, 2020
Liability component:		
Principal	\$ 303	\$ 79,795
Less: debt discount, net of amortization	(21)	(7,313)
Net carrying amount	\$ 282	\$ 72,482
Equity component (1)	(39,301)	(21,318)

(1) Recorded in the consolidated balance sheet within additional paid-in capital, net of \$0.8 million transaction costs in equity. Additional paid-in capital also includes \$2.7 million and \$36.7 million, respectively, market premium representing the excess of the total consideration delivered over the fair value of the liability recognized related to the \$58.6 million and \$23.0 million, respectively, principal balance extinguishment of the 2022 Notes in March 2021 and December 2019.

The following table sets forth total interest expense recognized related to the 2022 Notes (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
1.50% coupon	\$ 2	\$ 345	\$ 108	\$ 690
Amortization of debt discount and transaction costs	8	1,047	626	2,077
	<u>\$ 10</u>	<u>\$ 1,392</u>	<u>\$ 734</u>	<u>\$ 2,767</u>

The fair value of the 2022 Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the 2022 Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's convertible notes classified in equity) were as follows (in thousands):

	As of June 30, 2021		As of December 31, 2020	
	Fair Value	Carrying Value	Fair Value	Carrying Value
2022 Notes	\$ 1,224	\$ 282	\$ 265,488	\$ 72,482

In connection with the issuance of the 2022 Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and others. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the 2022 Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the 2022 Notes, with an initial strike price of approximately \$33.71 per share, which corresponds to the initial conversion price of the 2022 Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the 2022 Notes, and have a cap price of approximately \$47.20. The cost of the purchased capped calls of \$12.9 million was recorded to shareholders' equity and will not be re-measured. During the three months ended March 31, 2021, the Company amended one of the capped call agreements to reduce the cap price to \$46.68 and recognized modification expense of \$0.2 million in loss on extinguishment of convertible notes and capped call modification on the condensed consolidated statement of operations.

Based on the closing price of the Company's common stock of \$136.08 on June 30, 2021, the if-converted value of the 2022 Notes was more than their respective principal amounts.

The following table summarizes the Company's debt obligations at June 30, 2021 (in thousands):

	Remainder of 2021	2022-2023	2024-2025	Thereafter	Total
Debt obligations	\$ —	\$ 303	\$ 450,000	\$ 375,000	\$ 825,303

Debt obligations include the principal amount of the 2026 Notes, 2024 Notes and 2022 Notes but exclude interest payments to be made under the 2026 Notes, 2024 Notes and 2022 Notes. Although the 2026 Notes, 2024 Notes and 2022 Notes mature in 2026, 2024 and 2022, respectively, they can be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayments of the principal amounts sooner than the scheduled repayments as indicated in the table. The 2026 Notes, 2024 Notes and 2022 Notes balance excludes debt discount capitalized on the balance sheet.

(10) Stockholders' Equity

Preferred Stock

As of June 30, 2021, the Company had authorized 10,000,000 shares of preferred stock, par value \$0.001, of which no shares were outstanding.

Common Stock

As of June 30, 2021, the Company had authorized 100,000,000 shares of common stock, par value \$0.001. Holders of common stock are entitled to one vote per share. At June 30, 2021 and December 31, 2020, there were 38,288,685 and 35,449,447 shares of common stock issued and outstanding, respectively.

(11) Stock Plans and Stock-Based Compensation

The Company's 2016 Equity Incentive Plan ("2016 Plan") became effective on September 15, 2016. The 2016 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and performance share awards to employees, directors and consultants of the Company. The number of shares of common stock reserved for issuance under the 2016 Plan will automatically increase on January 1 of each year by 3% of the number of shares of the Company's capital stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

2016 Employee Stock Purchase Plan

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

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

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

For the six months ended June 30, 2021 and 2020, 23,499 and 30,943 shares of common stock were purchased under the 2016 ESPP, respectively. The Company recorded stock-based compensation expense of \$0.4 million and \$0.3 million for the three months ended June 30, 2021 and 2020, respectively. The Company recorded stock-based compensation expense of \$0.9 million and \$0.6 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021, unrecognized compensation cost related to the 2016 ESPP was \$0.3 million which will be amortized over a weighted-average period of 0.21 years.

The fair value of shares issuable under the 2016 ESPP is determined using the Black-Scholes option pricing model with the following weighted average assumptions:

	Six Months Ended June 30,	
	2021	2020
Employee Stock Purchase Plan:		
Expected term (in years) (1)	0.50	0.50
Expected volatility (2)	60%	55%
Risk-free interest rate (3)	0.06%	0.29%
Dividend rate (4)	0%	0%

(1) The expected term represents the contractual term of the 2016 ESPP;

(2) The expected volatility of the Company's common stock on the date of grant is based on the weighted average of the Company's historical volatility as a public company, the implied volatility of publicly-traded options on the Company's common stock and the volatilities of publicly traded peer companies that are reasonably comparable to the Company's own operations;

(3) The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the grant; and

(4) The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on the Company's common stock.

Stock Options

Stock option awards are granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant based on the closing market price of its common stock as reported on The Nasdaq Global Market. The option awards generally vest over four years and are exercisable any time after vesting. The stock options expire ten years after the date of grant.

There were no stock options granted during the six months ended June 30, 2021 and 2020. The Company recorded stock-based compensation expense of \$0.4 million and \$1.0 million for the three months ended June 30, 2021 and 2020, respectively, attributed to stock options. The Company recorded stock-based compensation expense of \$0.8 million and \$1.9 million for the six months ended June 30, 2021 and 2020, respectively, attributed to stock options.

The total intrinsic value of options exercised for the six months ended June 30, 2021 and 2020 was \$8.6 million and \$15.4 million, respectively. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option. Based on the fair market value of the Company's common stock at June 30, 2021 and 2020, the total intrinsic value of all outstanding options was \$22.2 million and \$59.4 million, respectively.

Total unrecognized compensation cost related to nonvested stock options was approximately \$0.5 million as of June 30, 2021 and is expected to be recognized over a weighted average period of 0.6 years. The amount of cash received from the exercise of stock options during the six months ended June 30, 2021 and 2020 was \$2.2 million and \$4.6 million, respectively.

The following table summarizes the Company's stock option activity:

	Stock options outstanding	Weighted average exercise price
Outstanding at December 31, 2020	279,021	\$ 25.55
Exercised	(75,853)	28.55
Forfeited	(4,369)	33.32
Outstanding at June 30, 2021	198,799	24.23

Stock options outstanding, vested and expected to vest and exercisable are as follows:

	As of June 30, 2021		
	Number of shares	Remaining contractual life (years)	Weighted- average exercise price
Outstanding	198,799	5.66	\$ 24.23
Vested and expected to vest	198,391	5.66	24.20
Exercisable	153,906	5.39	20.98

Vested and nonvested stock option activity was as follows:

	Vested		Nonvested	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at June 30, 2021	153,906	\$ 20.98	44,893	\$ 35.38

Restricted Stock Units

During the six months ended June 30, 2021, the Company granted 284,849 restricted stock units ("RSUs") to members of its senior management and certain other employees pursuant to the 2016 Plan. There were 81,625 RSUs that vested during the six months ended June 30, 2021. The Company accounts for RSUs issued to employees at fair value, based on the market price of the Company's common stock on the date of grant. The weighted-average grant date fair values of RSUs granted during the six months ended June 30, 2021 and 2020 were \$121.67 and \$109.31, respectively. The fair values of RSUs that vested during the six months ended June 30, 2021 and 2020, were \$6.8 million and \$4.0 million, respectively. During the three months ended June 30, 2021 and 2020, the Company recorded \$7.4 million and \$4.8 million, respectively, of stock-based compensation related to the RSUs. During the six months ended June 30, 2021 and 2020, the Company recorded \$13.3 million and \$9.3 million, respectively, of stock-based compensation related to the RSUs.

As of June 30, 2021, there was \$65.2 million of unrecognized compensation expense related to unvested RSUs which is expected to be recognized over a weighted-average period of approximately 2.46 years. For RSUs subject to graded vesting, the Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

Performance-Based Restricted Stock Units

During the six months ended June 30, 2021, the Company granted 288,292 performance-based restricted stock units ("PSUs") to members of its management pursuant to the 2016 Plan. There were 48,043 PSUs that vested during the six months ended June 30, 2021. The PSUs generally vest based on the Company achieving certain revenue growth thresholds which ranged from 20% to 40% compounded annual growth for grants through 2020 and 15% to 35% compounded annual growth for grants starting in 2021 over a measurement period of two years for the first 50% of PSUs and three years for the remaining PSUs. The vesting of the PSUs is subject to the employee's continued employment with the Company through the date of achievement. During the six months ended June 30,

2021, the share price of the Company's common stock on the date of issuance of the PSUs ranged from \$118.04 to \$146.69 per share. The fair value is based on the value of the Company's common stock at the date of issuance and the probability of achieving the performance metric. The Company has assessed the probability of achievement of the award at 100% based on past performance of achievement of the performance metric. Compensation cost is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions. The weighted-average grant date fair values of PSUs granted during the six months ended June 30, 2021 and 2020 were \$121.80 and \$108.57, respectively. During the three months ended June 30, 2021 and 2020, the Company recognized \$7.3 million and \$5.2 million, respectively, of stock compensation expense in connection with the PSU awards. During the six months ended June 30, 2021 and 2020, the Company recognized \$13.2 million and \$9.8 million, respectively, of stock compensation expense in connection with the PSU awards.

As of June 30, 2021, there was \$50.6 million of unrecognized compensation expense related to unvested PSUs which is expected to be recognized over a weighted-average period of approximately 1.95 years. Compensation cost is recognized under the accelerated method and is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions.

The following table summarizes the Company's RSU and PSU activity:

	<u>Number of Shares</u>
Outstanding at December 31, 2020	1,420,541
Granted	573,141
Vested	(129,668)
Forfeited	(73,644)
Outstanding at June 30, 2021	<u>1,790,370</u>

Stock-Based Compensation Expense

The Company recorded the total stock-based compensation expense as follows (in thousands):

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	2021	2020	2021	2020
Cost of revenue	\$ 819	\$ 703	\$ 1,818	\$ 1,311
Sales and marketing	5,579	3,917	9,321	7,525
Research and development	2,562	2,298	4,590	4,172
General and administrative	6,545	4,360	12,461	8,580
Total	<u>\$ 15,505</u>	<u>\$ 11,278</u>	<u>\$ 28,190</u>	<u>\$ 21,588</u>

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

(12) Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential dilutive shares of common stock. Basic and diluted net loss per share of common stock were the same for all periods presented as the impact of all potentially dilutive securities outstanding was anti-dilutive. The Company uses the if converted method for convertible senior notes for calculating any potential dilutive effect on diluted loss per share.

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

	<u>As of June 30,</u>	
	2021	2020
Convertible senior notes	6,089,230	6,733,914
Stock-based compensation grants	1,989,169	2,018,888
Total	<u>8,078,399</u>	<u>8,752,802</u>

In connection with the issuance of the 2026 Notes in March 2021, the Company paid \$35.1 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the 2026 Notes. In connection with the issuance of the 2024 Notes in December 2019, the Company paid \$44.9 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the 2024 Notes. In connection with the issuance of the 2022 Notes in November 2017, the Company paid \$12.9 million to enter into capped call option

agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the 2022 Notes. In March 2021 and December 2019, the Company partially terminated capped call options related to the 2022 Notes and received \$10.6 million and \$5.8 million and, respectively. In March 2021, the Company also modified a capped call agreement entered into in connection with the 2022 Notes and recognized modification expense of \$0.2 million in loss on extinguishment of convertible notes and capped call modification on the condensed consolidated statement of operations. The capped call option agreements are excluded from the calculation of diluted net loss per share attributable to common stockholders as their effect is antidilutive.

Reserve for Unissued Shares of Common Stock

The Company is required to reserve and keep available out of its authorized but unissued shares of common stock such number of shares sufficient for the exercise of all shares granted and available for grant under the Company's 2008 Equity Incentive Plan, 2016 Plan and 2016 ESPP. The amount of such shares of the Company's common stock reserved for these purposes at June 30, 2021 was 5.9 million shares. Additionally, the Company is required to reserve and keep available out of its authorized but unissued shares of common stock shares that become issuable pursuant to the terms of the 2026 Notes, 2024 Notes and 2022 Notes.

(13) Income Taxes

The Company is subject to income tax in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income tax. The Company does not provide for U.S. deferred income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are reinvested indefinitely.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual tax rate changes, the Company makes a cumulative adjustment in that quarter. The Company's quarterly tax provision, and its quarterly estimate of its annual effective tax rate, are subject to significant volatility due to several factors, including the Company's ability to accurately predict its pre-tax income and loss in multiple jurisdictions.

For the three months ended June 30, 2021 and 2020, the Company recorded a benefit from income taxes of \$3.8 million and \$1.5 million, respectively, resulting in an effective benefit tax rate of 10.07% and 7.26%, respectively. For the six months ended June 30, 2021 and 2020, the Company recorded a benefit from income taxes of \$9.6 million and \$2.2 million, respectively, resulting in an effective benefit tax rate of 14.72% and 4.71%, respectively. During six months ended June 30, 2021, there were deferred tax liabilities recognized in connection with the preliminary purchase price accounting for the Company's completed acquisitions. Certain of such deferred tax liabilities will be a source of future taxable income to realize a portion of Company's deferred tax assets, which resulted in a discrete tax benefit of approximately \$7.6 million related to U.S. acquired entities being recognized during the six months ended June 30, 2021.

As of June 30, 2021, the Company had gross tax-effected unrecognized tax provision of \$1.6 million which, if recognized, would favorably impact the effective tax rate. The Company's existing tax positions will continue to generate an increase in unrecognized tax benefits in subsequent periods. The Company's policy is to record interest and penalties related to unrecognized tax benefits as income tax expense. During the three and six months ended June 30, 2021 and 2020, the amounts recorded related to the accrual of interest and penalties were immaterial in each period.

In response to the COVID-19 pandemic, the United States passed the Coronavirus Aid, Relief, and Economic Security ("CARES") Act in March 2020 and the United States enacted the American Rescue Plan Act of 2021 in March 2021. These Acts include various income and payroll tax measures. Neither the income tax nor payroll tax measures had a material impact on our financial statements.

(14) Segment information

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

(15) Revenue Recognition

The following table disaggregates the Company's revenue by geography which provides information as to the major source of revenue (in thousands):

Primary Geographic Markets	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
United States	\$ 62,290	\$ 51,017	\$ 119,755	\$ 97,966
International	24,359	14,360	49,104	26,311
Total	<u>\$ 86,649</u>	<u>\$ 65,377</u>	<u>\$ 168,859</u>	<u>\$ 124,277</u>

The following table presents the Company's revenues disaggregated by revenue source (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Subscription services	\$ 79,652	\$ 59,506	\$ 150,084	\$ 113,317
Professional services	6,459	4,653	12,399	9,134
Software licenses and other	538	1,218	6,376	1,826
Total	<u>\$ 86,649</u>	<u>\$ 65,377</u>	<u>\$ 168,859</u>	<u>\$ 124,277</u>

Contract Assets

The Company does not have material amounts of contract assets since revenue is recognized as control of goods is transferred or as services are performed. There are a small number of professional services that may occur over a period of time, but that period of time is generally very short in duration. Any contract assets that may arise are recorded in other assets in the Company's condensed consolidated balance sheet net of an allowance for credit losses.

Contract Liabilities

The Company's contract liabilities consist of advance payments and deferred revenue. The Company's contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies advance payments and deferred revenue as current or noncurrent based on the timing of when it expects to recognize revenue. Generally, all contract liabilities are expected to be recognized within one year and are included in deferred revenue in the Company's condensed consolidated balance sheet. The noncurrent portion of deferred revenue is included and separately disclosed in the Company's condensed consolidated balance sheet.

Deferred Costs

Current deferred costs, which primarily consist of deferred sales commissions, were \$13.7 million and \$14.5 million as of June 30, 2021 and December 31, 2020, respectively. Noncurrent deferred costs, which primarily consist of deferred sales commissions, were \$17.6 million and \$15.9 million as of June 30, 2021 and December 31, 2020, respectively. During the three months ended June 30, 2021 and 2020, amortization expense for the deferred costs was \$3.5 million and \$2.8 million, respectively. During the six months ended June 30, 2021 and 2020, amortization expense for the deferred costs was \$7.2 million and \$5.7 million, respectively. There was no impairment loss in relation to the costs capitalized for the six months ended June 30, 2021 and the year ended December 31, 2020, respectively.

Deferred Revenue

During the three months ended June 30, 2021 and 2020, \$67.0 million and \$51.2 million, respectively, of subscription services, license and other revenue was recognized and was included in the deferred revenue balances at the beginning of the respective period. During the six months ended June 30, 2021 and 2020, \$106.1 million and \$83.0 million, respectively, of subscription services, license and other revenue was recognized and was included in the deferred revenue balances at the beginning of the respective period.

During the three months ended June 30, 2021 and 2020, \$3.6 million and \$3.9 million, respectively, of professional services revenue was recognized and was included in the deferred revenue balances at the beginning of the respective period. During the six months ended June 30, 2021 and 2020, \$7.5 million and \$5.4 million, respectively, of professional services revenue was recognized and was included in the deferred revenue balances at the beginning of the respective period.

As of June 30, 2021, approximately \$412.3 million of revenue is expected to be recognized from remaining performance obligations for subscription and other contracts. The Company expects to recognize revenue on approximately \$250.7 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

As of June 30, 2021, approximately \$11.6 million of revenue is expected to be recognized from remaining performance obligations for professional services contracts. The Company expects to recognize revenue on approximately \$10.0 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter.

(16) Leases

The Company's leases relate primarily to office facilities that expire on various dates from 2021 through 2029. The terms of the Company's non-cancelable operating lease arrangements typically contain fixed lease payment which increases over the term of the lease at fixed rates, rent holidays and provide for additional renewal periods. Lease expense is recognized over the term of the lease on a straight-line basis. All of the Company's leases are classified as operating leases. The Company has determined that periods covered by options to extend the Company's leases are excluded from the lease term as the Company is not reasonably certain the Company will exercise such options.

The Company records its right-of-use ("ROU") asset within other assets (long term) and its operating lease liabilities within other current and long-term liabilities.

Additional information related to the Company's leases is as follows (in thousands, except lease term and discount rate):

	As of June 30, 2021	As of December 31, 2020
Balance sheet information		
ROU assets	\$ 18,700	\$ 15,045
Lease liabilities, current	\$ 5,715	\$ 4,259
Lease liabilities, non-current	16,363	14,403
Total lease liabilities	\$ 22,078	\$ 18,662
Supplemental data		
Weighted average remaining lease term	4.49 years	4.57 years
Weighted average discount rate	6.23%	7.00%
	Six Months Ended June 30,	
	2021	2020
Cash paid for amounts included in lease liabilities	\$ 3,017	\$ 2,330
ROU assets obtained in exchange for new lease obligations	5,729	4,853

Maturities of lease liabilities as of June 30, 2021 were as follows (in thousands):

Year ending December 31,		
2021 (for the remaining six months)	\$	3,494
2022		6,715
2023		6,029
2024		3,341
2025		1,647
Thereafter		4,220
Total undiscounted lease payments		25,446
Less: imputed interest		(3,368)
Total lease liabilities	\$	22,078

The following table presents components of lease expense (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Operating lease expense	\$ 1,466	\$ 1,276	\$ 2,769	\$ 2,425
Short-term lease expense(1)	225	337	391	552
	1,691	1,613	3,160	2,977
Less: Sublease income	(15)	(92)	(15)	(138)
Total lease expense	\$ 1,676	\$ 1,521	\$ 3,145	\$ 2,839

(1) Short-term lease expense includes all leases with lease terms ranging from less than one month to one year.

As of June 30, 2021, the Company does not have any leases that have not yet commenced that create significant rights and obligations.

(17) Commitments and Contingencies

Litigation

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact because of defense and settlement costs, diversion of management resources and other factors.

Employee Contracts

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

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with (i) our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited consolidated financial statements and the related notes and management’s discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2020 included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on February 26, 2021. This Quarterly Report on Form 10-Q contains “forward-looking statements” within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These statements are often identified by the use of words such as “anticipate,” “believe,” “can,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “project,” “seek,” “should,” “target,” “will,” “would” or the negative or plural of these words or similar expressions or variations. Such forward-looking statements include, but are not limited to, statements with respect to our outlook; the impact of new accounting standards; our ability to service our debt; our business strategy, including with respect to potential acquisitions; plans and objectives of future operations; the length and severity of the COVID-19 pandemic and its impact on the global economy and our financial results; and our future financial and business performance. The events described in these forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled “Risk Factors”, set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020, Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations’ operational response to critical events in order to keep people safe and organizations running. During public safety threats including shooter situations, terrorist attacks or severe weather conditions, as well as critical business events such as IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, global customers rely on our Critical Event Management platform to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds of millions of recipients, across multiple communications modalities such as voice, SMS and e-mail, in over 200 countries and territories, in several languages and dialects – all simultaneously. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Safety Connection, Incident Management, IT Alerting, Visual Command Center, Public Warning, Community Engagement, Risk Center, Crisis Management, Secure Collaboration, and Control Center. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

Our customer base has grown from 867 customers at the end of 2011 to more than 5,800 customers as of June 30, 2021. Our customers are based in 70 countries and include eight of the 10 largest U.S. cities, nine of the 10 largest U.S.-based investment banks, 47 of the 50 busiest North American airports, nine of the 10 largest global consulting firms, eight of the 10 largest global automakers, nine of the 10 largest U.S.-based health care providers, and seven of the 10 largest technology companies in the world. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We sell all of our critical event management applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 1.8 years as of June 30, 2021, and generally bill and collect payment annually in advance. We derive most of our revenue from subscriptions to applications. Over 91% of the revenue that we recognized in each of the eight most recently completed quarters was generated from contracts entered into in prior quarters or renewals of those contracts; the balance of the revenue that we recognized in each such quarter was generated from contracts entered into with new customers or new contracts, other than renewals, entered into with existing customers in such quarter. We derived approximately 50% of our revenue in 2020 from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

We generated revenue of \$86.6 million and \$65.4 million for the three months ended June 30, 2021 and 2020, respectively, representing a period-over-period increase of 33%. We generated revenue of \$168.9 million and \$124.3 million for the six months ended June 30, 2021 and 2020, respectively, representing a period-over-period increase of 36%. We had net losses of \$33.8 million and \$19.2 million for the three months ended June 30, 2021 and 2020, respectively. We had net losses of \$55.6 million and \$44.6 million for the six months ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, 25% and 26% of our customers, respectively, were located outside of the United States. These customers generated 28% and 22% of our total revenue for the three months ended June 30, 2021 and 2020, respectively, and 29% and 21% of our total revenue for the six months ended June 30, 2021 and 2020, respectively.

We have focused on rapidly growing our business and believe that the future growth of our business is dependent on many factors, including our ability to increase the functionality of our platform and applications, expand our customer base, accelerate adoption of our applications beyond Mass Notification within our existing customer base and expand our international presence. Our future growth will also depend on the growth in the market for critical event management solutions and our ability to effectively compete. In order to further penetrate the market for critical event management solutions and capitalize on what we believe to be a significant opportunity, we intend to continue to invest in research and development, build-out our data center infrastructure and services capabilities and hire additional sales representatives, both domestically and internationally, to drive sales to new customers and incremental sales of new applications to existing customers. Nevertheless, we expect to continue to incur losses in the near term and, if we are unable to achieve our growth objectives, we may not be able to achieve profitability.

Recent Developments

On April 6, 2021, we signed a definitive agreement with xMatters Holdings, Inc. (“xMatters”) pursuant to which we agreed to purchase all of the issued and outstanding shares of stock of xMatters. This acquisition closed on May 7, 2021. We purchased all of the issued and outstanding shares of stock of xMatters for a base consideration of \$242.3 million. We paid \$177.8 million in cash and issued 555,332 newly issued shares of our common stock at closing. On the date of this acquisition, the average price of our common stock on the Nasdaq Global Market was \$116.12 per share. We acquired xMatters for its service reliability platforms to enhance our CEM suite of solutions as well as market penetration and customer reach.

Impacts of COVID-19 to Our Business

During the six months ended June 30, 2021, financial results and operations for our Americas and international geographies were not significantly impacted by the COVID-19 pandemic. We are taking a variety of measures to ensure the availability and functioning of our critical infrastructure, to promote the safety and security of our employees and to support the communities in which we operate. These measures include requiring remote working arrangements for employees where practicable, among other modifications. We are following evolving public and private sector policies and initiatives to reduce the transmission of COVID-19, such as the imposition of travel restrictions, the promotion of social distancing and the adoption of work-from-home arrangements. All of these policies and initiatives have been and may continue to impact our operations. We will continue to actively monitor the situation and may take further actions that alter our business operations as may be required or that we determine are in the best interests of our employees, customers, suppliers and stockholders. Due to the speed with which the situation is developing, we are not able at this time to estimate the future impact of COVID-19 on our financial results and operations, but the impact could be material for the remainder of fiscal year 2021 and could be material during any future period affected either directly or indirectly by this pandemic. Due to our primarily subscription-based business model, the effect of the coronavirus may not be fully reflected in our results of operations until future periods, if at all. See Part I-Item 1A “Risk Factors” of our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 26, 2021, for information on risks associated with pandemics in general and COVID-19 specifically. The extent of the future impact of COVID-19 on our operational and financial performance will depend on certain developments, including new information which may emerge concerning the duration and severity of the outbreak, impact of vaccinations and virus variants, international actions taken or which may be taken in the future to contain and treat it, impact on our customers and our sales cycles, and impact on our employees, all of which are highly uncertain and cannot be predicted.

During 2020, (1) we launched COVID-19 Shield, a new set of coronavirus protection solutions designed to protect the safety of employees and customers, maintain business operations, safeguard supply chains, and reduce costs and liabilities stemming from the impact of the global coronavirus pandemic; (2) we launched COVID-19 Return to Work, a software solution designed to help businesses and governments navigate the complexity of operating during the next phase of the COVID-19 pandemic and prepare to bring back the workforce and reopen society; (3) we launched COVID-19 Shield: Contact Tracing, a solution for corporate, government and healthcare organizations to supplement or complement existing manual contact tracing efforts; (4) we launched Control Center, a physical security information management software platform, which includes features designed to help organizations return to work by integrating and managing data and analytics from video cameras, thermal cameras, badge access and other building systems, and by automating the response to help organizations ensure the safety and protection of employees, as well as compliance with social distancing and personal protective equipment policies; and (5) we announced COVID-19 Shield: Vaccine Distribution, an extension to our CEM platform offering risk insights, logistics awareness and vaccine appointment management. These new products were built off of our existing platforms.

Presentation of Financial Statements

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

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

Components of Results of Operations

Revenue

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

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

We also sell professional services, which primarily consist of fees for deployment and optimization services as well as training. In addition, on occasion we may sell our software and related post contract support for on premises usage which is outside of our core business and is not a significant revenue stream for us.

Cost of Revenue

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

Operating Expenses

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

Sales and Marketing

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

Research and Development

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

General and Administrative

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

Interest and Investment Income

Interest income consists of interest earned on our cash balances held at financial institutions. Investment income consist of interest earned on our short-term investments which consist of U.S. treasuries, U.S. government agency obligations and money market funds.

Interest Expense

Interest expense consists of interest on our outstanding debt obligations including amortization of debt discounts and offering costs.

Loss on Extinguishment of Convertible Notes and Capped Call Modification

Loss on extinguishment of convertible notes and capped call modification relates to the partial extinguishment of our 1.50% convertible senior notes due 2022 (the "2022 Notes") and modification of a 2022 Notes capped call agreement.

Other Expense, Net

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

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	\$ 86,649	\$ 65,377	\$ 168,859	\$ 124,277
Cost of revenue ⁽¹⁾	27,665	19,423	52,945	40,312
Gross profit	58,984	45,954	115,914	83,965
Operating expenses:				
Sales and marketing ⁽¹⁾	41,483	28,741	76,010	58,329
Research and development ⁽¹⁾	20,251	14,937	38,330	29,109
General and administrative ⁽¹⁾	24,664	16,799	47,226	32,710
Total operating expenses	86,398	60,477	161,566	120,148
Operating loss	(27,414)	(14,523)	(45,652)	(36,183)
Other expense, net	(10,194)	(6,201)	(19,558)	(10,627)
Loss before income taxes	(37,608)	(20,724)	(65,210)	(46,810)
Benefit from income taxes	3,787	1,504	9,600	2,205
Net loss	\$ (33,821)	\$ (19,220)	\$ (55,610)	\$ (44,605)

(1) Includes stock-based compensation expense and depreciation and amortization of acquired intangible assets as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Stock-based compensation expense				
Cost of revenue	\$ 819	\$ 703	\$ 1,818	\$ 1,311
Sales and marketing	5,579	3,917	9,321	7,525
Research and development	2,562	2,298	4,590	4,172
General and administrative	6,545	4,360	12,461	8,580
Total	\$ 15,505	\$ 11,278	\$ 28,190	\$ 21,588

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Depreciation and amortization expense				
Cost of revenue	\$ 5,242	\$ 2,866	\$ 10,094	\$ 5,531
Sales and marketing	243	234	474	467
Research and development	180	149	356	280
General and administrative	7,346	4,071	12,930	7,698
Total	\$ 13,011	\$ 7,320	\$ 23,854	\$ 13,976

The following table sets forth our condensed consolidated statements of operations as a percentage of revenue (1):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Revenue	100%	100%	100%	100%
Cost of revenue	32%	30%	31%	32%
Gross profit	68%	70%	69%	68%
Operating expenses:				
Sales and marketing	48%	44%	45%	47%
Research and development	23%	23%	23%	23%
General and administrative	28%	26%	28%	26%
Total operating expenses	100%	93%	96%	97%
Operating loss	(32)%	(22)%	(27)%	(29)%
Other expense, net	(12)%	(9)%	(12)%	(9)%
Loss before income taxes	(43)%	(32)%	(39)%	(38)%
Benefit from income taxes	4%	2%	6%	2%
Net loss	(39)%	(29)%	(33)%	(36)%

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

Comparison of the Three Months Ended June 30, 2021 and 2020

Revenue

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
Revenue	\$ 86,649	\$ 65,377	\$ 21,272	32.5%

Revenue increased by \$21.3 million for the three months ended June 30, 2021 compared to the same period in 2020. The increase was due to a \$21.3 million increase in sales of our products driven by expansion of our customer base from 5,340 customers as of June 30, 2020 to 5,890 customers as of June 30, 2021, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
Cost of revenue	\$ 27,665	\$ 19,423	\$ 8,242	42.4%
Gross margin %	68%	70%		

Cost of revenue increased by \$8.2 million for the three months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$4.1 million increase in employee-related costs associated with our increased headcount from 270 employees as of June 30, 2020 to 410 employees as of June 30, 2021, a \$2.4 million increase in depreciation and amortization expense attributed to our fixed assets, acquired intangibles and capitalized software and a \$1.7 million increase in hosting, software and messaging costs.

Gross margin percentage decreased due to our continued investment in personnel to support our growth.

Operating Expenses

Sales and Marketing Expense

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
Sales and marketing	\$ 41,483	\$ 28,741	\$ 12,742	44.3%
% of revenue	48%	44%		

Sales and marketing expense increased by \$12.7 million for the three months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$10.1 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 422 employees as of June 30, 2020 to 599 employees as of June 30, 2021. The remaining increase was principally the result of a \$1.9 million increase in advertising-related costs and trade show expenses, as well as a \$0.4 million increase in software expenses and a \$0.3 million increase in office related expenses to support the sales team.

Research and Development Expense

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
Research and development	\$ 20,251	\$ 14,937	\$ 5,314	35.6%
% of revenue	23%	23%		

Research and development expense increased by \$5.3 million for the three months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$5.2 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 277 employees as of June 30, 2020 to 472 employees as of June 30, 2021, a \$0.4 million increase in professional services, as well as a \$0.3 million increase in office related expenses and a \$0.3 million increase in hosting and software related costs to support research and development activities. A total of \$2.4 million of internally developed software costs during the three months ended June 30, 2020 and \$3.3 million of internally developed software costs during the three months ended June 30, 2021 were capitalized, resulting in a \$0.9 million offset to the increase in the second quarter of 2021.

General and Administrative Expense

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
General and administrative	\$ 24,664	\$ 16,799	\$ 7,865	46.8%
% of revenue	28%	26%		

General and administrative expense increased by \$7.9 million for the three months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$3.8 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 137 employees as of June 30, 2020 to 194 employees as of June 30, 2021, a \$3.3 million increase in depreciation and amortization, a \$1.1 million increase in professional services and office related expenses to support the administrative team, partially offset by a \$0.3 million decrease in credit loss expense.

Other Expense, Net

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
Other expense, net	\$ (10,194)	\$ (6,201)	\$ (3,993)	(64.4)%
% of revenue	(12)%	(9)%		

Other expense, net increased by \$4.0 million for the three months ended June 30, 2021 compared to the same period in 2020 primarily due to a \$3.6 million increase in interest expense related to our convertible senior notes, a decrease of \$0.1 million of interest income due to lower interest rates on our investment balances and a \$0.3 million increase in other expenses.

Income Taxes

(dollars in thousands)	Three Months Ended June 30,		Change	
	2021	2020	\$	%
Benefit from income taxes	\$ 3,787	\$ 1,504	\$ 2,283	151.8%
% of revenue	4%	2%		

A portion of the losses incurred during the three months ended June 30, 2021 are expected to be realized in some jurisdictions during the year or recognized as a deferred tax asset as of December 31, 2021. Losses incurred for other operating jurisdictions required a valuation allowance. An income tax benefit of \$3.8 million was recorded during the three months ended June 30, 2021 attributed to a discrete tax benefit related to acquired deferred tax liabilities which provided support for releasing a portion of our U.S. valuation allowance during the three months ended June 30, 2021. The change in income tax benefit of \$2.3 million for the three months ended June 30, 2021 as compared to the same period in 2020 was related to the change in valuation allowance for the current quarter acquired deferred tax liabilities and the realization of non-U.S. losses against deferred tax liabilities established for prior acquisitions.

Comparison of the Six Months Ended June 30, 2021 and 2020

Revenue

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
Revenue	\$ 168,859	\$ 124,277	\$ 44,582	35.9%

Revenue increased by \$44.6 million for six months ended June 30, 2021 compared to the same period in 2020. The increase was due to a \$44.6 million increase in sales of our products driven by expansion of our customer base from 5,340 customers as of June 30, 2020 to 5,890 customers as of June 30, 2021, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
Cost of revenue	\$ 52,945	\$ 40,312	\$ 12,633	31.3%
Gross margin %	69%	68%		

Cost of revenue increased by \$12.6 million for the six months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$7.2 million increase in employee-related costs associated with our increased headcount from 270 employees as of June 30, 2020 to 410 employees as of June 30, 2021, a \$4.6 million increase in depreciation and amortization expense attributed to our fixed assets, acquired intangibles and capitalized software and a \$0.8 million increase in hosting, software and messaging costs.

Gross margin percentage increased due to revenue growth outpacing the increase in cost.

Operating Expenses

Sales and Marketing Expense

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
Sales and marketing	\$ 76,010	\$ 58,329	\$ 17,681	30.3%
% of revenue	45%	47%		

Sales and marketing expense increased by \$17.7 million for the six months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$13.8 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 422 employees as of June 30, 2020 to 599 employees as of June 30, 2021. The remaining increase was principally the result of a \$2.6 million increase in advertising-related costs and trade show expenses, as well as a \$0.8 million increase in software expenses and a \$0.5 million increase in office related expenses to support the sales team.

Research and Development Expense

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
Research and development	\$ 38,330	\$ 29,109	\$ 9,221	31.7%
% of revenue	23%	23%		

Research and development expense increased by \$9.2 million for the six months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to an \$8.3 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 277 employees as of June 30, 2020 to 472 employees as of June 30, 2021, a \$1.1 million increase in professional services, as well as a \$0.5 million increase in office related expenses and a \$0.5 million increase in hosting and software related costs to support research and development activities. A total of \$4.2 million of internally developed software costs during the six months ended June 30, 2020 and \$5.4 million of internally developed software costs during the six months ended June 30, 2021 were capitalized, resulting in a \$1.2 million offset to the increase in the first half of 2021.

General and Administrative Expense

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
General and administrative	\$ 47,226	\$ 32,710	\$ 14,516	44.4%
% of revenue	28%	26%		

General and administrative expense increased by \$14.5 million for the six months ended June 30, 2021 compared to the same period in 2020. The increase was primarily due to a \$6.3 million increase in employee-related costs, which includes stock-based compensation, associated with our increased headcount from 137 employees as of June 30, 2020 to 194 employees as of June 30, 2021, a \$5.2 million increase in depreciation and amortization, a \$2.5 million increase in professional services and office related expenses to support the administrative team, a \$0.4 million increase in credit loss expense and a \$0.1 million increase in our contingent consideration obligation.

Other Expense, Net

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
Other expense, net	\$ (19,558)	\$ (10,627)	\$ (8,931)	(84.0)%
% of revenue	(12)%	(9)%		

Other expense, net increased by \$8.9 million for the six months ended June 30, 2021 compared to the same period in 2020 primarily due to a \$4.3 million increase in interest expense related to our convertible senior notes, a \$2.9 million loss on extinguishment of convertible notes and capped call modification, a decrease of \$1.6 million of interest income due to lower interest rates on our investment balances and a \$0.1 million increase in other expenses.

Income Taxes

(dollars in thousands)	Six Months Ended June 30,		Change	
	2021	2020	\$	%
Benefit from income taxes	\$ 9,600	\$ 2,205	\$ 7,395	335.4%
% of revenue	6%	2%		

A portion of the losses incurred during the six months ended June 30, 2021 are expected to be realized in some jurisdictions during the year or recognized as a deferred tax asset as of December 31, 2021. Losses incurred for other operating jurisdictions required a valuation allowance. An income tax benefit of \$9.6 million was recorded during the six months ended June 30, 2021 attributed to a discrete tax benefit related to acquired deferred tax liabilities which provided support for releasing a portion of our U.S. valuation allowance during the six months ended June 30, 2021. The change in income tax benefit of \$7.4 million for the six months ended June 30, 2021 as compared to the same period in 2020 was related to the change in valuation allowance for the current quarter acquired deferred tax liabilities and the realization of non-U.S. losses against deferred tax liabilities established for prior acquisitions.

Other Metrics

We regularly monitor a number of financial and operating metrics, including the following key metrics, to evaluate our business, measure our performance, identify trends affecting our business, formulate business plans, and make strategic decisions. Our other business metrics may be calculated in a manner different than similar other business metrics used by other companies (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDA	\$ 515	\$ 3,637	\$ 5,798	\$ (1,134)
Adjusted gross profit	62,781	47,586	123,314	86,944
Free cash flow	(9,040)	(7,190)	6,461	(8,917)

- Adjusted EBITDA.** Adjusted EBITDA represents our net loss before interest and investment (income) expense, net, (benefit from) provision for income taxes, depreciation and amortization expense, loss on extinguishment of convertible notes and capped call modification, change in fair value of contingent consideration and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense, loss on extinguishment of convertible notes and capped call modification, change in fair value of contingent consideration and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with generally accepted accounting principles in the United States of America ("U.S. GAAP"). We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the capitalized software that is amortized will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements;

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net loss	\$ (33,821)	\$ (19,220)	\$ (55,610)	\$ (44,605)
Interest and investment expense, net	9,555	5,763	15,982	10,112
Benefit from income taxes	(3,787)	(1,504)	(9,600)	(2,205)
Depreciation and amortization	13,011	7,320	23,854	13,976
Loss on extinguishment of convertible notes and capped call modification	37	—	2,925	—
Change in fair value of contingent consideration	15	—	57	—
Stock-based compensation	15,505	11,278	28,190	21,588
Adjusted EBITDA	<u>\$ 515</u>	<u>\$ 3,637</u>	<u>\$ 5,798</u>	<u>\$ (1,134)</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Gross profit	\$ 58,984	\$ 45,954	\$ 115,914	\$ 83,965
Amortization of acquired intangibles	2,978	929	5,582	1,668
Stock-based compensation	819	703	1,818	1,311
Adjusted gross profit	<u>\$ 62,781</u>	<u>\$ 47,586</u>	<u>\$ 123,314</u>	<u>\$ 86,944</u>

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Net cash provided by (used in) operating activities	\$ (5,137)	\$ (3,870)	\$ 14,671	\$ (3,069)
Capital expenditures	(316)	(651)	(2,128)	(1,175)
Capitalized software development costs	(3,587)	(2,669)	(6,082)	(4,673)
Free cash flow	\$ (9,040)	\$ (7,190)	\$ 6,461	\$ (8,917)

Additional Supplemental Non-GAAP Financial Measures

To supplement our consolidated financial statements, which are prepared and presented in accordance with GAAP, we provide investors with certain additional supplemental non-GAAP financial measures, including non-GAAP cost of revenue, non-GAAP gross profit, non-GAAP sales and marketing expense, non-GAAP research and development expense, non-GAAP general and administrative expense, non-GAAP total operating expenses, non-GAAP operating income (loss) and non-GAAP net income (loss), which we collectively refer to as non-GAAP financial measures. These non-GAAP financial measures exclude all or a combination of the following (as reflected in the following reconciliation tables): stock-based compensation expense, amortization of acquired intangibles, change in fair value of contingent consideration, accretion of interest on convertible senior notes and loss on extinguishment of convertible notes and capped call modification and the tax impact of such adjustments. The tax impact of such adjustments was determined by recalculating the estimated annual effective tax rate utilizing non-GAAP pre-tax income estimated for the year and then applying the recalculated estimated annual effective tax rate to year-to-date non-GAAP income. The tax impact was considered immaterial for fiscal year 2020 and quarters within fiscal year 2020; however, the prior period tax impact presentation has been recast to align with our 2021 reporting presentation. The presentation of the non-GAAP financial measures is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making purposes and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide useful information about our operating results, enhance the overall understanding of past financial performance and future prospects and allow for greater transparency with respect to metrics used by our management in its financial and operational decision making. While our non-GAAP financial measures are an important tool for financial and operational decision making and for evaluating our own operating results over different periods of time, you should consider our non-GAAP financial measures alongside our GAAP financial results.

We exclude stock-based compensation expense which can vary based on plan design, share price, share price volatility, and the expected lives of equity instruments granted. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for more meaningful comparisons between our operating results from period to period because stock-based compensation expense does not represent a cash expenditure. We believe that excluding the impact of amortization of acquired intangibles allows for more meaningful comparisons between operating results from period to period as the intangibles are valued at the time of acquisition and are amortized over a period of several years after the acquisition. We believe that excluding the change in fair value of contingent consideration allows for more meaningful comparisons between operating results from period to period as it is non-operating in nature. We believe that excluding the impact of accretion of interest on convertible senior notes allows for more meaningful comparisons between operating results from period to period as accretion of interest on convertible senior notes relates to interest cost for the time value of money and are non-operating in nature. We believe that excluding loss on extinguishment of convertible notes and capped call modification allows for more meaningful comparisons between operating results from period to period as losses on the extinguishment of convertible notes and capped call modifications are non-operating in nature. We do not engage in the repurchase of convertible notes on a regular basis or in the ordinary course of business. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility of the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry.

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

The following table reconciles our GAAP to non-GAAP financial measures (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cost of revenue	\$ 27,665	\$ 19,423	\$ 52,945	\$ 40,312
Amortization of acquired intangibles	(2,978)	(929)	(5,582)	(1,668)
Stock-based compensation	(819)	(703)	(1,818)	(1,311)
Non-GAAP cost of revenue	\$ 23,868	\$ 17,791	\$ 45,545	\$ 37,333
Gross profit	\$ 58,984	\$ 45,954	\$ 115,914	\$ 83,965
Amortization of acquired intangibles	2,978	929	5,582	1,668
Stock-based compensation	819	703	1,818	1,311
Non-GAAP gross profit	\$ 62,781	\$ 47,586	\$ 123,314	\$ 86,944
Non-GAAP gross margin	72.5%	72.8%	73.0%	70.0%
Sales and marketing	\$ 41,483	\$ 28,741	\$ 76,010	\$ 58,329
Stock-based compensation	(5,579)	(3,917)	(9,321)	(7,525)
Non-GAAP sales and marketing	\$ 35,904	\$ 24,824	\$ 66,689	\$ 50,804
Research and development	\$ 20,251	\$ 14,937	\$ 38,330	\$ 29,109
Stock-based compensation	(2,562)	(2,298)	(4,590)	(4,172)
Non-GAAP research and development	\$ 17,689	\$ 12,639	\$ 33,740	\$ 24,937
General and administrative	\$ 24,664	\$ 16,799	\$ 47,226	\$ 32,710
Amortization of acquired intangibles	(6,998)	(3,798)	(12,253)	(7,205)
Change in fair value of contingent consideration	(15)	—	(57)	—
Stock-based compensation	(6,545)	(4,360)	(12,461)	(8,580)
Non-GAAP general and administrative	\$ 11,106	\$ 8,641	\$ 22,455	\$ 16,925
Total operating expenses	\$ 86,398	\$ 60,477	\$ 161,566	\$ 120,148
Amortization of acquired intangibles	(6,998)	(3,798)	(12,253)	(7,205)
Change in fair value of contingent consideration	(15)	—	(57)	—
Stock-based compensation	(14,686)	(10,575)	(26,372)	(20,277)
Non-GAAP operating expenses	\$ 64,699	\$ 46,104	\$ 122,884	\$ 92,666
Operating loss	\$ (27,414)	\$ (14,523)	\$ (45,652)	\$ (36,183)
Amortization of acquired intangibles	9,976	4,727	17,835	8,873
Change in fair value of contingent consideration	15	—	57	—
Stock-based compensation	15,505	11,278	28,190	21,588
Non-GAAP operating income (loss)	\$ (1,918)	\$ 1,482	\$ 430	\$ (5,722)
Net loss	\$ (33,821)	\$ (19,220)	\$ (55,610)	\$ (44,605)
Amortization of acquired intangibles	9,976	4,727	17,835	8,873
Change in fair value of contingent consideration	15	—	57	—
Stock-based compensation	15,505	11,278	28,190	21,588
Accretion of interest on convertible senior notes	9,508	5,513	15,821	10,949
Loss on extinguishment of convertible notes and capped call modification	37	—	2,925	—
Income tax adjustments	291	(1,130)	255	(1,105)
Non-GAAP net income (loss)	\$ 1,511	\$ 1,168	\$ 9,473	\$ (4,300)

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash from sales to our customers, along with equity issuances and debt financing arrangements. Our principal source of liquidity is cash and cash equivalents totaling \$559.9 million as of June 30, 2021. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future.

We believe that our cash and cash equivalent balances and the cash flows generated by our operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. We believe that our financial resources will allow us to manage the anticipated impact of COVID-19 on our business operations for the foreseeable future, which could include delays in payments from our customers. The challenges posed by COVID-19 on our business could evolve rapidly. We will continue to evaluate our financial position in light of future developments, particularly those relating to COVID-19. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2020 and this Quarterly Report on Form 10-Q titled "Risk Factors." We cannot assure you that we will be able to raise additional capital on acceptable terms or at all. In addition, if we fail to meet our operating plan during the next 12 months, our liquidity could be adversely affected.

Cash Flows

The following table summarizes our cash flows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2021	2020	2021	2020
Cash, cash equivalents and restricted cash at beginning of period	\$ 743,207	\$ 506,496	\$ 475,630	\$ 539,662
Cash provided by (used in) operating activities	(5,137)	(3,870)	14,671	(3,069)
Cash used in investing activities	(169,168)	(12,644)	(205,876)	(50,113)
Cash provided by (used in) financing activities	(1,503)	1,069	283,289	5,237
Effects of exchange rates on cash	903	247	588	(419)
Cash, cash equivalents and restricted cash at end of period	<u>\$ 568,302</u>	<u>\$ 491,298</u>	<u>\$ 568,302</u>	<u>\$ 491,298</u>

Uses of Funds

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

Operating Activities

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

Operating activities generated \$14.7 million in cash in the six months ended June 30, 2021, primarily as a result of an increase in non-cash operating expenses of \$70.1 million and increase of \$0.2 million in cash provided by operating assets and liabilities which was offset by our net loss of \$55.6 million. Specifically, we recognized non-cash charges aggregating to \$28.2 million for stock-based compensation, \$23.9 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$15.8 million related to the accretion of interest on our convertible senior notes, \$7.2 million for amortization of deferred commissions, \$2.9 million loss on extinguishment of convertible notes and capped call modification, \$1.9 million for provision for credit losses, offset by \$9.8 million for deferred income taxes. The net change in operating assets and liabilities of \$0.2 million reflected a \$19.3 million decrease in accounts receivable and a \$1.0 million increase in accrued expenses. These amounts were offset by an \$8.1 million increase in deferred cost, a \$5.3 million decrease in accrued payroll and employee related liabilities, a \$4.6 million decrease in other liabilities, a \$0.9 million increase in prepaid expenses, a \$0.9 million increase in other assets, a \$0.2 million decrease in deferred revenue and a \$0.1 million decrease in accounts payable.

Operating activities used \$3.1 million in cash in the six months ended June 30, 2020, primarily as a result of our net loss of \$44.6 million as well as \$9.1 million in cash used by operating assets and liabilities, which was offset by an increase in non-cash operating expenses of \$50.6 million. Specifically, we recognized non-cash charges aggregating to \$21.6 million for stock-based compensation, \$14.0 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, \$10.9 million related to the accretion of interest on our convertible senior notes, \$5.7 million for amortization of deferred commissions, and \$1.4 million for provision for credit losses, offset by \$3.0 million decrease in deferred income taxes. The net change in operating assets and liabilities of \$9.1 million reflected a \$6.9 million increase in deferred cost, a \$3.4 million increase in other assets, a \$3.3 million increase in prepaid expenses for upfront payments made for prepaid software and insurance, a \$2.7 million decrease in deferred revenue, a \$0.6 million decrease in accrued expenses as a result of timing of payments made to vendors, and a \$0.3 million decrease in accrued employee related expenses due to timing of payments to employees. These amounts were offset by a \$3.3 million decrease in accounts receivable, a \$2.7 million increase in other liabilities, and a \$2.2 million net increase in accounts payable.

Investing Activities

Our investing activities consist primarily of capital expenditures for capitalized software development costs, business acquisitions, property and equipment expenses and purchase and sales of short-term investments.

Investing activities used \$205.9 million in cash in the six months ended June 30, 2021, which consists of \$197.7 million of cash paid for the acquisitions of xMatters and Red Sky Technologies Inc. (“RedSky”), a \$6.1 million investment in software development, and \$2.1 million in purchases of property and equipment.

Investing activities used \$50.1 million in cash in the six months ended June 30, 2020, which consists of \$44.3 million of cash paid for the acquisitions of Connexient, Inc. (“Connexient”), CNL Software Limited (“CNL Software”), One2Many Group B.V. (“one2many”) and Techwan SA (“Techwan”), a \$4.7 million investment in software development, and \$1.2 million in purchases of property and equipment.

Financing Activities

Cash generated by financing activities includes proceeds from the issuance of 0% convertible senior notes due March 15, 2026 (the “2026 Notes”), proceeds from the partial termination of the 2022 Notes capped call hedge, proceeds from the exercise of employee stock options and contributions to our employee stock purchase plan. Cash used in financing activities includes payments for debt and offering issuance costs, repurchases of 2022 Notes and employee withholding liabilities from restricted stock units.

Financing activities provided \$283.3 million of cash in the six months ended June 30, 2021, which reflects proceeds of \$329.5 million from our 2026 Notes offering after deducting debt issuance cost and the cost for the capped call transactions entered into in connection with the 2026 Note offering, \$2.5 million from the issuance of stock under our employee stock purchase plan and \$2.2 million from the exercise of stock options. These amounts were offset by a \$48.0 million payment for the repurchase of 2022 Notes offset by cash received for the partial termination of the 2022 Notes capped call options and a \$2.8 million payment for employee withholding taxes related to the issuance of restricted stock units.

Financing activities provided \$5.2 million of cash in the six months ended June 30, 2020, which reflects proceeds of \$4.6 million from the exercise of stock options and \$1.7 million from the issuance of stock under our employee stock purchase plan. These amounts were offset by a \$0.9 million payment for employee withholding taxes related to the issuance of restricted stock units and cash payments of \$0.1 million for other financing activities.

Critical Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with U.S. GAAP. The preparation of our condensed consolidated financial statements requires us to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. We base our estimates and assumptions on historical experience and other factors that we believe to be reasonable under the circumstances. We evaluate our estimates and assumptions on an ongoing basis. Our actual results may differ from these estimates. The future effects of the COVID-19 pandemic on our results of operations, cash flows, and financial position are unclear; however, we believe we have used reasonable estimates and assumptions in preparing the condensed consolidated financial statements.

There have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 26, 2021, that have had a material impact on our condensed consolidated financial statements and related notes.

Recently Issued Accounting Pronouncements

See Note 2 to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recently issued and adopted accounting pronouncements.

Contractual Obligations and Commitments

As of June 30, 2021, other than our contractual debt and operating lease obligations there were no material changes in our commitments under contractual obligations except for scheduled payments from the ongoing business, as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020. The following table summarizes our commitments to settle contractual obligations as of June 30, 2021 (in thousands):

	Remainder of 2021	2022-2023	2024-2025	Thereafter	Total
Debt obligations ⁽¹⁾	\$ —	\$ 303	\$ 450,000	\$ 375,000	\$ 825,303
Operating leases ⁽²⁾	3,494	12,744	4,988	4,220	25,446
	<u>\$ 3,494</u>	<u>\$ 13,047</u>	<u>\$ 454,988</u>	<u>\$ 379,220</u>	<u>\$ 850,749</u>

- (1) Debt obligations include the principal amount of the 2026 Notes, 0.125% convertible senior notes due December 15, 2024 (the “2024 Notes”) and 2022 Notes but exclude interest payments to be made under the 2026 Notes, 2024 Notes and 2022 Notes. Although the 2026 Notes, 2024 Notes and 2022 Notes mature in 2026, 2024 and 2022, respectively, they can be converted into cash and shares of our common stock prior to maturity if certain conditions are met. Any conversion prior to maturity can result in repayments of the principal amounts sooner than the scheduled repayments as indicated in the table. The 2026 Notes, 2024 Notes and 2022 Notes balance excludes debt discount capitalized on our balance sheet. Please see Note 9 of the notes to our consolidated financial statements for more information on the terms of the 2026 Notes, 2024 Notes and 2022 Notes.
- (2) Operating leases include total future minimum rent payments under non-cancelable operating lease agreements as described in Note 16 of our consolidated financial statements.

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

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk

Our investment portfolio is exposed to market risk from changes in interest rates. The fair market value of fixed rate securities may be adversely impacted by fluctuations in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities. We have historically maintained a relatively short average maturity for our investment portfolio, and we believe a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would not change the fair value of our interest sensitive financial instruments by a material amount. In addition, if a 100 basis point change in overall interest rates were to occur in 2021, our interest income would not change significantly in relation to amounts we would expect to earn, based on our cash, cash equivalents, and investments as of June 30, 2021.

Changes in interest rates may also impact gains or losses from the conversion of our outstanding convertible senior notes. In March 2021, we issued \$375 million in aggregate principal amount of our 2026 Notes. In December 2019, we issued \$450 million in aggregate principal amount of our 2024 Notes. In November 2017, we issued \$115 million in aggregate principal amount of our 2022 Notes, of which \$303 thousand remain outstanding. The 2026 Notes, 2024 Notes and 2022 Notes are convertible under certain circumstances, including trading price conditions related to our common stock, and upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock, or a combination of cash and shares of our common stock. In the second quarter of 2018, the trading price of our common stock reached a price for a sustained period at 130% above the conversion price of \$33.71, resulting in the 2022 Notes becoming convertible at the option of the holder during the third quarter of 2018. The 2022 Notes were still convertible at the option

of the holder at June 30, 2021. During the six months ended June 30, 2021, we issued 1,907,456 shares upon the extinguishment of approximately \$79.5 million in aggregate principal amount of the 2022 Notes. The 2026 Notes and 2024 Notes were not convertible at June 30, 2021. Upon conversion, we are required to record a gain or loss for the difference between the fair value of the debt to be extinguished and its corresponding net carrying value. The fair value of the debt to be extinguished depends on our then-current incremental borrowing rate. If our incremental borrowing rate at the time of conversion is higher or lower than the implied interest rate of the 2026 Notes, 2024 Notes and 2022 Notes, we will record a gain or loss in our consolidated statement of operations during the period in which the 2026 Notes, 2024 Notes and 2022 Notes are extinguished. An incremental borrowing rate that is a hypothetical 100 basis points lower than the implicit interest rate upon conversion of the 2026 Notes, 2024 Notes and 2022 Notes would result in a loss of approximately \$8.3 million.

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

We had cash and cash equivalents of \$559.9 million as of June 30, 2021, which consisted of bank deposits and money market funds. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure.

Foreign Currency Exchange Risk

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

Inflation Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting. In response to the COVID-19 pandemic, our employees began working from home starting in March 2020. Management is continually monitoring and assessing the COVID-19 situation on our internal controls to minimize the impact to their design and operating effectiveness.

Inherent Limitations on Effectiveness of Controls

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

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks, which could materially affect our business, financial condition or future results, some of which are beyond our control. Except as set forth below, during the six months ended June 30, 2021, there have been no material changes in our risk factors from those disclosed in Part I-Item 1A under the heading “Risk Factors” in our Annual Report on Form 10-K for the year ended December 31, 2020, as filed with the SEC on February 26, 2021.

We may fail to meet our publicly announced guidance or other expectations about our business and future operating results, which would cause our stock price to decline.

We have provided and may continue to provide guidance about our business, future operating results and other business metrics. In developing this guidance, our management must make certain assumptions and judgments about our future performance. Some of those key assumptions relate to the impact of the COVID-19 pandemic, the anticipated contributions from the acquisitions of xMatters, RedSky, Connexient, CNL Software, one2many, Techwan, and SnapComms Limited (“SnapComms”), and the associated economic uncertainty on our business and the timing and scope of economic activity globally, which are inherently difficult to predict. This guidance, which consists of forward-looking statements, is qualified by, and subject to, such assumptions, estimates and expectations as provided, and the other information contained in or referred to in the factors described in this Quarterly Report on Form 10-Q and our other current and periodic reports filed with the Securities and Exchange Commission. While presented with numerical specificity, this guidance is necessarily speculative in nature, and is inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions or economic conditions, some of which may change. It can be expected that some or all of the assumptions, estimates and expectations of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release of such guidance. Furthermore, analysts and investors may develop and publish their own projections of our business, which may form a consensus about our future performance. Our business results may vary significantly from such guidance or that consensus due to a number of factors, many of which are outside of our control, including due to the global economic uncertainty and financial market conditions caused by the COVID-19 pandemic, and which could adversely affect our operations and operating results. If we make downward revisions of our previously announced guidance, or if our publicly announced guidance of future operating results fails to meet expectations of securities analysts, investors or other interested parties, the price of our common stock would decline.

Conversion of the 2026 Notes, 2024 Notes and 2022 Notes will dilute the ownership interest of existing stockholders, including holders who had previously converted their Notes, or may otherwise depress the price of our common stock.

In March 2021, we issued the 2026 Notes, which will mature on March 15, 2026, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In December 2019, we issued the 2024 Notes, which will mature on December 15, 2024, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In November 2017, we issued the 2022 Notes, which will mature on November 1, 2022, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. The conversion of some or all of the convertible 2026 Notes, 2024 Notes and 2022 Notes will dilute the ownership interests of existing stockholders to the extent we deliver shares upon conversion of any of the 2026 Notes, 2024 Notes and 2022 Notes. Based on the market price of our common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of June 30, 2021. During 2020, we issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes. During the six months ended June 30, 2021, we issued cash and 1,907,456 shares of our common stock to holders of our 2022 Notes upon settlement of conversion and repurchase of an aggregate principal amount of approximately \$79.5 million of such notes. The 2026 Notes and 2024 Notes were not convertible during the six months ended June 30, 2021. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the 2026 Notes, 2024 Notes and 2022 Notes may encourage short selling by market participants because the conversion of the 2026 Notes, 2024 Notes and 2022 Notes could be used to satisfy short positions, or anticipated conversion of the 2026 Notes, 2024 Notes and 2022 Notes into shares of our common stock could depress the price of our common stock.

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

In connection with the issuances of the 2026 Notes, 2024 Notes and 2022 Notes, we entered into capped call transactions with the respective option counterparties. The capped call transactions are expected generally to reduce the potential dilution upon conversion of the 2026 Notes, 2024 Notes and 2022 Notes and/or offset any cash payments we are required to make in excess of the principal amount of converted 2026 Notes, 2024 Notes and 2022 Notes, as the case may be, with such reduction and/or offset subject to a cap. In connection with establishing their initial hedges of the capped call transactions, the option counterparties or their respective affiliates entered into various derivative transactions with respect to our common stock concurrently with or shortly after the pricing of the 2026 Notes, 2024 Notes and 2022 Notes. The option counterparties or their respective affiliates may modify their hedge positions by entering into or unwinding derivatives with respect to our common stock and/or purchasing or selling our common stock or other securities of ours in secondary market transactions prior to the maturity of the 2026 Notes, 2024 Notes and 2022 Notes (and are likely to do so during any observation period related to a conversion of 2026 Notes, 2024 Notes and 2022 Notes). This activity could cause or avoid an increase or a decrease in the market price of our common stock.

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

In March 2021, we issued the 2026 Notes, which will mature on March 15, 2026, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In December 2019, we issued the 2024 Notes, which will mature on December 15, 2024, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In November 2017, we issued the 2022 Notes, which will mature on November 1, 2022, unless earlier redeemed or repurchased by us or converted by the holder pursuant to their terms. In connection with the issuance of the 2024 Notes, we paid \$57.8 million to repurchase \$23.0 million in aggregate principal amount of the 2022 Notes. During 2020, we issued 362,029 shares upon the conversion of approximately \$12.2 million in aggregate principal amount of the 2022 Notes. During the six months ended June 30, 2021, we issued cash and 1,907,456 shares of our common stock to holders of our 2022 Notes upon settlement of conversion and repurchase of an aggregate principal amount of approximately \$79.5 million of such notes.

The 2026 Notes, 2024 Notes and 2022 Notes rank senior in right of payment to our common stock and any of our indebtedness that is expressly subordinated in right of payment to the 2026 Notes, 2024 Notes and 2022 Notes; equal in right of payment to any of our liabilities that are not so subordinated (including to the 2024 Notes and 2022 Notes, in the case of the 2026 Notes, to the 2026 Notes and 2022 Notes, in the case of the 2024 Notes, and to the 2026 Notes and 2024 Notes, in the case of the 2022 Notes); effectively junior in right of payment to any of our secured indebtedness, to the extent of the value of the assets securing such indebtedness; and structurally junior to all indebtedness and other liabilities (including trade payables) of our subsidiaries. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure debt ranking senior or equal in right of payment to the 2026 Notes, 2024 Notes and 2022 Notes will be available to pay obligations on the 2026 Notes, 2024 Notes and 2022 Notes only after the secured debt has been repaid in full from these assets, and our assets will be available to pay common stockholders only after all debt obligations have been repaid. There may not be sufficient assets remaining to pay amounts due on any or all of the 2026 Notes, 2024 Notes and 2022 Notes then outstanding or any or all shares of our common stock then outstanding.

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

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness, including the 2026 Notes, 2024 Notes and 2022 Notes, depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not continue to generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital on terms that may be onerous or highly dilutive. Our ability to refinance our indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations.

As of June 30, 2021, we had \$825 million (undiscounted) principal amount of indebtedness under the 2026 Notes, 2024 Notes and 2022 Notes. Our indebtedness may:

- limit our ability to borrow additional funds for working capital, capital expenditures, acquisitions or other general business purposes;
- limit our ability to use our cash flow or obtain additional financing for future working capital, capital expenditures, acquisitions or other general business purposes;
- require us to use a substantial portion of our cash flow from operations to make debt service payments;
- limit our flexibility to plan for, or react to, changes in our business and industry;

- place us at a competitive disadvantage compared to our less leveraged competitors; and
- increase our vulnerability to the impact of adverse economic and industry conditions.

In addition, any future indebtedness that we may incur may contain financial and other restrictive covenants that limit our ability to operate our business, raise capital or make payments under our other indebtedness. If we fail to comply with these covenants or to make payments under our indebtedness when due, then we would be in default under that indebtedness, which could, in turn, result in that and our other indebtedness becoming immediately payable in full.

The accounting method for convertible debt securities that may be settled in cash, such as the 2026 Notes, 2024 Notes and 2022 Notes, could have a material effect on our reported financial results.

In May 2008, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position No. APB 14-1, *Accounting for Convertible Debt Instruments That May Be Settled in Cash Upon Conversion (Including Partial Cash Settlement)*, which has subsequently been codified as Accounting Standards Codification (“ASC”) 470-20, *Debt with Conversion and Other Options*. Under ASC 470-20, an entity must separately account for the liability and equity components of the convertible debt instruments (such as the 2026 Notes, 2024 Notes and 2022 Notes) that may be settled entirely or partially in cash upon conversion in a manner that reflects the issuer’s economic interest cost. The effect of ASC 470-20 on the accounting for the 2026 Notes, 2024 Notes and 2022 Notes is that the equity component is required to be included in the additional paid-in capital section of stockholders’ equity on our consolidated balance sheet, and the value of the equity component was treated as original issue discount for purposes of accounting for the debt component of the 2026 Notes, 2024 Notes and 2022 Notes. As a result, we recorded a greater amount of non-cash interest expense in current periods presented as a result of the amortization of the discounted carrying value of the 2026 Notes, 2024 Notes and 2022 Notes to their face amount over the term of the 2026 Notes, 2024 Notes and 2022 Notes. We reported lower net income in our financial results because ASC 470-20 requires interest to include both the current period’s amortization of the debt discount and the instrument’s coupon interest, which could adversely affect our reported or future financial results, the trading price of our common stock and the trading price of the 2026 Notes, 2024 Notes and 2022 Notes. In August 2020, the FASB issued Accounting Standards Update 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*. See Note 2 of the notes to condensed consolidated financial statements for more information.

The conditional conversion feature of the 2026 Notes, 2024 Notes and 2022 Notes, may adversely affect our financial condition and operating results.

In the event the conditional conversion feature of the 2026 Notes, 2024 Notes or the 2022 Notes is triggered, holders of the 2026 Notes, 2024 Notes or the 2022 Notes, as the case may be, will be entitled to convert the 2026 Notes, 2024 Notes or the 2022 Notes at any time during specified periods at their option. Based on the market price of our common stock during the 30 trading days preceding June 30, 2018, the 2022 Notes were convertible at the option of the debt holder as of September 30, 2018 and continue to be convertible at the option of the debt holder as of June 30, 2021. The 2026 Notes and 2024 Notes were not convertible during the six months ended June 30, 2021, but will be convertible under certain circumstances. If one or more holders elect to convert their 2022 Notes, 2024 Notes or 2026 Notes, as the case may be, unless we elect to satisfy our conversion obligation by delivering solely shares of our common stock (other than paying cash in lieu of delivering any fractional share), we would be required to settle a portion or all of our conversion obligation through the payment of cash, which could adversely affect our liquidity. In addition, even if holders do not elect to convert their 2026 Notes, 2024 Notes or 2022 Notes, as the case may be, we could be required under applicable accounting rules to reclassify all or a portion of the outstanding principal of the 2026 Notes, 2024 Notes or 2022 Notes, as applicable, as a current rather than long-term liability, which would result in a material reduction of our net working capital.

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

(a) Recent Sales of Unregistered Equity Securities

On May 7, 2021, we issued 555,332 shares of our common stock to various persons and entities as partial consideration for our purchase of xMatters Holdings, Inc. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a) (2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

On May 25, 2021, we issued 6,188 shares of our common stock to various persons as consideration for SnapComms Limited's contingent consideration liability. In addition, on August 4, 2021, we issued 12,390 shares of our common stock to various persons for SnapComms Limited's deferred purchase price consideration. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

During the three months ended June 30, 2021, we issued 36,633 shares of our common stock to holders of our 1.50% convertible senior notes due 2022 upon settlement of conversion and repurchase of an aggregate principal amount of approximately \$1.2 million of such notes. For further information, see Note 9, Convertible Senior Notes, of the notes to condensed consolidated financial statements. These shares of our common stock were issued in reliance on the exemption from registration provided by Section 3(a)(9) of the Securities Act of 1933, as amended.

On July 9, 2021, we issued 41,668 shares of our common stock to various persons and entities as consideration for One2Many Group B.V.'s contingent consideration liability. The offer, sale and issuance of these shares was deemed to be exempt from registration under the Securities Act in reliance on Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving a public offering. The recipients of the shares acquired them for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to these shares. The recipients were all accredited investors within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access to information about us. No underwriters or placement agents were involved in this transaction.

(b) Use of Proceeds

None

(c) Issuer Purchase of Equity Securities

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits.

Exhibit No.	Exhibit Description	Filed Herewith	Incorporated by Reference			
			Form	File No.	Exhibit	Filing Date
3.1	Sixth Amended and Restated Certificate of Incorporation of Everbridge, Inc.	X				
3.2	Second Amended and Restated Bylaws of Everbridge, Inc.	X				
31.1	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
31.2	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.	X				
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.	X				
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.	X				
101.SCH	Inline XBRL Taxonomy Extension Schema Document	X				
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document	X				
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document	X				
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document	X				
104	Cover Page Interactive Data File - the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments.	X				

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

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Everbridge, Inc.

Date: August 9, 2021

By: /s/ David Meredith
David Meredith
Chief Executive Officer

Date: August 9, 2021

By: /s/ Patrick Brickley
Patrick Brickley
Senior Vice President and Chief Financial Officer

**SIXTH AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
EVERBRIDGE, INC.**

Everbridge, Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of the Delaware does hereby certify that:

ONE: The original name of this corporation was 3n Global, Inc. and the date of filing the original Certificate of Incorporation of this corporation with the Secretary of State of the State of Delaware (the “*Secretary*”) was January 22, 2008.

TWO: The FIFTH Amended and Restated Certificate of Incorporation of this corporation, as filed with the Secretary on September 21, 2016, is hereby amended and restated to read as follows:

I.

The name of this corporation is **EVERBRIDGE, INC.** (the “*Corporation*”).

II.

The address of the registered office of this Corporation in the State of Delaware is 251 Little Falls Drive, City of Wilmington, New Castle County, Delaware 19808, and the name of the registered agent of this Corporation in the State of Delaware at such address is Corporation Service Company.

III.

The purpose of this Corporation is to engage in any lawful act or activity for which a corporation may be organized under the Delaware General Corporation Law (“*DGCL*”).

IV.

A. This Corporation is authorized to issue two classes of stock to be designated, respectively, “*Common Stock*” and “*Preferred Stock*.” The total number of shares which the Corporation is authorized to issue is one hundred ten million (110,000,000) shares. One hundred million (100,000,000) shares shall be Common Stock, each having a par value of one-tenth of one cent (\$0.001) and ten million (10,000,000) shares shall be Preferred Stock, each having a par value of one-tenth of one cent (\$0.001).

B. The Preferred Stock may be issued from time to time in one or more series. The Board of Directors of the Corporation (the “*Board of Directors*”) is hereby expressly authorized to provide for the issue of all of any of the shares of the Preferred Stock in one or more series, and to fix the number of shares and to determine or alter for each such series, such voting powers, full or limited, or no voting powers, and such designation, preferences, and relative, participating, optional, or other rights and such qualifications, limitations, or restrictions thereof, as shall be stated and expressed in the resolution or resolutions adopted by the Board of Directors providing for the issuance of such shares and as may be permitted by the DGCL. The Board of Directors is also expressly authorized to increase or decrease the number of shares of any series subsequent to the issuance of shares of that series, but not below the number of shares of such series then outstanding. In case the number of shares of any series shall be decreased in accordance with the foregoing sentence, the shares constituting such decrease shall resume the status that they had prior to the adoption of the resolution originally fixing the number of shares of such series. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of the stock of the Corporation entitled to vote thereon, without a separate vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any certificate of designation filed with respect to any series of Preferred Stock.

C. Each outstanding share of Common Stock shall entitle the holder thereof to one vote on each matter properly submitted to the stockholders of the Corporation for their vote; *provided, however*, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to this Sixth Amended and Restated Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together as a class with the holders of one or more other such series, to vote thereon by law or pursuant to this Sixth Amended and Restated Certificate of Incorporation (including any certificate of designation filed with respect to any series of Preferred Stock).

V.

For the management of the business and for the conduct of the affairs of the Corporation, and in further definition, limitation and regulation of the powers of the Corporation, of its directors and of its stockholders or any class thereof, as the case may be, it is further provided that:

A. MANAGEMENT OF BUSINESS.

The management of the business and the conduct of the affairs of the Corporation shall be vested in its Board of Directors. The number of directors which shall constitute the Board of Directors shall be fixed exclusively by resolutions adopted by a majority of the authorized number of directors constituting the Board of Directors.

B. BOARD OF DIRECTORS

Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, each director whether elected at an annual meeting of stockholders or elected in the interim to fill vacancies and newly created directorships, shall be elected for a term expiring at the next annual meeting of stockholders following their election. In addition, notwithstanding the length of term of any director elected at an annual meeting of stockholders prior to the date of filing of the Sixth Amended and Restated Certificate of Incorporation, or elected in the interim to fill vacancies or newly created directorships, each such director shall serve a term expiring at the next annual meeting of stockholders following the date of filing of the Sixth Amended and Restated Certificate of Incorporation.

Notwithstanding the foregoing provisions of this section, each director shall serve until his or her successor is duly elected and qualified or until his or her earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

C. REMOVAL OF DIRECTORS.

Subject to the rights of any series of Preferred Stock to elect additional directors under specified circumstances, and subject to any limitations imposed by law the Board of Directors and any individual director may be removed with or without cause by the affirmative vote of the holders of a majority of the voting power of all then outstanding shares of capital stock of the Corporation entitled to vote generally at an election of directors.

D. VACANCIES.

Subject to any limitations imposed by applicable law and subject to the rights of the holders of any series of Preferred Stock, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors, shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by the stockholders and except as otherwise provided by applicable law, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified.

E. BYLAW AMENDMENTS.

1. The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the

authorized number of directors. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; *provided, however*, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Sixth Amended and Restated Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class.

2. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

3. No action shall be taken by the stockholders of the Corporation except at an annual or special meeting of stockholders called in accordance with the Bylaws, and no action shall be taken by the stockholders by written consent or electronic transmission.

4. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

VI.

A. The liability of the directors for monetary damages shall be eliminated to the fullest extent under applicable law.

B. To the fullest extent permitted by applicable law, the Corporation is authorized to provide indemnification of (and advancement of expenses to) directors, officers and agents of the Corporation (and any other persons to which applicable law permits the Corporation to provide indemnification) through Bylaw provisions, agreements with such agents or other persons, vote of stockholders or disinterested directors or otherwise in excess of the indemnification and advancement otherwise permitted by such applicable law. If applicable law is amended after approval by the stockholders of this Article VI to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director to the Corporation shall be eliminated or limited to the fullest extent permitted by applicable law as so amended.

C. Any repeal or modification of this Article VI shall only be prospective and shall not affect the rights or protections or increase the liability of any director under this Article VI in effect at the time of the alleged occurrence of any act or omission to act giving rise to liability or indemnification.

VII.

Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for (A) any derivative action or proceeding brought on behalf of the Corporation; (B) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders; (C) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation arising pursuant to any provision of the DGCL, this Sixth Amended and Restated Certificate of Incorporation or the Bylaws of the Corporation; or (D) any action asserting a claim against the Corporation or any director or officer or other employee of the Corporation governed by the internal affairs doctrine.

VIII.

A. The Corporation reserves the right to amend, alter, change or repeal any provision contained in this Sixth Amended and Restated Certificate of Incorporation, in the manner now or hereafter prescribed by statute, except as provided in paragraph B. of this Article VIII, and all rights conferred upon the stockholders herein are granted subject to this reservation.

B. Notwithstanding any other provisions of this Sixth Amended and Restated Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any affirmative vote of the holders of any particular class or series of the Corporation required by law or by this Sixth Amended and Restated Certificate of Incorporation or any certificate of designation filed with respect to a series of Preferred Stock, the affirmative vote of the holders of at least a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to alter, amend or repeal Articles V, VI, VII and VIII .

* * * *

SECOND AMENDED AND RESTATED BYLAWS

OF

EVERBRIDGE, INC.
(A DELAWARE CORPORATION)

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SECOND AMENDED AND RESTATED BYLAWS

OF

EVERBRIDGE, INC.
(A DELAWARE CORPORATION)

ARTICLE I

OFFICES

Section 1. Registered Office. The registered office of the corporation in the State of Delaware shall be in the City of Wilmington, County of New Castle.

Section 2. Other Offices. The corporation shall also have and maintain an office or principal place of business at such place as may be fixed by the Board of Directors, and may also have offices at such other places, both within and without the State of Delaware as the Board of Directors may from time to time determine or the business of the corporation may require.

ARTICLE II

CORPORATE SEAL

Section 3. Corporate Seal. The Board of Directors may adopt a corporate seal. The corporate seal shall consist of a die bearing the name of the corporation and the inscription, "Corporate Seal-Delaware." Said seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

ARTICLE III

STOCKHOLDERS' MEETINGS

Section 4. Place Of Meetings. Meetings of the stockholders of the corporation may be held at such place, either within or without the State of Delaware, as may be determined from time to time by the Board of Directors. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as provided under the Delaware General Corporation Law ("DGCL").

Section 5. Annual Meetings.

(a) The annual meeting of the stockholders of the corporation, for the purpose of election of directors and for such other business as may properly come before it, shall be held on such date and at such time as may be designated from time to time by the Board of Directors. Nominations of persons for election to the Board of Directors of the corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders: (i) pursuant to the corporation's notice of meeting of stockholders (with respect to business other than nominations); (ii) brought specifically by or at the direction of the Board of Directors; or (iii) by any stockholder of the corporation who was a stockholder of record at the time of giving the stockholder's notice provided for in Section 5(b) below, who is entitled to vote at the meeting and who complied with the notice procedures set forth in Section 5. For the avoidance of doubt, clause (iii) above shall be the exclusive means for a stockholder to make nominations and submit other business (other than matters properly included in the corporation's notice of meeting of stockholders and proxy statement under Rule 14a-8 under the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder (the "1934 Act")) before an annual meeting of stockholders.

(b) At an annual meeting of the stockholders, only such business shall be conducted as is a proper matter for stockholder action under Delaware law and as shall have been properly brought before the meeting.

(i) For nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, the stockholder must deliver written notice to the Secretary at the

principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(iii) and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each nominee such stockholder proposes to nominate at the meeting: (1) the name, age, business address and residence address of such nominee, (2) the principal occupation or employment of such nominee, (3) the class and number of shares of each class of capital stock of the corporation which are owned of record and beneficially by such nominee, (4) the date or dates on which such shares were acquired and the investment intent of such acquisition, (5) a statement whether such nominee, if elected, intends to tender, promptly following such person's failure to receive the required vote for election or re-election at the next meeting at which such person would face election or re-election, an irrevocable resignation effective upon acceptance of such resignation by the Board of Directors, and (6) such other information concerning such nominee as would be required to be disclosed in a proxy statement soliciting proxies for the election of such nominee as a director in an election contest (even if an election contest is not involved), or that is otherwise required to be disclosed pursuant to Section 14 of the 1934 Act and the rules and regulations promulgated thereunder (including such person's written consent to being named as a nominee and to serving as a director if elected); and (B) the information required by Section 5(b)(iv). The corporation may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as an independent director of the corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such proposed nominee.

(ii) Other than proposals sought to be included in the corporation's proxy materials pursuant to Rule 14(a)-8 under the 1934 Act, for business other than nominations for the election to the Board of Directors to be properly brought before an annual meeting by a stockholder pursuant to clause (iii) of Section 5(a) of these Bylaws, the stockholder must deliver written notice to the Secretary at the principal executive offices of the corporation on a timely basis as set forth in Section 5(b)(iii), and must update and supplement such written notice on a timely basis as set forth in Section 5(c). Such stockholder's notice shall set forth: (A) as to each matter such stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting, and any material interest (including any anticipated benefit of such business to any Proponent (as defined below) other than solely as a result of its ownership of the corporation's capital stock, that is material to any Proponent individually, or to the Proponents in the aggregate) in such business of any Proponent; and (B) the information required by Section 5(b)(iv).

(iii) To be timely, the written notice required by Section 5(b)(i) or 5(b)(ii) must be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the ninetieth (90th) day nor earlier than the close of business on the one hundred twentieth (120th) day prior to the first anniversary of the preceding year's annual meeting; *provided, however*, that, subject to the last sentence of this Section 5(b)(iii), in the event that the date of the annual meeting is advanced more than thirty (30) days prior to or delayed by more than thirty (30) days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so received not earlier than the close of business on the one hundred twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of the ninetieth (90th) day prior to such annual meeting or the tenth (10th) day following the day on which public announcement of the date of such meeting is first made. In no event shall an adjournment or a postponement of an annual meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder's notice as described above.

(iv) The written notice required by Section 5(b)(i) or 5(b)(ii) shall also set forth, as of the date of the notice and as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (each, a "**Proponent**" and collectively, the "**Proponents**"): (A) the name and address of each Proponent, as they appear on the corporation's books; (B) the class, series and number of shares of the corporation that are owned beneficially and of record by each Proponent; (C) a description of any agreement, arrangement or understanding (whether oral or in writing) with respect to such nomination or proposal between or among any Proponent and any of its affiliates or associates, and any others (including their names) acting in concert, or otherwise under the agreement, arrangement or understanding, with any of the foregoing; (D) a representation that the Proponents are holders of record or beneficial owners, as the case may be, of shares of the corporation entitled to vote at the meeting and intend to appear in person or by proxy at the meeting to nominate the person or persons specified in the notice (with respect to a notice under Section 5(b)(i)) or to propose the business that is specified in the notice (with respect to a notice under Section 5(b)(ii)); (E) a representation as to whether the Proponents intend to deliver a proxy statement and form of proxy to holders of a sufficient number of holders of the corporation's voting shares to elect such nominee or nominees (with respect to a notice under Section 5(b)(i)) or to carry such proposal (with respect to a notice under Section 5(b)(ii)); (F) to the extent known by any Proponent, the name and address of any other stockholder supporting the proposal on the date of such stockholder's notice; and (G) a description of all Derivative Transactions (as defined below) by each Proponent during the previous twelve (12) month period, including the date of the transactions and the class, series and number of securities involved in, and the material economic terms of, such Derivative Transactions. For purposes of Sections 5 and 6, a "**Derivative Transaction**" means any agreement, arrangement, interest or understanding entered into by, or on behalf or for the benefit of, any Proponent or any of its affiliates or associates, whether record or beneficial:

(w) the value of which is derived in whole or in part from the value of any class or series of shares or other securities of the corporation,

- (x) which otherwise provides any direct or indirect opportunity to gain or share in any gain derived from a change in the value of securities of the corporation,
- (y) the effect or intent of which is to mitigate loss, manage risk or benefit of security value or price changes, or
- (z) which provides the right to vote or increase or decrease the voting power of, such Proponent, or any of its affiliates or associates, with respect to any securities of the corporation,

which agreement, arrangement, interest or understanding may include, without limitation, any option, warrant, debt position, note, bond, convertible security, swap, stock appreciation right, short position, profit interest, hedge, right to dividends, voting agreement, performance-related fee or arrangement to borrow or lend shares (whether or not subject to payment, settlement, exercise or conversion in any such class or series), and any proportionate interest of such Proponent in the securities of the corporation held by any general or limited partnership, or any limited liability company, of which such Proponent is, directly or indirectly, a general partner or managing member.

(c) A stockholder providing written notice required by Section 5(b)(i) or (ii) shall update and supplement such notice in writing, if necessary, so that the information provided or required to be provided in such notice is true and correct in all material respects as of (i) the record date for the meeting and (ii) the date that is five (5) business days prior to the meeting and, in the event of any adjournment or postponement thereof, five (5) business days prior to such adjourned or postponed meeting. In the case of an update and supplement pursuant to clause (i) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than five (5) business days after the record date for the meeting. In the case of an update and supplement pursuant to clause (ii) of this Section 5(c), such update and supplement shall be received by the Secretary at the principal executive offices of the corporation not later than two (2) business days prior to the date for the meeting, and, in the event of any adjournment or postponement thereof, two (2) business days prior to such adjourned or postponed meeting.

(d) Notwithstanding anything in Section 5(b)(iii) to the contrary, in the event that the number of directors in an Expiring Class is increased and there is no public announcement of the appointment of a director to such class, or, if no appointment was made, of the vacancy in such class, made by the corporation at least ten (10) days before the last day a stockholder may deliver a notice of nomination in accordance with Section 5(b)(iii), a stockholder's notice required by this Section 5 and which complies with the requirements in Section 5(b)(i), other than the timing requirements in Section 5(b)(iii), shall also be considered timely, but only with respect to nominees for any new positions in such Expiring Class created by such increase, if it shall be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the corporation. For purposes of this section, an “*Expiring Class*” shall mean a class of directors whose term shall expire at the next annual meeting of stockholders.

(e) A person shall not be eligible for election or re-election as a director unless the person is nominated either in accordance with clause (ii) of Section 5(a), or in accordance with clause (iii) of Section 5(a). Except as otherwise required by law, the chairperson of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made, or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, or the Proponent does not act in accordance with the representations in Sections 5(b)(iv)(D) and 5(b)(iv)(E), to declare that such proposal or nomination shall not be presented for stockholder action at the meeting and shall be disregarded, notwithstanding that proxies in respect of such nominations or such business may have been solicited or received.

(f) Notwithstanding the foregoing provisions of this Section 5, in order to include information with respect to a stockholder proposal in the proxy statement and form of proxy for a stockholders' meeting, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation's proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however*, that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to proposals and/or nominations to be considered pursuant to Section 5(a)(iii) of these Bylaws.

(g) For purposes of Sections 5 and 6,

(i) “*public announcement*” shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the 1934 Act; and

(ii) “*affiliates*” and “*associates*” shall have the meanings set forth in Rule 405 under the Securities Act of 1933, as

amended (the “ 1933 Act ”).

Section 6. Special Meetings.

(a) Special meetings of the stockholders of the corporation may be called, for any purpose as is a proper matter for stockholder action under Delaware law, by (i) the Chairperson of the Board of Directors, (ii) the Chief Executive Officer, or (iii) the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directors (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board of Directors for adoption).

(b) The Board of Directors shall determine the time and place, if any, of such special meeting. Upon determination of the time and place, if any, of the meeting, the Secretary shall cause a notice of meeting to be given to the stockholders entitled to vote, in accordance with the provisions of Section 7 of these Bylaws. No business may be transacted at such special meeting otherwise than specified in the notice of meeting.

(c) Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the corporation who is a stockholder of record at the time of giving notice provided for in this paragraph, who shall be entitled to vote at the meeting and who delivers written notice to the Secretary of the corporation setting forth the information required by Section 5(b)(i). In the event the corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder of record may nominate a person or persons (as the case may be), for election to such position(s) as specified in the corporation’s notice of meeting, if written notice setting forth the information required by Section 5(b)(i) of these Bylaws shall be received by the Secretary at the principal executive offices of the corporation not later than the close of business on the later of the ninetieth (90th) day prior to such meeting or the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. The stockholder shall also update and supplement such information as required under Section 5(c). In no event shall an adjournment or a postponement of a special meeting for which notice has been given, or the public announcement thereof has been made, commence a new time period for the giving of a stockholder’s notice as described above.

(d) Notwithstanding the foregoing provisions of this Section 6, a stockholder must also comply with all applicable requirements of the 1934 Act and the rules and regulations thereunder with respect to matters set forth in this Section 6. Nothing in these Bylaws shall be deemed to affect any rights of stockholders to request inclusion of proposals in the corporation’s proxy statement pursuant to Rule 14a-8 under the 1934 Act; *provided, however*, that any references in these Bylaws to the 1934 Act or the rules and regulations thereunder are not intended to and shall not limit the requirements applicable to nominations for the election to the Board of Directors to be considered pursuant to Section 6(c) of these Bylaws.

Section 7. Notice Of Meetings. Except as otherwise provided by law, notice, given in writing or by electronic transmission, of each meeting of stockholders shall be given not less than ten (10) nor more than sixty (60) days before the date of the meeting to each stockholder entitled to vote at such meeting, such notice to specify the place, if any, date and hour, in the case of special meetings, the purpose or purposes of the meeting, and the means of remote communications, if any, by which stockholders and proxy holders may be deemed to be present in person and vote at any such meeting. If mailed, notice is given when deposited in the United States mail, postage prepaid, directed to the stockholder at such stockholder’s address as it appears on the records of the corporation. Notice of the time, place, if any, and purpose of any meeting of stockholders may be waived in writing, signed by the person entitled to notice thereof, or by electronic transmission by such person, either before or after such meeting, and will be waived by any stockholder by his attendance thereat in person, by remote communication, if applicable, or by proxy, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Any stockholder so waiving notice of such meeting shall be bound by the proceedings of any such meeting in all respects as if due notice thereof had been given.

Section 8. Quorum. At all meetings of stockholders, except where otherwise provided by statute or by the Certificate of Incorporation, or by these Bylaws, the presence, in person, by remote communication, if applicable, or by proxy duly authorized, of the holders of a majority of the outstanding shares of stock entitled to vote shall constitute a quorum for the transaction of business. In the absence of a quorum, any meeting of stockholders may be adjourned, from time to time, either by the chairperson of the meeting or by vote of the holders of a majority of the shares represented thereat, but no other business shall be transacted at such meeting. The stockholders present at a duly called or convened meeting, at which a quorum is present, may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. Except as otherwise provided by statute or by applicable stock exchange rules, or by the Certificate of Incorporation or these Bylaws, in all matters other than the election of directors, the affirmative vote of the majority of shares present in person, by remote communication, if applicable, or

represented by proxy at the meeting and entitled to vote generally on the subject matter shall be the act of the stockholders. Except as otherwise provided by statute, the Certificate of Incorporation or these Bylaws, directors shall be elected by a plurality of the votes of the shares present in person, by remote communication, if applicable, or represented by proxy at the meeting and entitled to vote generally on the election of directors. Where a separate vote by a class or classes or series is required, except where otherwise provided by the statute or by the Certificate of Incorporation or these Bylaws, a majority of the outstanding shares of such class or classes or series, present in person, by remote communication, if applicable, or represented by proxy duly authorized, shall constitute a quorum entitled to take action with respect to that vote on that matter. Except where otherwise provided by statute or by the Certificate of Incorporation or these Bylaws, the affirmative vote of the majority (plurality, in the case of the election of directors) of shares of such class or classes or series present in person, by remote communication, if applicable, or represented by proxy at the meeting shall be the act of such class or classes or series.

Section 9. Adjournment And Notice Of Adjourned Meetings. Any meeting of stockholders, whether annual or special, may be adjourned from time to time either by the chairperson of the meeting or by the vote of a majority of the shares present in person, by remote communication, if applicable, or represented by proxy at the meeting. When a meeting is adjourned to another time or place, if any, notice need not be given of the adjourned meeting if the time and place, if any, thereof are announced at the meeting at which the adjournment is taken. At the adjourned meeting, the corporation may transact any business which might have been transacted at the original meeting. If the adjournment is for more than thirty (30) days or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

Section 10. Voting Rights. For the purpose of determining those stockholders entitled to vote at any meeting of the stockholders, except as otherwise provided by law, only persons in whose names shares stand on the stock records of the corporation on the record date, as provided in Section 12 of these Bylaws, shall be entitled to vote at any meeting of stockholders. Every person entitled to vote shall have the right to do so either in person, by remote communication, if applicable, or by an agent or agents authorized by a proxy granted in accordance with Delaware law. An agent so appointed need not be a stockholder. No proxy shall be voted after three (3) years from its date of creation unless the proxy provides for a longer period.

Section 11. Joint Owners Of Stock. If shares or other securities having voting power stand of record in the names of two (2) or more persons, whether fiduciaries, members of a partnership, joint tenants, tenants in common, tenants by the entirety, or otherwise, or if two (2) or more persons have the same fiduciary relationship respecting the same shares, unless the Secretary is given written notice to the contrary and is furnished with a copy of the instrument or order appointing them or creating the relationship wherein it is so provided, their acts with respect to voting shall have the following effect: (a) if only one (1) votes, his act binds all; (b) if more than one (1) votes, the act of the majority so voting binds all; (c) if more than one (1) votes, but the vote is evenly split on any particular matter, each faction may vote the securities in question proportionally, or may apply to the Delaware Court of Chancery for relief as provided in the DGCL, Section 217(b). If the instrument filed with the Secretary shows that any such tenancy is held in unequal interests, a majority or even-split for the purpose of subsection (c) shall be a majority or even-split in interest.

Section 12. List Of Stockholders. The Secretary shall prepare and make, at least ten (10) days before every meeting of stockholders, a complete list of the stockholders entitled to vote at said meeting, arranged in alphabetical order, showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting, (a) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (b) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. The list shall be open to examination of any stockholder during the time of the meeting as provided by law.

Section 13. Action Without Meeting. No action shall be taken by the stockholders except at an annual or special meeting of stockholders called in accordance with these Bylaws, and no action shall be taken by the stockholders by written consent or by electronic transmission.

Section 14. Organization.

(a) At every meeting of stockholders, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed or is absent, the Chief Executive Officer, or if no Chief Executive Officer is then serving or is absent, the President, or, if the President is absent, a chairperson of the meeting chosen by a majority in interest of the stockholders entitled to vote, present in person or by proxy, shall act as chairperson. The Chairperson of the Board may appoint the Chief Executive Officer as chairperson of the meeting. The Secretary, or, in his or her absence, an Assistant Secretary or other officer or other person directed to do so by the chairperson of the meeting, shall act as secretary of the meeting.

(b) The Board of Directors of the corporation shall be entitled to make such rules or regulations for the conduct of

meetings of stockholders as it shall deem necessary, appropriate or convenient. Subject to such rules and regulations of the Board of Directors, if any, the chairperson of the meeting shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are necessary, appropriate or convenient for the proper conduct of the meeting, including, without limitation, establishing an agenda or order of business for the meeting, rules and procedures for maintaining order at the meeting and the safety of those present, limitations on participation in such meeting to stockholders of record of the corporation and their duly authorized and constituted proxies and such other persons as the chairperson shall permit, restrictions on entry to the meeting after the time fixed for the commencement thereof, limitations on the time allotted to questions or comments by participants and regulation of the opening and closing of the polls for balloting on matters which are to be voted on by ballot. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting. Unless and to the extent determined by the Board of Directors or the chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with rules of parliamentary procedure.

ARTICLE IV

DIRECTORS

Section 15. Number. The authorized number of directors of the corporation shall be fixed in accordance with the Certificate of Incorporation. Directors need not be stockholders unless so required by the Certificate of Incorporation. If for any cause, the directors shall not have been elected at an annual meeting, they may be elected as soon thereafter as convenient at a special meeting of the stockholders called for that purpose in the manner provided in these Bylaws.

Section 16. Powers. The powers of the corporation shall be exercised, its business conducted and its property controlled by the Board of Directors, except as may be otherwise provided by statute or by the Certificate of Incorporation.

Section 17. Term Of Office.

Subject to the rights of the holders of any series of Preferred Stock to elect additional directors under specified circumstances, each director whether elected at an annual meeting of stockholders or elected in the interim to fill vacancies and newly created directorships, shall be elected for a term expiring at the next annual meeting of stockholders following their election. In addition, notwithstanding the length of term of any director elected at an annual meeting of stockholders prior to the effective date of these Bylaws, or elected in the interim to fill vacancies or newly created directorships, each such director shall serve a term expiring at the next annual meeting of stockholders.

Notwithstanding the foregoing provisions of this Section 17, each director shall serve until his successor is duly elected and qualified or until his earlier death, resignation or removal. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 18. Vacancies.

Unless otherwise provided in the Certificate of Incorporation, and subject to the rights of the holders of any series of Preferred Stock or as otherwise provided by applicable law, any vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes and any newly created directorships resulting from any increase in the number of directors shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled only by the affirmative vote of a majority of the directors then in office, even though less than a quorum of the Board of Directors, or by a sole remaining director, and not by the stockholders, *provided, however*, that whenever the holders of any class or classes of stock or series thereof are entitled to elect one or more directors by the provisions of the Certificate of Incorporation, vacancies and newly created directorships of such class or classes or series shall, unless the Board of Directors determines by resolution that any such vacancies or newly created directorships shall be filled by stockholders, be filled by a majority of the directors elected by such class or classes or series thereof then in office, or by a sole remaining director so elected, and not by the stockholders. Any director elected in accordance with the preceding sentence shall hold office for the remainder of the full term of the director for which the vacancy was created or occurred and until such director's successor shall have been elected and qualified. A vacancy in the Board of Directors shall be deemed to exist under this Bylaw in the case of the death, removal or resignation of any director.

Section 19. Resignation. Any director may resign at any time by delivering his or her notice in writing or by electronic transmission to the Secretary, such resignation to specify whether it will be effective at a particular time. If no such specification is made, the Secretary, in his or her discretion, may either (a) require confirmation from the director prior to deeming the resignation

effective, in which case the resignation will be deemed effective upon receipt of such confirmation, or (b) deem the resignation effective at the time of delivery of the resignation to the Secretary. When one or more directors shall resign from the Board of Directors, effective at a future date, a majority of the directors then in office, including those who have so resigned, shall have power to fill such vacancy or vacancies, the vote thereon to take effect when such resignation or resignations shall become effective, and each director so chosen shall hold office for the unexpired portion of the term of the director whose place shall be vacated and until his successor shall have been duly elected and qualified.

Section 20. Removal. Subject to the rights of any series of Preferred Stock to elect additional directors under specified circumstances, and subject to any limitations imposed by law, the Board of Directors and any individual director may be removed with or without cause by the affirmative vote of the holders of a majority of the voting power of all then outstanding shares of capital stock of the corporation entitled to vote generally at an election of directors.

Section 21. Meetings.

(a) Regular Meetings. Unless otherwise restricted by the Certificate of Incorporation, regular meetings of the Board of Directors may be held at any time or date and at any place within or without the State of Delaware which has been designated by the Board of Directors and publicized among all directors, either orally or in writing, by telephone, including a voice-messaging system or other system designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means. No further notice shall be required for regular meetings of the Board of Directors.

(b) Special Meetings. Unless otherwise restricted by the Certificate of Incorporation, special meetings of the Board of Directors may be held at any time and place within or without the State of Delaware whenever called by the Chairperson of the Board, the Chief Executive Officer or a majority of the total number of authorized directors.

(c) Meetings by Electronic Communications Equipment. Any member of the Board of Directors, or of any committee thereof, may participate in a meeting by means of conference telephone or other communications equipment by means of which all persons participating in the meeting can hear each other, and participation in a meeting by such means shall constitute presence in person at such meeting.

(d) Notice of Special Meetings. Notice of the time and place of all special meetings of the Board of Directors shall be orally or in writing, by telephone, including a voice messaging system or other system or technology designed to record and communicate messages, facsimile, telegraph or telex, or by electronic mail or other electronic means, during normal business hours, at least twenty-four (24) hours before the date and time of the meeting. If notice is sent by US mail, it shall be sent by first class mail, charges prepaid, at least three (3) days before the date of the meeting. Notice of any meeting may be waived in writing, or by electronic transmission, at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends the meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened.

(e) Waiver of Notice. The transaction of all business at any meeting of the Board of Directors, or any committee thereof, however called or noticed, or wherever held, shall be as valid as though it had been transacted at a meeting duly held after regular call and notice, if a quorum be present and if, either before or after the meeting, each of the directors not present who did not receive notice shall sign a written waiver of notice or shall waive notice by electronic transmission. All such waivers shall be filed with the corporate records or made a part of the minutes of the meeting.

Section 22. Quorum And Voting.

(a) Unless the Certificate of Incorporation requires a greater number, and except with respect to questions related to indemnification arising under Section 44 for which a quorum shall be one-third of the exact number of directors fixed from time to time, a quorum of the Board of Directors shall consist of a majority of the exact number of directors fixed from time to time by the Board of Directors in accordance with the Certificate of Incorporation; *provided, however,* at any meeting whether a quorum be present or otherwise, a majority of the directors present may adjourn from time to time until the time fixed for the next regular meeting of the Board of Directors, without notice other than by announcement at the meeting.

(b) At each meeting of the Board of Directors at which a quorum is present, all questions and business shall be determined by the affirmative vote of a majority of the directors present, unless a different vote be required by law, the Certificate of Incorporation or these Bylaws.

Section 23. Action Without Meeting. Unless otherwise restricted by the Certificate of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors or of any committee thereof may be taken without a meeting, if all members of the Board of Directors or committee, as the case may be, consent thereto in writing or by electronic transmission, and such writing or writings or transmission or transmissions are filed with the minutes of proceedings of the Board of Directors or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 24. Fees And Compensation. Directors shall be entitled to such compensation for their services as may be approved by the Board of Directors, including, if so approved, by resolution of the Board of Directors, a fixed sum and expenses of attendance, if any, for attendance at each regular or special meeting of the Board of Directors and at any meeting of a committee of the Board of Directors. Nothing herein contained shall be construed to preclude any director from serving the corporation in any other capacity as an officer, agent, employee, or otherwise and receiving compensation therefor.

Section 25. Committees.

(a) Executive Committee. The Board of Directors may appoint an Executive Committee to consist of one (1) or more members of the Board of Directors. The Executive Committee, to the extent permitted by law and provided in the resolution of the Board of Directors shall have and may exercise all the powers and authority of the Board of Directors in the management of the business and affairs of the corporation, and may authorize the seal of the corporation to be affixed to all papers which may require it; but no such committee shall have the power or authority in reference to (i) approving or adopting, or recommending to the stockholders, any action or matter (other than the election or removal of directors) expressly required by the DGCL to be submitted to stockholders for approval, or (ii) adopting, amending or repealing any Bylaw of the corporation.

(b) Other Committees. The Board of Directors may, from time to time, appoint such other committees as may be permitted by law. Such other committees appointed by the Board of Directors shall consist of one (1) or more members of the Board of Directors and shall have such powers and perform such duties as may be prescribed by the resolution or resolutions creating such committees, but in no event shall any such committee have the powers denied to the Executive Committee in these Bylaws.

(c) Term. The Board of Directors, subject to any requirements of any outstanding series of Preferred Stock and the provisions of subsections (a) or (b) of this Section 25, may at any time increase or decrease the number of members of a committee or terminate the existence of a committee. The membership of a committee member shall terminate on the date of his death or voluntary resignation from the committee or from the Board of Directors. The Board of Directors may at any time for any reason remove any individual committee member and the Board of Directors may fill any committee vacancy created by death, resignation, removal or increase in the number of members of the committee. The Board of Directors may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of the committee, and, in addition, in the absence or disqualification of any member of a committee, the member or members thereof present at any meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of any such absent or disqualified member.

(d) Meetings. Unless the Board of Directors shall otherwise provide, regular meetings of the Executive Committee or any other committee appointed pursuant to this Section 25 shall be held at such times and places as are determined by the Board of Directors, or by any such committee, and when notice thereof has been given to each member of such committee, no further notice of such regular meetings need be given thereafter. Special meetings of any such committee may be held at any place which has been determined from time to time by such committee, and may be called by any director who is a member of such committee, upon notice to the members of such committee of the time and place of such special meeting given in the manner provided for the giving of notice to members of the Board of Directors of the time and place of special meetings of the Board of Directors. Notice of any special meeting of any committee may be waived in writing or by electronic transmission at any time before or after the meeting and will be waived by any director by attendance thereat, except when the director attends such special meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Unless otherwise provided by the Board of Directors in the resolutions authorizing the creation of the committee, a majority of the authorized number of members of any such committee shall constitute a quorum for the transaction of business, and the act of a majority of those present at any meeting at which a quorum is present shall be the act of such committee.

Section 26. Duties of Chairperson of the Board of Directors and Lead Independent Director.

(a) The Chairperson of the Board of Directors, if appointed and when present, shall preside at all meetings of the stockholders and the Board of Directors. The Chairperson of the Board of Directors shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to

time.

(b) The Chairperson of the Board of Directors, or if the Chairperson is not an independent director, one of the independent directors, may be designated by the Board of Directors as lead independent director to serve until replaced by the Board of Directors (“Lead Independent Director”). The Lead Independent Director will: with the Chairperson of the Board of Directors, establish the agenda for regular Board meetings and serve as chairperson of Board of Directors meetings in the absence of the Chairperson of the Board of Directors; establish the agenda for meetings of the independent directors; coordinate with the committee chairs regarding meeting agendas and informational requirements; preside over meetings of the independent directors; preside over any portions of meetings of the Board of Directors at which the evaluation or compensation of the Chief Executive Officer is presented or discussed; preside over any portions of meetings of the Board of Directors at which the performance of the Board of Directors is presented or discussed; and perform such other duties as may be established or delegated by the Chairperson of the Board of Directors.

Section 27. Organization. At every meeting of the directors, the Chairperson of the Board of Directors, or, if a Chairperson has not been appointed or is absent, the Lead Independent Director, or if the Lead Independent Director has not been appointed or is absent, the Chief Executive Officer (if a director), or, if a Chief Executive Officer is absent, the President (if a director), or if the President is absent, the most senior Vice President (if a director), or, in the absence of any such person, a chairperson of the meeting chosen by a majority of the directors present, shall preside over the meeting. The Secretary, or in his absence, any Assistant Secretary or other officer, director or other person directed to do so by the person presiding over the meeting, shall act as secretary of the meeting.

ARTICLE V

OFFICERS

Section 28. Officers Designated. The officers of the corporation shall include, if and when designated by the Board of Directors, the Chief Executive Officer, the President, one or more Vice Presidents, the Secretary, the Chief Financial Officer and the Treasurer. The Board of Directors may also appoint one or more Assistant Secretaries and Assistant Treasurers and such other officers and agents with such powers and duties as it shall deem necessary. The Board of Directors may assign such additional titles to one or more of the officers as it shall deem appropriate. Any one person may hold any number of offices of the corporation at any one time unless specifically prohibited therefrom by law. The salaries and other compensation of the officers of the corporation shall be fixed by or in the manner designated by the Board of Directors.

Section 29. Tenure And Duties Of Officers.

(a) General. All officers shall hold office at the pleasure of the Board of Directors and until their successors shall have been duly elected and qualified, unless sooner removed. Any officer elected or appointed by the Board of Directors may be removed at any time by the Board of Directors. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

(b) Duties of Chief Executive Officer. The Chief Executive Officer shall preside at all meetings of the stockholders and at all meetings of the Board of Directors (if a director), unless the Chairperson of the Board of Directors or the Lead Independent Director has been appointed and is present. Unless an officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. To the extent that a Chief Executive Officer has been appointed and no President has been appointed, all references in these Bylaws to the President shall be deemed references to the Chief Executive Officer. The Chief Executive Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(c) Duties of President. The President shall preside at all meetings of the stockholders and at all meetings of the Board of Directors (if a director), unless the Chairperson of the Board of Directors, the Lead Independent Director or the Chief Executive Officer has been appointed and is present. Unless another officer has been appointed Chief Executive Officer of the corporation, the President shall be the chief executive officer of the corporation and shall, subject to the control of the Board of Directors, have general supervision, direction and control of the business and officers of the corporation. The President shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time.

(d) Duties of Vice Presidents. A Vice President may assume and perform the duties of the President in the absence or

disability of the President or whenever the office of President is vacant. A Vice President shall perform other duties commonly incident to their office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or, if the Chief Executive Officer has not been appointed or is absent, the President shall designate from time to time.

(e) Duties of Secretary. The Secretary shall attend all meetings of the stockholders and of the Board of Directors and shall record all acts and proceedings thereof in the minute book of the corporation. The Secretary shall give notice in conformity with these Bylaws of all meetings of the stockholders and of all meetings of the Board of Directors and any committee thereof requiring notice. The Secretary shall perform all other duties provided for in these Bylaws and other duties commonly incident to the office and shall also perform such other duties and have such other powers, as the Board of Directors shall designate from time to time. The Chief Executive Officer, or if no Chief Executive Officer is then serving, the President may direct any Assistant Secretary or other officer to assume and perform the duties of the Secretary in the absence or disability of the Secretary, and each Assistant Secretary shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time.

(f) Duties of Chief Financial Officer. The Chief Financial Officer shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President. The Chief Financial Officer, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Chief Financial Officer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time. To the extent that a Chief Financial Officer has been appointed and no Treasurer has been appointed, all references in these Bylaws to the Treasurer shall be deemed references to the Chief Financial Officer. The President may direct the Treasurer, if any, or any Assistant Treasurer, or the controller or any assistant controller to assume and perform the duties of the Chief Financial Officer in the absence or disability of the Chief Financial Officer, and each Treasurer and Assistant Treasurer and each controller and assistant controller shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President shall designate from time to time.

(g) Duties of Treasurer. Unless another officer has been appointed Chief Financial Officer of the corporation, the Treasurer shall be the chief financial officer of the corporation and shall keep or cause to be kept the books of account of the corporation in a thorough and proper manner and shall render statements of the financial affairs of the corporation in such form and as often as required by the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President, and, subject to the order of the Board of Directors, shall have the custody of all funds and securities of the corporation. The Treasurer shall perform other duties commonly incident to the office and shall also perform such other duties and have such other powers as the Board of Directors or the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President and Chief Financial Officer (if not Treasurer) shall designate from time to time.

Section 30. Delegation Of Authority. The Board of Directors may from time to time delegate the powers or duties of any officer to any other officer or agent, notwithstanding any provision hereof.

Section 31. Resignations. Any officer may resign at any time by giving notice in writing or by electronic transmission to the Board of Directors or to the Chief Executive Officer, or if no Chief Executive Officer is then serving, the President or to the Secretary. Any such resignation shall be effective when received by the person or persons to whom such notice is given, unless a later time is specified therein, in which event the resignation shall become effective at such later time. Unless otherwise specified in such notice, the acceptance of any such resignation shall not be necessary to make it effective. Any resignation shall be without prejudice to the rights, if any, of the corporation under any contract with the resigning officer.

Section 32. Removal. Any officer may be removed from office at any time, either with or without cause, by the affirmative vote of a majority of the directors in office at the time, or by the unanimous written consent of the directors in office at the time, or by any committee or by the Chief Executive Officer or by other superior officers upon whom such power of removal may have been conferred by the Board of Directors.

ARTICLE VI

EXECUTION OF CORPORATE INSTRUMENTS AND VOTING OF SECURITIES OWNED BY THE CORPORATION

Section 33. Execution Of Corporate Instruments. The Board of Directors may, in its discretion, determine the method and designate the signatory officer or officers, or other person or persons, to execute on behalf of the corporation any corporate instrument or document, or to sign on behalf of the corporation the corporate name without limitation, or to enter into contracts on behalf of the corporation, except where otherwise provided by law or these Bylaws, and such execution or signature shall be binding upon the corporation.

All checks and drafts drawn on banks or other depositories on funds to the credit of the corporation or in special accounts of the corporation shall be signed by such person or persons as the Board of Directors shall authorize so to do.

Unless authorized or ratified by the Board of Directors or within the agency power of an officer, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or for any amount.

Section 34. Voting Of Securities Owned By The Corporation. All stock and other securities of other corporations owned or held by the corporation for itself, or for other parties in any capacity, shall be voted, and all proxies with respect thereto shall be executed, by the person authorized so to do by resolution of the Board of Directors, or, in the absence of such authorization, by the Chairperson of the Board of Directors, the Chief Executive Officer, the President, or any Vice President.

ARTICLE VII

SHARES OF STOCK

Section 35. Form And Execution Of Certificates. The shares of the corporation shall be represented by certificates, or shall be uncertificated if so provided by resolution or resolutions of the Board of Directors. Certificates for the shares of stock, if any, shall be in such form as is consistent with the Certificate of Incorporation and applicable law. Every holder of stock in the corporation represented by certificate shall be entitled to have a certificate signed by or in the name of the corporation by the Chairperson of the Board of Directors, or the President or any Vice President and by the Treasurer or Assistant Treasurer or the Secretary or Assistant Secretary, certifying the number of shares owned by him in the corporation. Any or all of the signatures on the certificate may be facsimiles. In case any officer, transfer agent, or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

Section 36. Lost Certificates. A new certificate or certificates shall be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen, or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen, or destroyed. The corporation may require, as a condition precedent to the issuance of a new certificate or certificates, the owner of such lost, stolen, or destroyed certificate or certificates, or the owner's legal representative, to agree to indemnify the corporation in such manner as it shall require or to give the corporation a surety bond in such form and amount as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen, or destroyed.

Section 37. Transfers.

(a) Transfers of record of shares of stock of the corporation shall be made only upon its books by the holders thereof, in person or by attorney duly authorized, and, in the case of stock represented by certificate, upon the surrender of a properly endorsed certificate or certificates for a like number of shares.

(b) The corporation shall have power to enter into and perform any agreement with any number of stockholders of any one or more classes of stock of the corporation to restrict the transfer of shares of stock of the corporation of any one or more classes owned by such stockholders in any manner not prohibited by the DGCL.

Section 38. Fixing Record Dates.

(a) In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of

stockholders or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall, subject to applicable law, not be more than sixty (60) nor less than ten (10) days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; *provided, however*, that the Board of Directors may fix a new record date for the adjourned meeting.

(b) In order that the corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or the stockholders entitled to exercise any rights in respect of any change, conversion or exchange of stock, or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted, and which record date shall be not more than sixty (60) days prior to such action. If no record date is fixed, the record date for determining stockholders for any such purpose shall be at the close of business on the day on which the Board of Directors adopts the resolution relating thereto.

Section 39. Registered Stockholders. The corporation shall be entitled to recognize the exclusive right of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person whether or not it shall have express or other notice thereof, except as otherwise provided by the laws of Delaware.

ARTICLE VIII

OTHER SECURITIES OF THE CORPORATION

Section 40. Execution Of Other Securities. All bonds, debentures and other corporate securities of the corporation, other than stock certificates (covered in Section 35), may be signed by the Chairperson of the Board of Directors, the President or any Vice President, or such other person as may be authorized by the Board of Directors, and the corporate seal impressed thereon or a facsimile of such seal imprinted thereon and attested by the signature of the Secretary or an Assistant Secretary, or the Chief Financial Officer or Treasurer or an Assistant Treasurer; *provided, however*, that where any such bond, debenture or other corporate security shall be authenticated by the manual signature, or where permissible facsimile signature, of a trustee under an indenture pursuant to which such bond, debenture or other corporate security shall be issued, the signatures of the persons signing and attesting the corporate seal on such bond, debenture or other corporate security may be the imprinted facsimile of the signatures of such persons. Interest coupons appertaining to any such bond, debenture or other corporate security, authenticated by a trustee as aforesaid, shall be signed by the Treasurer or an Assistant Treasurer of the corporation or such other person as may be authorized by the Board of Directors, or bear imprinted thereon the facsimile signature of such person. In case any officer who shall have signed or attested any bond, debenture or other corporate security, or whose facsimile signature shall appear thereon or on any such interest coupon, shall have ceased to be such officer before the bond, debenture or other corporate security so signed or attested shall have been delivered, such bond, debenture or other corporate security nevertheless may be adopted by the corporation and issued and delivered as though the person who signed the same or whose facsimile signature shall have been used thereon had not ceased to be such officer of the corporation.

ARTICLE IX

DIVIDENDS

Section 41. Declaration Of Dividends. Dividends upon the capital stock of the corporation, subject to the provisions of the Certificate of Incorporation and applicable law, if any, may be declared by the Board of Directors pursuant to law at any regular or special meeting. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the Certificate of Incorporation and applicable law.

Section 42. Dividend Reserve. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the Board of Directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the Board of Directors shall think conducive to the interests of the corporation, and the Board of Directors

may modify or abolish any such reserve in the manner in which it was created.

ARTICLE X

FISCAL YEAR

Section 43. Fiscal Year. The fiscal year of the corporation shall be fixed by resolution of the Board of Directors.

ARTICLE XI

INDEMNIFICATION

Section 44. Indemnification of Directors, Executive Officers, Other Officers, Employees and Other Agents.

(a) Directors and executive officers. The corporation shall indemnify its directors and executive officers (for the purposes of this Article XI, “*executive officers*” shall have the meaning defined in Rule 3b-7 promulgated under the 1934 Act) to the extent not prohibited by the DGCL or any other applicable law; *provided, however*, that the corporation may modify the extent of such indemnification by individual contracts with its directors and executive officers; and, *provided, further*, that the corporation shall not be required to indemnify any director or executive officer in connection with any proceeding (or part thereof) initiated by such person unless (i) such indemnification is expressly required to be made by law, (ii) the proceeding was authorized by the Board of Directors of the corporation, (iii) such indemnification is provided by the corporation, in its sole discretion, pursuant to the powers vested in the corporation under the DGCL or any other applicable law or (iv) such indemnification is required to be made under subsection (d).

(b) Other Officers, Employees and Other Agents. The corporation shall have power to indemnify its other officers, employees and other agents as set forth in the DGCL or any other applicable law. The Board of Directors shall have the power to delegate the determination of whether indemnification shall be given to any such person except executive officers to such officers or other persons as the Board of Directors shall determine.

(c) Expenses. The corporation shall advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or executive officer, of the corporation, or is or was serving at the request of the corporation as a director or executive officer of another corporation, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefor, all expenses incurred by any director or executive officer in connection with such proceeding provided, however, that if the DGCL requires, an advancement of expenses incurred by a director or executive officer in his or her capacity as a director or executive officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the corporation of an undertaking (hereinafter an “*undertaking*”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a “*final adjudication*”) that such indemnitee is not entitled to be indemnified for such expenses under this section or otherwise.

Notwithstanding the foregoing, unless otherwise determined pursuant to paragraph (e) of this section, no advance shall be made by the corporation to an executive officer of the corporation (except by reason of the fact that such executive officer is or was a director of the corporation in which event this paragraph shall not apply) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made (i) by a majority vote of directors who were not parties to the proceeding, even if not a quorum, or (ii) by a committee of such directors designated by a majority vote of such directors, even though less than a quorum, or (iii) if there are no such directors, or such directors so direct, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation.

(d) Enforcement. Without the necessity of entering into an express contract, all rights to indemnification and advances to directors and executive officers under this Bylaw shall be deemed to be contractual rights and be effective to the same extent and as if provided for in a contract between the corporation and the director or executive officer. Any right to indemnification or advances granted by this section to a director or executive officer shall be enforceable by or on behalf of the person holding such right in any

court of competent jurisdiction if (i) the claim for indemnification or advances is denied, in whole or in part, or (ii) no disposition of such claim is made within ninety (90) days of request therefor. To the extent permitted by law, the claimant in such enforcement action, if successful in whole or in part, shall be entitled to be paid also the expense of prosecuting the claim. In connection with any claim for indemnification, the corporation shall be entitled to raise as a defense to any such action that the claimant has not met the standards of conduct that make it permissible under the DGCL or any other applicable law for the corporation to indemnify the claimant for the amount claimed. In connection with any claim by an executive officer of the corporation (except in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that such executive officer is or was a director of the corporation) for advances, the corporation shall be entitled to raise a defense as to any such action clear and convincing evidence that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the corporation, or with respect to any criminal action or proceeding that such person acted without reasonable cause to believe that his conduct was lawful. Neither the failure of the corporation (including its Board of Directors, independent legal counsel or its stockholders) to have made a determination prior to the commencement of such action that indemnification of the claimant is proper in the circumstances because he has met the applicable standard of conduct set forth in the DGCL or any other applicable law, nor an actual determination by the corporation (including its Board of Directors, independent legal counsel or its stockholders) that the claimant has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that claimant has not met the applicable standard of conduct. In any suit brought by a director or executive officer to enforce a right to indemnification or to an advancement of expenses hereunder, the burden of proving that the director or executive officer is not entitled to be indemnified, or to such advancement of expenses, under this section or otherwise shall be on the corporation.

(e) Non-Exclusivity of Rights. The rights conferred on any person by this Bylaw shall not be exclusive of any other right which such person may have or hereafter acquire under any applicable statute, provision of the Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding office. The corporation is specifically authorized to enter into individual contracts with any or all of its directors, officers, employees or agents respecting indemnification and advances, to the fullest extent not prohibited by the DGCL, or by any other applicable law.

(f) Survival of Rights. The rights conferred on any person by this Bylaw shall continue as to a person who has ceased to be a director or executive officer or officer, employee or other agent and shall inure to the benefit of the heirs, executors and administrators of such a person.

(g) Insurance. To the fullest extent permitted by the DGCL or any other applicable law, the corporation, upon approval by the Board of Directors, may purchase insurance on behalf of any person required or permitted to be indemnified pursuant to this section.

(h) Amendments. Any repeal or modification of this section shall only be prospective and shall not affect the rights under this Bylaw in effect at the time of the alleged occurrence of any action or omission to act that is the cause of any proceeding against any agent of the corporation.

(i) Saving Clause. If this Bylaw or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the corporation shall nevertheless indemnify each director and executive officer to the full extent not prohibited by any applicable portion of this section that shall not have been invalidated, or by any other applicable law. If this section shall be invalid due to the application of the indemnification provisions of another jurisdiction, then the corporation shall indemnify each director and executive officer to the full extent under any other applicable law.

(j) Certain Definitions. For the purposes of this Bylaw, the following definitions shall apply:

(i) The term “proceeding” shall be broadly construed and shall include, without limitation, the investigation, preparation, prosecution, defense, settlement, arbitration and appeal of, and the giving of testimony in, any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative.

(ii) The term “*expenses*” shall be broadly construed and shall include, without limitation, court costs, attorneys’ fees, witness fees, fines, amounts paid in settlement or judgment and any other costs and expenses of any nature or kind incurred in connection with any proceeding.

(iii) The term the “*corporation*” shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, and employees or agents, so that any person who is or was a director,

officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, shall stand in the same position under the provisions of this section with respect to the resulting or surviving corporation as he would have with respect to such constituent corporation if its separate existence had continued.

(iv) References to a “*director*,” “*executive officer*,” “*officer*,” “*employee*,” or “*agent*” of the corporation shall include, without limitation, situations where such person is serving at the request of the corporation as, respectively, a director, executive officer, officer, employee, trustee or agent of another corporation, partnership, joint venture, trust or other enterprise.

(v) References to “*other enterprises*” shall include employee benefit plans; references to “*finer*” shall include any excise taxes assessed on a person with respect to an employee benefit plan; and references to “*servicing at the request of the corporation*” shall include any service as a director, officer, employee or agent of the corporation which imposes duties on, or involves services by, such director, officer, employee, or agent with respect to an employee benefit plan, its participants, or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the interest of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in a manner “*not opposed to the best interests of the corporation*” as referred to in this section.

ARTICLE XII

NOTICES

Section 45. Notices.

(a) **Notice To Stockholders.** Written notice to stockholders of stockholder meetings shall be given as provided in Section 7 herein. Without limiting the manner by which notice may otherwise be given effectively to stockholders under any agreement or contract with such stockholder, and except as otherwise required by law, written notice to stockholders for purposes other than stockholder meetings may be sent by US mail or nationally recognized overnight courier, or by facsimile, telegraph or telex or by electronic mail or other electronic means.

(b) **Notice To Directors.** Any notice required to be given to any director may be given by the method stated in subsection (a), as otherwise provided in these Bylaws with notice other than one which is delivered personally to be sent to such address as such director shall have filed in writing with the Secretary, or, in the absence of such filing, to the last known address of such director.

(c) **Affidavit Of Mailing.** An affidavit of mailing, executed by a duly authorized and competent employee of the corporation or its transfer agent appointed with respect to the class of stock affected, or other agent, specifying the name and address or the names and addresses of the stockholder or stockholders, or director or directors, to whom any such notice or notices was or were given, and the time and method of giving the same, shall in the absence of fraud, be prima facie evidence of the facts therein contained.

(d) **Methods of Notice.** It shall not be necessary that the same method of giving notice be employed in respect of all recipients of notice, but one permissible method may be employed in respect of any one or more, and any other permissible method or methods may be employed in respect of any other or others.

(e) **Notice To Person With Whom Communication Is Unlawful.** Whenever notice is required to be given, under any provision of law or of the Certificate of Incorporation or Bylaws of the corporation, to any person with whom communication is unlawful, the giving of such notice to such person shall not be required and there shall be no duty to apply to any governmental authority or agency for a license or permit to give such notice to such person. Any action or meeting which shall be taken or held without notice to any such person with whom communication is unlawful shall have the same force and effect as if such notice had been duly given. In the event that the action taken by the corporation is such as to require the filing of a certificate under any provision of the DGCL, the certificate shall state, if such is the fact and if notice is required, that notice was given to all persons entitled to receive notice except such persons with whom communication is unlawful.

(f) **Notice to Stockholders Sharing an Address.** Except as otherwise prohibited under DGCL, any notice given under the provisions of DGCL, the Certificate of Incorporation or the Bylaws shall be effective if given by a single written notice to stockholders who share an address if consented to by the stockholders at that address to whom such notice is given. Such consent shall

have been deemed to have been given if such stockholder fails to object in writing to the corporation within sixty (60) days of having been given notice by the corporation of its intention to send the single notice. Any consent shall be revocable by the stockholder by written notice to the corporation.

ARTICLE XIII

AMENDMENTS

Section 46. Amendments. Subject to the limitations set forth in Section 44(h) of these Bylaws or the provisions of the Certificate of Incorporation, the Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the corporation. Any adoption, amendment or repeal of the Bylaws of the corporation by the Board of Directors shall require the approval of a majority of the authorized number of directors. The stockholders also shall have power to adopt, amend or repeal the Bylaws of the corporation; *provided, however,* that, in addition to any vote of the holders of any class or series of stock of the corporation required by law or by the Certificate of Incorporation, such action by stockholders shall require the affirmative vote of the holders of a majority of the voting power of all of the then-outstanding shares of the capital stock of the corporation entitled to vote generally in the election of directors, voting together as a single class.

ARTICLE XIV

LOANS TO OFFICERS

Section 47. Loans To Officers. Except as otherwise prohibited by applicable law, the corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the corporation or of its subsidiaries, including any officer or employee who is a director of the corporation or its subsidiaries, whenever, in the judgment of the Board of Directors, such loan, guarantee or assistance may reasonably be expected to benefit the corporation. The loan, guarantee or other assistance may be with or without interest and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the corporation. Nothing in these Bylaws shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the corporation at common law or under any statute.

CERTIFICATIONS

I, David Meredith, certify that:

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

Date: August 9, 2021

By: /s/ David Meredith

Name: David Meredith
Title: Chief Executive Officer
(Principal Executive Officer)

CERTIFICATIONS

I, Patrick Brickley, certify that:

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

Date: August 9, 2021

By: /s/ Patrick Brickley

Name: Patrick Brickley

Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, David Meredith, Chief Executive Officer of Everbridge, Inc., do hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Everbridge, Inc. for the quarter ended June 30, 2021 (the "Report"):

- (1) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Everbridge, Inc. for the period presented herein.

Date: August 9, 2021

By: /s/ David Meredith

Name: David Meredith

Title: Chief Executive Officer

(Principal Executive Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Everbridge, Inc. 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 Form 10-Q), irrespective of any general incorporation language contained in such filing.

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Patrick Brickley, Senior Vice President and Chief Financial Officer of Everbridge, Inc., do hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Everbridge, Inc. for the quarter ended June 30, 2021 (the "Report"):

- (1) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Everbridge, Inc. for the period presented herein.

Date: August 9, 2021

By: /s/ Patrick Brickley

Name: Patrick Brickley

Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

This certification accompanies the Form 10-Q to which it relates, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Everbridge, Inc. 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 Form 10-Q), irrespective of any general incorporation language contained in such filing.

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 13G/A
Under the Securities Exchange Act of 1934 (Amendment No. 2)*

Everbridge, Inc.

(Name of Issuer)

Common Stock

(Title of Class of Securities)

29978A104

(CUSIP Number)

December 31, 2020

(Date of Event Which Requires Filing of This Statement)

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required on the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

CUSIP No. 29978A104

Schedule 13G

Page 2 of 6 Pages

1	NAMES OF REPORTING PERSONS Select Equity Group, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 4,129,475
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 4,129,475
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 4,129,475	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 11.81%*	
12	TYPE OF REPORTING PERSON IA	

* Beneficial ownership based on 34,955,945 shares of common stock outstanding as of November 3, 2020, as reported on the Issuer's Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission (the "SEC") on November 6, 2020.

CUSIP No. 29978A104

Schedule 13G

Page 3 of 6 Pages

1	NAMES OF REPORTING PERSONS George S. Loening	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a) <input type="checkbox"/> (b) <input type="checkbox"/>	
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION USA	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH	5	SOLE VOTING POWER 0
	6	SHARED VOTING POWER 4,129,475
	7	SOLE DISPOSITIVE POWER 0
	8	SHARED DISPOSITIVE POWER 4,129,475
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH PERSON 4,129,475	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES <input type="checkbox"/>	
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 11.81%*	
12	TYPE OF REPORTING PERSON IN/HC	

* Beneficial ownership based on 34,955,945 shares of common stock outstanding as of November 3, 2020, as reported on the Issuer's Quarterly Report on Form 10-Q filed with the SEC on November 6, 2020.

Item 1(a) Name of Issuer:
Everbridge, Inc.

Item 1(b) Address of Issuer's Principal Executive Offices:

25 Corporate Dr, Suite 400
Burlington, MA 01803
USA

Items 2(a) Name of Person Filing:

This Schedule 13G is being filed jointly by Select Equity Group, L.P., a Delaware limited partnership ("Select LP"), and George S. Loening ("Loening"), who is the majority owner of Select LP and managing member of its general partner. Select LP and Loening are sometimes collectively referred to herein as the "Select Reporting Persons."

Item 2(b) Address of Principal Business Office:

The business address of each of the Select Reporting Persons is:
380 Lafayette Street, 6th Floor
New York, New York 10003

Item 2(c) Citizenship:

George S. Loening is a United States citizen.

Item 2(d) Title of Class of Securities:

Common Stock

Item 2(e) CUSIP Number:

29978A104

Item 3 If this statement is filed pursuant to Rules 13d-1(b), or 13d-2(b) or (c), check whether the person filing is:

- (a) Broker or dealer registered under Section 15 of the Act;
- (b) Bank as defined in Section 3(a)(6) of the Act;
- (c) Insurance company as defined in Section 3(a)(19) of the Act;
- (d) Investment company registered under Section 8 of the Investment Company Act of 1940;
- (e) An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
- (f) An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
- (g) A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
- (h) A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act (12 U.S.C. 1813);
- (i) A church plan that is excluded from the definition of an investment company under section 3(c)(14) of the Investment Company Act of 1940;
- (j) A non-U.S. institution in accordance with Rule 240.13d-1(b)(1)(ii)(J);
- (k) Group, in accordance with Rule 240.13d-1(b)(1)(ii)(K).

Item 4 **Ownership:**

The information required by Items 4(a)-(c), as of the date hereof, is set forth in Rows 5-11 of the cover page hereto for each Select Reporting Person and is incorporated herein by reference for each such Select Reporting Person.

Item 5 **Ownership of Five Percent or Less of a Class:**

If this statement is being filed to report the fact that as of the date hereof a reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following [].

Item 6 **Ownership of More than Five Percent on Behalf of Another Person:**

N/A

Item 7 **Identification and Classification of the Subsidiary Which Acquired the Security Being Reported on By the Parent Holding Company:**

See Exhibit 99.1

Item 8 **Identification and Classification of Members of the Group:**

N/A

Item 9 **Notice of Dissolution of Group:**

N/A

Item 10 **Certification:**

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under § 240.14a-11.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, the undersigned certify that the information set forth in this statement is true, complete and correct.

SELECT EQUITY GROUP, L.P.

By: Select Equity GP, LLC, its General Partner

By: /s/ George S. Loening

Name: George S. Loening

Title: Managing Member

/s/ George S. Loening

George S. Loening, an individual

Dated: February 12, 2021

SC 13G/A 1 tv0815-everbridgeinc.htm SCHEDULE 13G/A

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13G

Under the Securities Exchange Act of 1934
(Amendment No.: 1)*

Name of issuer: Everbridge Inc.

Title of Class of Securities: Common Stock

CUSIP Number: 29978A104

Date of Event Which Requires Filing of this Statement: **December 31, 2020**

Check the appropriate box to designate the rule pursuant to which this Schedule is filed:

- Rule 13d-1(b)
- Rule 13d-1(c)
- Rule 13d-1(d)

*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

(Continued on the following page(s))

13G

CUSIP No.: 29978A104

1. NAME OF REPORTING PERSON
I.R.S. IDENTIFICATION NO. OF ABOVE PERSON

The Vanguard Group - 23-1945930

2. CHECK THE APPROPRIATE [LINE] IF A MEMBER OF A GROUP

A. B.

3. SEC USE ONLY

4. CITIZENSHIP OF PLACE OF ORGANIZATION

Pennsylvania

(For questions 5-8, report the number of shares beneficially owned by each reporting person with:)

5. SOLE VOTING POWER

0

6. SHARED VOTING POWER

26,864

7. SOLE DISPOSITIVE POWER

3,156,656

8. SHARED DISPOSITIVE POWER

55,001

9. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

3,211,657

10. CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES

N/A

11. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW 9

9.19%

12. TYPE OF REPORTING PERSON

IA

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Schedule 13G
Under the Securities Act of 1934

Item 1(a) - Name of Issuer:

Everbridge Inc.

Item 1(b) - Address of Issuer's Principal Executive Offices:

25 Corporate Drive
Suite 400
Burlington, Massachusetts 01803

Item 2(a) - Name of Person Filing:

The Vanguard Group - 23-1945930

Item 2(b) - Address of Principal Business Office or, if none, residence:

100 Vanguard Blvd.
Malvern, PA 19355

Item 2(c) - Citizenship:

Pennsylvania

Item 2(d) - Title of Class of Securities:

Common Stock

Item 2(e) - CUSIP Number

29978A104

Item 3 - Type of Filing:

This statement is being filed pursuant to Rule 13d-1. An investment adviser in accordance with §240.13d-1(b)(1)(ii)(E).

Item 4 - Ownership:

(a) Amount Beneficially Owned:

3,211,657

(b) Percent of Class:

9.19%

(c) Number of shares as to which such person has:

(i) sole power to vote or direct to vote: 0

(ii) shared power to vote or direct to vote: 26,864

(iii) sole power to dispose of or to direct the disposition of: 3,156,656

(iv) shared power to dispose of or to direct the disposition of: 55,001

Comments:

Item 5 - Ownership of Five Percent or Less of a Class:

If this statement is being filed to report the fact that as of the date hereof the reporting person has ceased to be the beneficial owner of more than 5 percent of the class of securities, check the following

Item 6 - Ownership of More Than Five Percent on Behalf of Another Person:

Not applicable

Item 7 - Identification and Classification of the Subsidiary Which Acquired The Security Being Reported on by the Parent Holding Company:

See Attached Appendix A

Item 8 - Identification and Classification of Members of Group:

Not applicable

Item 9 - Notice of Dissolution of Group:

Not applicable

Item 10 - Certification:

By signing below I certify that, to the best of my knowledge and belief, the securities referred to above were acquired and are held in the ordinary course of business and were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired in connection with or as a participant in any transaction having that purpose or effect, other than activities solely in connection with a nomination under §240.14a-11.

Signature

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Date: February 8, 2021

By /s/ Christine M. Buchanan
Name: Christine M. Buchanan
Title: Principal

Appendix A

Subsidiary:

Vanguard Asset Management, Limited

Vanguard Fiduciary Trust Company

Vanguard Global Advisors, LLC

Vanguard Group (Ireland) Limited

Vanguard Investments Australia Ltd

Vanguard Investments Canada Inc.

Vanguard Investments Hong Kong Limited

Vanguard Investments UK, Limited

*Entity beneficially owns 5% or greater of the outstanding shares of the security class being reported on this Schedule 13G