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 July 31, 2023
OR

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

For the transition period from to

Commission File Number 001-38675

Elastic N.V.

(Exact name of registrant as specified in its charter)

The Netherlands	**Not Applicable**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

Not Applicable[1]
(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: Not Applicable[1]

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

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

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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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

As of August 21, 2023, the registrant had 98,419,072 ordinary shares, par value €0.01 per share, outstanding.

[1] We are a distributed company. Accordingly, we do not have a principal executive office. For purposes of compliance with applicable requirements of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, any shareholder communication required to be sent to our principal executive offices may be directed to the email address ir@elastic.co.

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Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as "may," "might," "will," "should," "expects," "plans," "anticipates," "could," "intends," "target," "projects," "contemplates," "believes," "estimates," "predicts," "potential," or "continue" or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans, or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include, but are not limited to, statements about:

- our business strategy and our plan to build our business;
- the impact of macroeconomic conditions, including declining rates of economic growth, supply chain disruptions, inflationary pressures, increased interest rates, and other conditions discussed in this report, on information technology spending, sales cycles, and other factors affecting the demand for our offerings and our results of operations;
- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses (which include changes in sales and marketing, research and development and general and administrative expenses), and our ability to achieve and maintain future profitability;
- our ability to continue to deliver and improve our offerings and successfully develop new offerings;
- customer acceptance and purchase of our existing offerings and new offerings, including the expansion and adoption of our cloud-based offerings;
- the impact of actions that we are taking to reduce our costs and rebalance investments;
- the impact of Russia's invasion of Ukraine on our business and on the businesses of our customers and partners, including their spending priorities;
- the impact that increased adoption of consumption-based arrangements could have on our revenue or operating results;
- the impact of changes to our licensing of our products, particularly Elasticsearch and Kibana;
- our assessments of the strength of our solutions and products;
- our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches or incidents, including by threat actors;
- our ability to maintain and expand our user and customer base;
- continued development of the market for our products;
- competition from other products and companies with more resources, recognition and presence in our industry;
- the impact of foreign currency exchange rate and interest rate fluctuations on our results;
- the pace of change and innovation in the markets in which we operate and the competitive nature of those markets;
- our ability to effectively manage our growth, including any changes to our pace of hiring;
- our international expansion strategy;
- our strategy of acquiring complementary businesses and our ability to successfully integrate acquired businesses and technologies;
- the impact of acquisitions on our future product offerings;
- our beliefs and objectives for future operations;
- our relationships with and reliance on third parties, including partners;
- our ability to protect our intellectual property rights;
- our ability to develop our brands;
- the impact of expensing stock options and other equity awards;
- the sufficiency of our capital resources;
- our ability to successfully defend litigation brought against us;

- our ability to successfully execute our go-to-market strategy, including the positioning of our solutions and products, and to expand in our existing markets and into new markets;
- sufficiency of cash to meet our cash needs for at least the next 12 months;
- our ability to comply with laws and regulations that currently apply or may become applicable to our business both in the United States and internationally;
- our ability to attract and retain qualified employees and key personnel;
- the effect of the loss of key personnel;
- our expectations about the impact of natural disasters and public health epidemics and pandemics on our business, results of operations and financial condition;
- the seasonality of our business;
- the future trading prices of our ordinary shares; and
- our ability to service our debt obligations.

In addition, statements that "we believe" and similar statements reflect our beliefs and opinions. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe this information forms a reasonable basis for such statements, the information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements. Our forward-looking statements may not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures, or investments we may make.

You should not rely upon forward-looking statements expressed or implied by us as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations regarding future events and trends that we believe may affect our business, financial condition, results of operations, and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties, and other factors described in the section titled "Risk Factors" in Part II, Item 1A and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time, and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this report. Actual results, events, or circumstances could differ materially from those described or implied in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events or circumstances as of the date on which such statements are made. We undertake no obligation to update any forward-looking statements after the date on which they are made or to conform such statements to actual results or revised expectations, except as required by law. We may not actually achieve the plans, intentions, or expectations disclosed in our forward-looking statements.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

Elastic N.V.
Condensed Consolidated Balance Sheets
(in thousands, except share and per share data)
(unaudited)

	As of July 31, 2023	As of April 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	$ 630,565	$ 644,167
Restricted cash	2,677	2,473
Marketable securities	326,528	271,041
Accounts receivable, net of allowance for credit losses of $3,333 and $3,409 as of July 31, 2023 and April 30, 2023, respectively	185,372	260,919
Deferred contract acquisition costs	60,214	55,813
Prepaid expenses and other current assets	35,008	39,867
Total current assets	1,240,364	1,274,280
Property and equipment, net	5,042	5,092
Goodwill	303,836	303,642
Operating lease right-of-use assets	17,427	19,997
Intangible assets, net	24,896	29,104
Deferred contract acquisition costs, non-current	95,357	95,879
Deferred tax assets	7,064	7,412
Other assets	7,424	8,076
Total assets	$ 1,701,410	$ 1,743,482
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 16,035	$ 35,151
Accrued expenses and other liabilities	64,453	63,532
Accrued compensation and benefits	72,700	76,483
Operating lease liabilities	11,627	12,749
Deferred revenue	506,919	528,704
Total current liabilities	671,734	716,619
Deferred revenue, non-current	27,214	34,248
Long-term debt, net	567,806	567,543
Operating lease liabilities, non-current	11,994	13,942
Other liabilities, non-current	10,939	12,233
Total liabilities	1,289,687	1,344,585
Commitments and contingencies (Notes 7 and 8)		
Shareholders' equity:		
Convertible preference shares, €0.01 par value; 165,000,000 shares authorized, 0 shares issued and outstanding as of July 31, 2023 and April 30, 2023	—	—
Ordinary shares, par value €0.01 per share: 165,000,000 shares authorized; 98,377,727 shares issued and outstanding as of July 31, 2023 and 97,366,947 shares issued and outstanding as of April 30, 2023	1,035	1,024
Treasury stock	(369)	(369)
Additional paid-in capital	1,532,543	1,471,584
Accumulated other comprehensive loss	(19,651)	(20,015)
Accumulated deficit	(1,101,835)	(1,053,327)
Total shareholders' equity	411,723	398,897
Total liabilities and shareholders' equity	$ 1,701,410	$ 1,743,482

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

Elastic N.V.
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended July 31,	
	2023	2022
Revenue		
Subscription	$ 270,247	$ 231,814
Services	23,506	18,267
Total revenue	293,753	250,081
Cost of revenue		
Subscription	57,266	53,551
Services	20,211	19,428
Total cost of revenue	77,477	72,979
Gross profit	216,276	177,102
Operating expenses		
Research and development	80,690	78,649
Sales and marketing	133,169	125,006
General and administrative	37,939	34,088
Restructuring and other related charges	725	—
Total operating expenses	252,523	237,743
Operating loss	(36,247)	(60,641)
Other income (expense), net		
Interest expense	(6,306)	(6,401)
Other income, net	7,300	339
Loss before income taxes	(35,253)	(66,703)
Provision for income taxes	13,255	2,848
Net loss	$ (48,508)	$ (69,551)
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (0.50)	$ (0.74)
Weighted-average shares used to compute net loss per share attributable to ordinary shareholders, basic and diluted	97,942,049	94,621,365

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

Elastic N.V.
Condensed Consolidated Statements of Comprehensive Loss
(in thousands)
(unaudited)

	Three Months Ended July 31,	
	2023	2022
Net loss	$ (48,508)	$ (69,551)
Other comprehensive income (loss):		
Unrealized loss on available-for-sale securities	(1,411)	—
Foreign currency translation adjustments	1,775	(2,624)
Other comprehensive income (loss)	364	(2,624)
Total comprehensive loss	$ (48,144)	$ (72,175)

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

Elastic N.V.
Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share data)
(unaudited)

	Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balances as of April 30, 2023	97,366,947	$ 1,024	$ (369)	$ 1,471,584	$ (20,015)	$ (1,053,327)	$ 398,897
Issuance of ordinary shares upon exercise of stock options	263,828	3	—	3,840	—	—	3,843
Issuance of ordinary shares upon release of restricted stock units	746,952	8	—	(8)	—	—	—
Stock-based compensation	—	—	—	57,127	—	—	57,127
Net loss	—	—	—	—	—	(48,508)	(48,508)
Other comprehensive income	—	—	—	—	364	—	364
Balances as of July 31, 2023	98,377,727	$ 1,035	$ (369)	$ 1,532,543	$ (19,651)	$ (1,101,835)	$ 411,723

	Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balances as of April 30, 2022	94,174,914	$ 990	$ (369)	$ 1,250,108	$ (18,130)	$ (817,166)	$ 415,433
Issuance of ordinary shares upon exercise of stock options	225,263	3	—	3,394	—	—	3,397
Issuance of ordinary shares upon release of restricted stock units	570,450	6	—	(6)	—	—	—
Stock-based compensation	—	—	—	46,883	—	—	46,883
Net loss	—	—	—	—	—	(69,551)	(69,551)
Other comprehensive loss	—	—	—	—	(2,624)	—	(2,624)
Balances as of July 31, 2022	94,970,627	$ 999	$ (369)	$ 1,300,379	$ (20,754)	$ (886,717)	$ 393,538

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

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

	Three Months Ended July 31,	
	2023	**2022**
Cash flows from operating activities		
Net loss	$ (48,508)	$ (69,551)
Adjustments to reconcile net loss to cash provided by (used in) operating activities:		
Depreciation and amortization	5,053	5,214
Amortization of premium and accretion of discount on marketable securities, net	(2,468)	—
Amortization of deferred contract acquisition costs	17,572	17,444
Amortization of debt issuance costs	263	252
Non-cash operating lease cost	2,652	3,005
Stock-based compensation expense	57,127	46,883
Deferred income taxes	392	667
Foreign currency transaction loss	1,200	1,779
Other	(34)	22
Changes in operating assets and liabilities:		
Accounts receivable, net	75,871	45,991
Deferred contract acquisition costs	(21,145)	(19,676)
Prepaid expenses and other current assets	4,896	4,729
Other assets	680	2,114
Accounts payable	(19,233)	9,873
Accrued expenses and other liabilities	(411)	(16,741)
Accrued compensation and benefits	(3,885)	(11,521)
Operating lease liabilities	(3,100)	(3,204)
Deferred revenue	(29,110)	(26,985)
Net cash provided by (used in) operating activities	37,812	(9,705)
Cash flows from investing activities		
Purchases of property and equipment	(632)	(479)
Purchases of marketable securities	(83,579)	—
Maturities of marketable securities	29,116	—
Net cash used in investing activities	(55,095)	(479)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares upon exercise of stock options	3,843	3,397
Net cash provided by financing activities	3,843	3,397
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	42	(5,702)
Net decrease in cash, cash equivalents, and restricted cash	(13,398)	(12,489)
Cash, cash equivalents, and restricted cash, beginning of period	646,640	863,637
Cash, cash equivalents, and restricted cash, end of period	$ 633,242	$ 851,148
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 11,972	$ 12,079
Cash paid for income taxes, net	$ 3,037	$ 2,558
Cash paid for operating lease liabilities	$ 3,310	$ 3,278
Supplemental disclosures of non-cash investing and financing information		
Changes in property and equipment included in accounts payable	$ 109	$ (158)
Operating lease right-of-use assets for new lease obligations	$ —	$ 2,725

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

Elastic N.V.
Notes to Condensed Consolidated Financial Statements
(unaudited)

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1. Organization and Description of Business

Elastic N.V. ("Elastic" or the "Company") was incorporated under the laws of the Netherlands in 2012. The Company created the Elastic Stack, a powerful set of software products that ingest and store data from any source and in any format, and perform search, analysis, and visualization on that data. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. The Company offers three software solutions built into the Elastic Stack: Search, Observability, and Security. The Elastic Stack and the Company's solutions are designed to run in public or private clouds, in hybrid environments, or in multi-cloud environments.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying interim condensed consolidated balance sheet as of July 31, 2023, interim condensed consolidated statements of operations, comprehensive loss, and shareholders' equity for the three months ended July 31, 2023 and 2022, and interim condensed consolidated statements of cash flows for the three months ended July 31, 2023 and 2022 are unaudited. These interim condensed consolidated financial statements have been prepared on a basis consistent with the annual consolidated financial statements and, in the opinion of management, include all normal recurring adjustments necessary to fairly state the Company's financial position as of July 31, 2023; results of the Company's operations for the three months ended July 31, 2023 and 2022; statements of shareholders' equity for the three months ended July 31, 2023 and 2022; and statements of cash flows for the three months ended July 31, 2023 and 2022. The financial data and other financial information disclosed in the notes to these interim condensed consolidated financial statements related to the three month periods are also unaudited. The results for the three months ended July 31, 2023 are not necessarily indicative of the operating results expected for the fiscal year ending April 30, 2024, or any other future period.

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

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 the applicable rules and regulations of the Securities and Exchange Commission ("SEC"). The condensed balance sheet data as of April 30, 2023 was derived from the Company's audited financial statements, but does not include all disclosures required by U.S. GAAP. Therefore, these unaudited interim condensed consolidated financial statements and accompanying footnotes should be read in conjunction with the Company's annual consolidated financial statements and related footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended April 30, 2023 filed with the SEC on June 16, 2023 ("the Company's Annual Report on Form 10-K").

Fiscal Year

The Company's fiscal year ends on April 30. References to fiscal 2024, for example, refer to the fiscal year ended April 30, 2024.

Use of Estimates and Judgments

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

Estimates and assumptions about future events and their effects cannot be determined with certainty and therefore require the exercise of judgment. As of the date of issuance of these financial statements, the Company is not aware of any specific event or circumstance that would require the Company to update its estimates, judgments or revise the carrying value of the Company's assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and are recognized in the consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to the Company's financial statements.

Significant Accounting Policies

There have been no changes to the Company's significant accounting policies described in the Company's Annual Report on Form 10-K that have had a material impact on its condensed consolidated financial statements and related notes.

Recently Adopted Accounting Pronouncements

Acquisitions: In October 2021, the Financial Accounting Standards Board ("FASB") issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers,* improving consistency in accounting for acquired revenue contracts with customers in a business combination by requiring that acquirers apply ASC 606 to recognize contract assets and contract liabilities as if they had originated the contracts. If the acquiree prepared its financial statements in accordance with U.S. GAAP, the resulting acquired contract assets and liabilities should generally be consistent with the acquiree's financial statements. The Company adopted ASU No. 2021-08 on May 1, 2023. The Company's adoption of this ASU did not have any impact on its condensed consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

There have been no new accounting pronouncements or changes in accounting pronouncements during the three months ended July 31, 2023 that are significant or potentially significant to the Company.

3. Revenue

Disaggregation of Revenue

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

	Three Months Ended July 31,			
	2023		2022	
	Amount	% of Total Revenue	Amount	% of Total Revenue
Elastic Cloud	$ 121,172	41 %	$ 97,729	39 %
Other subscription	149,075	51 %	134,085	54 %
Total subscription	270,247	92 %	231,814	93 %
Services	23,506	8 %	18,267	7 %
Total revenue	$ 293,753	100 %	$ 250,081	100 %

Concentration of Credit Risk

One customer, a channel partner, accounted for 15% and 12% of net accounts receivable as of July 31, 2023 and April 30, 2023, respectively. The same customer accounted for 10% of total revenue during the three months ended July 31, 2023. No customer accounted for more than 10% of the Company's total revenue for the three months ended July 31, 2022.

Deferred Revenue

The Company recognized revenue of $210.3 million and $169.3 million during the three months ended July 31, 2023 and 2022, respectively, that was included in the deferred revenue balance at the beginning of each of the respective periods.

Unbilled Accounts Receivable

Unbilled accounts receivable is recorded as part of accounts receivable, net in the Company's condensed consolidated balance sheets. As of July 31, 2023 and April 30, 2023, unbilled accounts receivable was $2.8 million and $2.2 million, respectively.

Remaining Performance Obligations

As of July 31, 2023, the Company had $1.118 billion of remaining performance obligations. As of July 31, 2023, the Company expects to recognize approximately 89% of its remaining performance obligations as revenue over the next 24 months and the remainder thereafter.

Deferred Contract Acquisition Costs

Amortization expense with respect to deferred contract acquisition costs was $17.6 million and $17.4 million for the three months ended July 31, 2023 and 2022, respectively. The Company did not recognize any impairment of deferred contract acquisition costs during the three months ended July 31, 2023 and 2022.

4. Fair Value Measurements

Financial Assets

The Company measures financial assets and liabilities that are measured at fair value on a recurring basis at each reporting period using a fair value hierarchy that prioritizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. A financial instrument's classification within the fair value hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Company considers all highly liquid investments, including money market funds with an original maturity of three months or less at the date of purchase, to be cash equivalents. Its marketable securities are classified as available for sale and, as they are available to support current operations, are classified as short-term. The Company uses quoted prices in active markets for identical assets to determine the fair value of its Level 1 investments in money market funds.

The following table summarizes assets that are measured at fair value on a recurring basis as of July 31, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents:				
Money market funds	$ 197,298	$ —	$ —	$ 197,298
U.S. treasury securities	40,816	—	—	40,816
U.S. agency securities	—	4,978	—	4,978
Certificates of deposit	—	6,595	—	6,595
Commercial paper	—	2,998	—	2,998
Total included in cash and cash equivalents	238,114	14,571	—	252,685
Marketable Securities:				
Certificates of deposit	—	40,347	—	40,347
Commercial paper	—	39,516	—	39,516
U.S. treasury securities	68,573	—	—	68,573
Corporate debt securities	—	138,471	—	138,471
U.S. agency bonds	—	39,621	—	39,621
Total marketable securities	68,573	257,955	—	326,528
Total financial assets	$ 306,687	$ 272,526	$ —	$ 579,213

The following table summarizes assets that are measured at fair value on a recurring basis as of April 30, 2023 (in thousands):

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents:				
Money market funds	$ 194,261	$ —	$ —	$ 194,261
U.S. agency securities	—	27,406	—	27,406
Certificates of deposit	—	21,750	—	21,750
Commercial paper	—	60,750	—	60,750
Total included in cash and cash equivalents	194,261	109,906	—	304,167
Marketable Securities:				
Certificates of deposit	—	31,645	—	31,645
Commercial paper	—	33,735	—	33,735
U.S. treasury securities	47,627	—	—	47,627
Corporate debt securities	—	118,228	—	118,228
U.S. agency bonds	—	39,806	—	39,806
Total marketable securities	47,627	223,414	—	271,041
Total financial assets	$ 241,888	$ 333,320	$ —	$ 575,208

For the three months ended July 31, 2023 and 2022, interest income from the Company's cash and cash equivalents and marketable securities was $6.0 million and $1.3 million, respectively, and is included in other income, net in the condensed consolidated statement of operations.

As of July 31, 2023 and April 30, 2023, net unrealized losses on the marketable securities were immaterial. The fluctuations in market interest rates impact the unrealized losses or gains on these securities.

As of July 31, 2023 and April 30, 2023, the contractual maturities of the Company's available-for-sale debt securities, excluding those securities classified within cash and cash equivalents on the condensed consolidated balance sheet, did not exceed 36 months. The fair values of available-for-sale securities, by remaining contractual maturity, are as follows (in thousands):

	As of July 31, 2023	As of April 30, 2023
Due within 1 year	$ 180,067	$ 168,264
Due between 1 year and 3 years	143,971	102,777
Due between 3 years and 5 years	2,490	—
Total marketable securities	$ 326,528	$ 271,041

Financial Liabilities

In July 2021, the Company issued $575.0 million aggregate principal amount of 4.125% Senior Notes due July 15, 2029 (the "Senior Notes") in a private placement. Based on the trading prices of the Senior Notes, the fair value of the Senior Notes as of July 31, 2023 was approximately $497.0 million. While the Senior Notes are recorded at cost, the fair value of the Senior Notes was determined based on quoted prices in markets that are not active; accordingly, the Senior Notes are categorized as Level 2 for purposes of the fair value measurement hierarchy.

5. Balance Sheet Components

Property and Equipment, Net

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

	Useful Life (in years)	As of July 31, 2023	As of April 30, 2023
Leasehold improvements	Lesser of estimated useful life or remaining lease term	$ 11,197	$ 10,081
Computer hardware and software	3	2,980	2,220
Furniture and fixtures	3-5	6,663	6,093
Assets under construction		174	1,734
Total property and equipment		21,014	20,128
Less: accumulated depreciation		(15,972)	(15,036)
Property and equipment, net		$ 5,042	$ 5,092

Depreciation expense related to property and equipment was $0.8 million and $1.0 million for the three months ended July 31, 2023 and 2022, respectively.

Intangible Assets, Net

Intangible assets consisted of the following as of July 31, 2023 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (in years)
Developed technology	$ 70,130	$ 46,112	$ 24,018	2.5
Customer relationships	19,598	18,766	832	0.2
Trade names	2,872	2,793	79	0.2
Total	$ 92,600	$ 67,671	$ 24,929	2.4
Foreign currency translation adjustment			(33)	
Total			$ 24,896	

Intangible assets consisted of the following as of April 30, 2023 (in thousands):

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted Average Remaining Useful Life (in years)
Developed technology	$ 70,130	$ 43,136	$ 26,994	2.7
Customer relationships	19,598	17,641	1,957	0.4
Trade names	2,872	2,686	186	0.4
Total	$ 92,600	$ 63,463	$ 29,137	2.5
Foreign currency translation adjustment			(33)	
Total			$ 29,104	

Amortization expense for the intangible assets for the three months ended July 31, 2023 and 2022 was as follows (in thousands):

	Three Months Ended July 31,	
	2023	2022
Cost of revenue – subscription	$ 2,976	$ 2,964
Sales and marketing	1,232	1,231
Total amortization of acquired intangible assets	$ 4,208	$ 4,195

The expected future amortization expense related to the intangible assets as of July 31, 2023 was as follows (in thousands, by fiscal year):

Remainder of 2024	$ 9,775
2025	8,018
2026	5,057
2027	2,046
2028	—
Thereafter	—
Total	$ 24,896

Goodwill

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

	Carrying Amount
Balance as of April 30, 2023	$ 303,642
Foreign currency translation adjustment	194
Balance as of July 31, 2023	$ 303,836

There was no impairment of goodwill during the three months ended July 31, 2023 and 2022.

Accrued Expenses and Other Liabilities

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

	As of July 31, 2023	As of April 30, 2023
Accrued expenses	$ 31,368	$ 24,163
Income taxes payable	20,440	9,738
Value added taxes payable	4,005	9,403
Accrued interest	988	6,918
Other	7,652	13,310
Total accrued expenses and other liabilities	$ 64,453	$ 63,532

Accrued Compensation and Benefits

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

	As of July 31, 2023	As of April 30, 2023
Accrued vacation	$ 30,638	$ 30,026
Accrued commissions	15,368	26,175
Accrued payroll and withholding taxes	8,175	6,586
Other	18,519	13,696
Total accrued compensation and benefits	$ 72,700	$ 76,483

Allowance for Credit Losses

The following is a summary of the changes in the Company's allowance for credit losses (in thousands):

	Three Months Ended July 31,	
	2023	2022
Beginning balance	$ 3,409	$ 2,700
Bad debt expense	628	186
Accounts written off	(704)	(636)
Ending balance	$ 3,333	$ 2,250

6. Senior Notes

In July 2021, the Company issued $575.0 million aggregate principal amount of 4.125% Senior Notes due July 15, 2029 in a private placement.

Interest on the Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year, commencing on January 15, 2022. The Company received net proceeds from the offering of the Senior Notes of $565.7 million after deducting underwriting commissions of $7.2 million and incurred additional issuance costs of $2.1 million. Total debt issuance costs of $9.3 million are being amortized to interest expense using the effective interest method over the term of the Senior Notes. The Company may redeem the Senior Notes, in whole or in part, at any time prior to July 15, 2024 at a price equal to 100% of the principal amount thereof plus a "make-whole" premium and accrued and unpaid interest, if any. The Company may at its election redeem all or a part of the Senior Notes on or after July 15, 2024, on any one or more occasions, at the redemption prices set forth in the indenture governing the Senior Notes (the "Indenture"), plus, in each case, accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date. In addition, at any time prior to July 15, 2024, the Company may on any one or more occasions redeem up to 40% of the aggregate principal amount of the Senior Notes outstanding under the Indenture with the net cash proceeds of one or more equity offerings at a redemption price equal to 104.125% of the principal amount of the Senior Notes then outstanding, plus accrued and unpaid interest thereon, if any, to, but excluding, the applicable redemption date. The Company may also at its election redeem the Senior Notes in whole, but not in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest, if any, if certain changes in tax law occur as set forth in the Indenture.

If the Company experiences a change of control triggering event (as defined in the Indenture), the Company must offer to repurchase the Senior Notes at a repurchase price equal to 101% of the principal amount of the Senior Notes to be repurchased, plus accrued and unpaid interest, if any, to the repurchase date.

The Indenture contains covenants limiting the Company's ability and the ability of certain subsidiaries to create liens on certain assets to secure debt; grant a subsidiary guarantee of certain debt without also providing a guarantee of the Senior Notes; and consolidate or merge with or into, or sell or otherwise dispose of all or substantially all of its assets to, another person. These covenants are subject to a number of limitations and exceptions. Certain of these covenants will not apply during any period in which the Senior Notes are rated investment grade by Moody's Investors Service, Inc. and Standard & Poor's Ratings Services.

The net carrying amount of the Senior Notes was as follows (in thousands):

	As of July 31, 2023	As of April 30, 2023
Principal	$ 575,000	$ 575,000
Unamortized debt issuance costs	(7,194)	(7,457)
Net carrying amount	$ 567,806	$ 567,543

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

	Three Months Ended July 31,	
	2023	2022
Contractual interest expense	$ 5,930	$ 5,930
Amortization of debt issuance costs	263	252
Total interest expense related to the Senior Notes	$ 6,193	$ 6,182

7. Commitments and Contingencies

Cloud Hosting Commitments

During the three months ended July 31, 2023, there were no material changes, outside the ordinary course of business, to the Company's contractual obligations and commitments reported in the Company's Annual Report on Form 10-K.

Letters of Credit

The Company had a total of $2.3 million in letters of credit outstanding in favor of certain landlords for office space as of July 31, 2023.

Legal Matters

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

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

Indemnification

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

In addition, the Company indemnifies its officers, directors and certain key employees against certain liabilities that may arise as a result of their affiliation with the Company. To date, there have been no claims under any indemnification provisions.

8. Leases

The Company's leases are composed of corporate office spaces under non-cancelable operating lease agreements that expire at various dates through fiscal 2029. The Company does not have any finance leases.

Lease Costs

Components of lease costs included in the condensed consolidated statement of operations were as follows (in thousands):

	Three Months Ended July 31,	
	2023	2022
Operating lease cost	$ 2,855	$ 3,133
Short-term lease cost	474	783
Variable lease cost	237	230
Total lease cost	$ 3,566	$ 4,146

Lease term and discount rate information are summarized as follows:

	As of July 31, 2023
Weighted average remaining lease term (in years)	2.46
Weighted average discount rate	4.97 %

Future minimum lease payments under non-cancelable operating leases on an undiscounted cash flow basis as of July 31, 2023 were as follows (in thousands):

Years Ending April 30,		
Remainder of 2024	$	9,809
2025		8,426
2026		4,472
2027		1,024
2028		1,106
Thereafter		281
Total minimum lease payments		25,118
Less imputed interest		(1,497)
Present value of future minimum lease payments		23,621
Less current lease liabilities		(11,627)
Operating lease liabilities, non-current	$	11,994

9. Ordinary Shares

The Company's articles of association designated and authorized the Company to issue 165 million ordinary shares at a par value per ordinary share of €0.01 per share.

Each holder of ordinary shares has the right to one vote per ordinary share. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the Company's board of directors, subject to the prior rights of holders of all classes of shares outstanding having priority rights to dividends. No dividends have been declared by the board of directors from inception through July 31, 2023.

Ordinary Shares Reserved for Issuance

The Company had reserved ordinary shares for issuance as follows:

	As of July 31, 2023	As of April 30, 2023
Stock options issued and outstanding	3,723,556	4,038,238
RSUs issued and outstanding	6,976,012	7,494,399
Available for future grants	22,253,640	17,564,133
Available for employee stock purchases	6,000,000	6,000,000
Total ordinary shares reserved	38,953,208	35,096,770

Convertible Preference Shares

The Company's board of directors has the authority, for a period of five years from October 10, 2018, without further action by the Company's shareholders, to issue up to 165 million shares of undesignated convertible preference shares with rights and preferences, including voting rights, designated from time to time by the board of directors. As of July 31, 2023, there were no convertible preference shares issued or outstanding.

10. Equity Incentive Plans

2022 Employee Stock Purchase Plan

In August 2022, the Company's board of directors adopted and, in October 2022, the Company's shareholders approved the 2022 Employee Stock Purchase Plan ("2022 ESPP"). The Company reserved 6.0 million of the Company's ordinary shares for future purchase and issuance under the 2022 ESPP in January 2023. The 2022 ESPP allows eligible employees to acquire ordinary shares of the Company at a discount at periodic intervals through accumulated payroll deductions. Eligible employees purchase ordinary shares of the Company during a purchase period at 85% of the market value of the Company's ordinary shares at either the beginning or end of an offering period, whichever is lower. Offering periods under the 2022 ESPP are approximately six months long and begin on each of March 16 or September 16 or the next trading day thereafter. The first offering period under the 2022 ESPP began on March 16, 2023 and will end on September 15, 2023.

2012 Stock Option Plan

In September 2012, the Company's board of directors adopted and the Company's shareholders approved the 2012 Stock Option Plan, which was amended and restated in September 2018 and further amended in December 2021 (as amended and restated, the "2012 Plan"). Under the 2012 Plan, the board of directors, the compensation committee, as administrator of the 2012 Plan, and any other duly authorized committee may grant stock options and other equity-based awards, such as Restricted Stock Awards ("RSAs") or Restricted Stock Units ("RSUs"), which include performance-based RSUs ("PSUs"), to eligible employees, directors, and consultants to attract and retain the best available personnel for positions of substantial responsibility, to provide additional incentive to employees, directors and consultants, and to promote the success of the Company's business.

The Company's board of directors, compensation committee or other duly authorized committee determines the vesting schedule for all equity-based awards. Stock options and RSUs granted to employees generally vest over four years, subject to the employees' continued service to the Company. During the three months ended July 31, 2023, the Company granted PSUs that vest over three years with a one-year performance period. The Company's compensation committee may explicitly deviate from the general vesting schedules in its approval of an equity-based award, as it may deem appropriate. Stock options expire ten years after the date of grant. Stock options, RSAs and RSUs (including PSUs) that are canceled under certain conditions become available for future grant or sale under the 2012 Plan unless the 2012 Plan is terminated.

The equity awards available for grant were as follows:

	Three Months Ended July 31, 2023
Available at beginning of fiscal year	17,564,133
Awards authorized	4,868,347
Options canceled	49,725
RSUs granted [1]	(534,660)
RSUs canceled	306,095
Available at end of period	22,253,640

[1] Includes 132,960 PSUs granted during the three months ended July 31, 2023.

Stock Options

The following table summarizes stock option activity:

	Stock Options Outstanding			
	Number of Stock Options Outstanding	Weighted-Average Exercise Price	Remaining Contractual Term (in years)	Aggregate Intrinsic Value (in thousands)
Balance as of April 30, 2023	4,038,238	$ 32.74	5.35	$ 134,778
Stock options exercised	(263,828)	$ 14.57		
Stock options canceled	(49,725)	$ 90.38		
Stock options assumed in acquisition canceled	(1,129)	$ 76.29		
Balance as of July 31, 2023	3,723,556	$ 33.25	4.97	$ 149,684
Exercisable as of July 31, 2023	3,255,392	$ 26.01	4.58	$ 145,744

Aggregate intrinsic value represents the difference between the exercise price of the stock options to purchase the Company's ordinary shares and the fair value of the Company's ordinary shares. The weighted-average grant-date fair value per share of stock options granted was $46.44 for the three months ended July 31, 2022.

As of July 31, 2023, the Company had unrecognized stock-based compensation expense of $23.2 million related to unvested stock options that the Company expects to recognize over a weighted-average period of 1.96 years.

RSUs

The following table summarizes RSU activity under the 2012 Plan:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding and unvested at April 30, 2023	7,494,399	$ 74.52
RSUs granted [1]	534,660	$ 68.44
RSUs released	(746,952)	$ 81.40
RSUs canceled	(306,095)	$ 74.83
Outstanding and unvested at July 31, 2023	6,976,012	$ 73.31

[1] Includes 132,960 PSUs granted during the three months ended July 31, 2023.

During the three months ended July 31, 2023, the Company granted 132,960 PSUs subject to performance and service conditions, with a grant-date fair value of $9.1 million, to certain executives. The PSUs become eligible to vest based on the level of the Company's achievement against a revenue-based performance goal for fiscal 2024. The amount that may be earned ranges from 0% to 200% of the eligible PSUs. Subject to the executives' continued service to the Company through the applicable vesting date, one-third of the eligible PSUs will vest following the end of fiscal 2024 and, thereafter, one-eighth of the remaining eligible PSUs will vest on a quarterly basis over two years. Compensation expense related to PSUs is measured at the fair value on the date of grant and recognized over the requisite service period. In the event that an executive's continuous service to the Company ceases, any associated unvested PSUs will immediately terminate and be forfeited. The Company recognizes forfeitures as they occur.

As of July 31, 2023, the Company had unrecognized stock-based compensation expense of $476.5 million related to RSUs that the Company expects to recognize over a weighted-average period of 2.95 years.

Stock-Based Compensation Expense

Total stock-based compensation expense recognized in the Company's condensed consolidated statements of operations was as follows (in thousands):

	Three Months Ended July 31,	
	2023	2022
Cost of revenue		
Subscription	$ 2,183	$ 2,160
Services	2,796	2,225
Research and development	22,436	18,710
Sales and marketing	18,839	15,647
General and administrative	10,873	8,141
Total stock-based compensation expense	$ 57,127	$ 46,883

11. Net Loss Per Share Attributable to Ordinary Shareholders

The following table sets forth the computation of basic and diluted net loss per share attributable to ordinary shareholders (in thousands, except share and per share data):

	Three Months Ended July 31,	
	2023	2022
Numerator:		
Net loss	$ (48,508)	$ (69,551)
Denominator:		
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	97,942,049	94,621,365
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (0.50)	$ (0.74)

Since the Company is in a net loss position for all periods presented, basic net loss per share is the same as diluted net loss per share for all periods. The following outstanding potentially dilutive ordinary shares were excluded from the computation of diluted net loss per share attributable to ordinary shareholders for the periods presented because the impact of including them would have been antidilutive:

	Three Months Ended July 31,	
	2023	2022
Stock options	3,723,556	4,950,306
RSUs	6,976,012	4,413,451
Employee stock purchase plan	196,399	—
Total	10,895,967	9,363,757

12. Income Taxes

The Company is incorporated in the Netherlands but operates in various countries with differing tax laws and rates. The Company recorded a provision for income taxes of $13.3 million and $2.8 million for the three months ended July 31, 2023 and 2022, respectively. For the three months ended July 31, 2023, the provision for income taxes includes a one-time charge of $7.4 million for income taxes associated with acquisition-related integration. The remaining increase was primarily due to foreign taxes. The calculation of income taxes is based upon the estimated annual effective tax rates for the year applied to the current-period loss before tax plus the tax effect of any significant unusual items, discrete events, or changes in tax law.

The Company assesses uncertain tax positions in accordance with ASC 740-10, *Accounting for Uncertainties in Tax.* The Company anticipates that the amount of reasonably possible unrecognized tax benefits that could decrease over the next twelve months due to the expiration of certain statutes of limitations and settlement of tax audits is not material to the Company's condensed consolidated financial statements.

13. Employee Benefit Plans

The Company has a defined-contribution plan in the United States intended to qualify under Section 401 of the Internal Revenue Code (the "401(k) Plan"). The Company has contracted with a third-party provider to act as a custodian and trustee, and to process and maintain the records of participant data. Substantially all the expenses incurred for administering the 401(k) Plan are paid by the Company. The 401(k) Plan covers substantially all U.S. employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis. The Company makes contributions to the 401(k) Plan up to 6% of the participating employee's W-2 earnings and wages. The Company recorded $4.8 million and $4.6 million of expense related to the 401(k) Plan during the three months ended July 31, 2023 and 2022, respectively.

The Company also has defined-contribution plans in certain other countries for which the Company recorded $3.1 million and $2.3 million of expense during the three months ended July 31, 2023 and 2022, respectively.

14. Segment Information

The following table summarizes the Company's total revenue by geographic area based on the location of customers (in thousands):

	Three Months Ended July 31,	
	2023	2022
United States	$ 170,239	$ 145,367
Rest of world	123,514	104,714
Total revenue	$ 293,753	$ 250,081

Other than the United States, no other individual country exceeded 10% or more of total revenue during the periods presented.

The following table presents the Company's long-lived assets, including property and equipment, net, and operating lease right-of-use assets, by geographic region (in thousands):

	As of July 31, 2023	As of April 30, 2023
United States	$ 12,412	$ 13,476
The Netherlands	4,316	4,597
United Kingdom	2,341	2,797
India	1,345	1,803
Rest of world	2,055	2,416
Total long-lived assets	$ 22,469	$ 25,089

15. Restructuring and Other Related Charges

On November 30, 2022, the Company announced and began implementing a plan to align its investments more closely with its strategic priorities by reducing the Company's workforce by approximately 13% and implementing certain facilities-related cost optimization actions. For the three months ended July 31, 2023, the Company recorded employee-related severance and other termination benefits of approximately $0.7 million.

The following table presents the total amount incurred and the liability, which is recorded in accrued compensation and employee benefits in the condensed consolidated balance sheet, for restructuring-related employee termination benefits as of July 31, 2023 (in thousands):

	Three Months Ended July 31, 2023
Beginning balance	$ 738
Incurred during the period	725
Paid during the period	(539)
Foreign currency translation adjustment	8
Ending balance	$ 932

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 our condensed consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q and with our Management's Discussion and Analysis of Financial Condition and Results of Operations and audited consolidated financial statements included in our Annual Report on Form 10-K for the fiscal year ended April 30, 2023. As discussed in the section titled "Note Regarding Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such difference include, but are not limited to, those identified below and those discussed in the section titled "Risk Factors" under Part II, Item 1A in this Quarterly Report on Form 10-Q. Our fiscal year end is April 30, and our fiscal quarters end on July 31, October 31, January 31, and April 30. Our fiscal year ended April 30, 2023 is referred to as fiscal 2023, and our fiscal year ending April 30, 2024 is referred to as fiscal 2024.

Overview

Elastic is a data analytics company built on the power of search. Our platform, which is available as both a hosted, managed service across public clouds as well as self-managed software, allows our customers to find insights and drive artificial intelligence ("AI") and machine learning use cases from large amounts of data. We offer three search-powered solutions – Search, Observability, and Security – that are built into the platform. We help organizations, their employees, and their customers find what they need faster, while keeping mission-critical applications running smoothly, and protecting against cyber threats.

Our platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. At the core of the Elastic Stack is Elasticsearch - a highly scalable document store and search engine, and the unified data store for all of our solutions and use cases. Our platform also includes the ESRE, which combines advanced AI with Elastic's text search to give developers a full suite of sophisticated retrieval algorithms and the ability to integrate with large language models. The Elastic Stack can be used by developers to power a variety of use cases. It is a distributed, real-time search and analytics engine and data store for all types of data, including textual, numerical, geospatial, structured, and unstructured.

We make our platform available as a hosted, managed service across major cloud providers. Customers can also deploy our platform across hybrid clouds, public or private clouds, and multi-cloud environments. As digital transformation drives mission critical business functions to the cloud, we believe that every company will need to build around a search-based relevance engine to find the answers that matter, from all of their data, in real-time, and at scale.

Our business model is based primarily on a combination of a paid Elastic-managed hosted service offering and paid and free proprietary self-managed software. Our paid offerings for our platform are sold via subscription through resource-based pricing, and all customers and users have access to all solutions. In Elastic Cloud, our family of cloud-based offerings under which we offer our software as a hosted, managed service, we offer various subscription tiers tied to different features. For users who download our software, we make some of the features of our software available for free, allowing us to engage with a broad community of developers and practitioners and introduce them to the value of the Elastic Stack. We believe in the importance of an open software development model, and we develop the majority of our software in public repositories as open code under a proprietary license. Unlike some companies, we do not build an enterprise version that is separate from our free distribution. We maintain a single code base across both our self-managed software and Elastic-hosted services. All of these actions help us build a powerful commercial business model that we believe is optimized for product-led growth.

We generate revenue primarily from sales of subscriptions to our platform. We offer various paid subscription tiers that provide different levels of rights to use proprietary features and access to support. We do not sell support separately. Our subscription agreements typically range from one to three years and are usually billed annually in advance. Our subscription agreements are both term-based and consumption-based, with the vast majority of Elastic Cloud subscriptions being consumption-based. We sell subscriptions in various currencies, with the majority of our subscriptions contracted in U.S. dollars, and a smaller portion contracted in Euro, British Pound Sterling, and other currencies. Elastic Cloud customers may also purchase subscriptions on a month-to-month basis without a commitment, with usage billed at the end of each month. Subscriptions accounted for 92% and 93% of total revenue for the three months ended July 31, 2023 and 2022, respectively. We also generate revenue from consulting and training services.

We make it easy for users to begin using our products in order to drive rapid adoption. Users can either sign up for a free trial on Elastic Cloud or download our software directly from our website without any sales interaction, and immediately begin using the full set of features. Users can also sign up for Elastic Cloud through public cloud marketplaces. We conduct low-touch campaigns to keep users and customers engaged once they have begun using Elastic Cloud or have downloaded our software. As of July 31, 2023, we had approximately 20,500 customers compared to over 19,300 customers as of July 31, 2022. The majority of our new customers use Elastic Cloud. We define a customer as an entity that generated revenue in the quarter ending on the measurement date from an annual or month-to-month subscription. Affiliated entities are typically counted as a single customer.

Many of these customers start with limited initial spending on our products but can significantly grow their spending. We drive high-touch engagement with qualified prospects and customers to drive further awareness, adoption, and expansion of our products with paid subscriptions. Expansion includes increasing the number of developers and practitioners using our products, increasing the utilization of our products for a particular use case, and utilizing our products to address new use cases. The number of customers who represented greater than $100,000 in annual contract value ("ACV") was over 1,190 and over 1,010 as of July 31, 2023 and 2022, respectively. The ACV of a customer's commitments is calculated based on the terms of that customer's subscriptions, and represents the total committed annual subscription amount as of the measurement date. Month-to-month subscriptions are not included in the calculation of ACV.

Our sales teams are organized primarily by geography and secondarily by customer segments. They focus on both initial conversion of users into customers and additional sales to existing customers. In addition to our direct sales efforts, we also maintain partnerships to further extend our reach and awareness of our products around the world.

We continue to make substantial investments in developing the Elastic Stack and expanding our global sales and marketing footprint. With a distributed team spanning over 35 countries, we are able to recruit, hire, and retain high-quality, experienced technical and sales personnel and operate at a rapid pace to drive product releases, fix bugs, and create and market new products. We had 2,995 employees as of July 31, 2023.

Current Economic Conditions

Recent and current macroeconomic events, including inflation, slower economic growth, political unrest, and concerns about the stability of banks, continue to evolve and negatively impact worldwide economic activity. Governmental and corporate responses to these factors, including rising interest rates, unpredictable and decreased spending, and layoffs, have added to the highly volatile macroeconomic landscape. We have experienced and, if economic conditions continue to decline, we may continue to experience longer and more unpredictable sales cycles, increased scrutiny of deals, slowing consumption and overall customer expenditures, and the impacts of changing foreign exchange rates with a strengthening or weakening U.S. dollar. We continue to closely monitor the macroeconomic environment and its effects on our business and on global economic activity, including customer spending behavior. Notwithstanding the potential and actual adverse impacts described above, as the pandemic has caused more of our customers to shift to a virtual workforce or accelerate their digital transformation efforts, we believe the value of our solutions has become even more evident.

Restructuring

To navigate the current economic environment, we have realigned our resources internally to drive greater efficiencies and rebalanced investments across all functions of the organization to reinvest some savings in key priority areas to drive growth. On November 30, 2022, we announced and began implementing a plan to align our investments more closely with our strategic priorities by reducing our workforce by approximately 13% and implementing certain facilities-related cost optimization actions. We incurred $0.7 million in restructuring and other related charges during the three months ended July 31, 2023. As of July 31, 2023, the implementation of the workforce reductions and facilities cost optimization was substantially completed.

See Note 15 "Restructuring and other related charges" in our accompanying Notes to the Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for additional information about this plan. We will continue to adjust, monitor, and curtail spending when and where needed to adapt to the current macroeconomic landscape and will reinvest some of the savings selectively in areas that we believe best position us to drive profitable growth. See "Risk Factors" included in Part II, Item 1A of this Quarterly Report on Form 10-Q for a discussion of additional risks.

Key Factors Affecting our Performance

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

Increasing adoption of Elastic Cloud. Elastic Cloud, our family of cloud-based offerings, is an important growth opportunity for our business. Organizations are increasingly looking for hosted deployment alternatives with reduced administrative burdens. In some cases, users of our source available software that have been self-managing deployments of the Elastic Stack subsequently become paying subscribers of Elastic Cloud. For the three months ended July 31, 2023 and 2022, Elastic Cloud contributed 41% and 39% of our total revenue, respectively. We believe that offering Elastic Cloud is important for achieving our long-term growth potential, and we expect Elastic Cloud's contribution to our subscription revenue to continue to increase over time. However, we expect that an increase in the relative contribution of Elastic Cloud to our business will continue to have a modest adverse impact on our gross margin as a result of the associated third-party hosting costs.

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

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

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

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

We believe that a useful indication of how our customer relationships have expanded over time is through our Net Expansion Rate, which is based upon trends in the rate at which customers increase their spend with us. To calculate an expansion rate as of the end of a given month, we start with the annualized spend from all such customers as of twelve months prior to that month end, or Prior Period Value. A customer's annualized spend is measured as its ACV, or in the case of customers charged on usage-based arrangements, by annualizing the usage for that month. We then calculate the annualized spend from these same customers as of the given month end, or Current Period Value, which includes any growth in the value of their subscriptions or usage and is net of contraction or attrition over the prior twelve months. We then divide the Current Period Value by the Prior Period Value to arrive at an expansion rate. The Net Expansion Rate at the end of any period is the weighted average of the expansion rates as of the end of each of the trailing twelve months. The Net Expansion Rate includes the dollar-weighted value of our subscriptions or usage that expand, renew, contract, or attrit. For instance, if each customer had a one-year subscription and renewed its subscription for the exact same amount, then the Net Expansion Rate would be 100%. Customers who reduced their annual subscription dollar value (contraction) or did not renew their annual subscription (attrition) would adversely affect the Net Expansion Rate. Our Net Expansion Rate was approximately 113% as of July 31, 2023.

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

Components of Results of Operations

Revenue

Subscription. Our revenue is primarily generated through the sale of subscriptions to software, which is either self-managed by the user or hosted and managed by us in the cloud. Subscriptions provide the right to use paid proprietary software features and access to support for our paid and unpaid software. Our subscription agreements are either term-based or consumption-based, with the vast majority of Elastic Cloud subscriptions being consumption-based.

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

Services. Services is composed of implementation and other consulting services as well as public and private training. Revenue for services is recognized as these services are delivered.

Cost of Revenue

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

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

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

Operating Expenses

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

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

General and administrative. General and administrative expense primarily consists of personnel costs for our management, finance, legal, human resources, and other administrative employees. Our general and administrative expense also includes professional fees, accounting fees, audit fees, tax services and legal fees, as well as insurance, allocated overhead costs, and other corporate expenses. We expect our general and administrative expense to increase in absolute dollars as we increase the size of our general and administrative functions to support the growth of our business.

Restructuring and other related charges. Restructuring and other related charges primarily consist of employee-related severance and other termination benefits as well as lease impairment and other facilities-related charges.

Other Income (Expense), Net

Interest expense. Interest expense primarily consists of interest on our 4.125% Senior Notes due 2029.

Other income, net. Other income, net primarily consists of interest income, gains and losses from transactions denominated in a currency other than the functional currency, and miscellaneous other non-operating gains and losses.

Provision for Income Taxes

Provision for income taxes consists primarily of income taxes related to the Netherlands, U.S. federal and state, and foreign jurisdictions in which we conduct business. Our effective tax rate is affected by recurring items, such as tax rates in jurisdictions outside the Netherlands and the relative amounts of income we earn in those jurisdictions, non-deductible stock-based compensation, as well as one-time tax benefits or charges.

Results of Operations

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

	Three Months Ended July 31,	
	2023	2022
	(in thousands)	
Revenue		
Subscription	$ 270,247	$ 231,814
Services	23,506	18,267
Total revenue	293,753	250,081
Cost of revenue [1][2]		
Subscription	57,266	53,551
Services	20,211	19,428
Total cost of revenue	77,477	72,979
Gross profit	216,276	177,102
Operating expenses [1][2][3]		
Research and development	80,690	78,649
Sales and marketing	133,169	125,006
General and administrative	37,939	34,088
Restructuring and other related charges	725	—
Total operating expenses	252,523	237,743
Operating loss [1][2][3]	(36,247)	(60,641)
Other income (expense), net		
Interest expense	(6,306)	(6,401)
Other income, net	7,300	339
Loss before income taxes	(35,253)	(66,703)
Provision for income taxes	13,255	2,848
Net loss	$ (48,508)	$ (69,551)

(1) Includes stock-based compensation expense and related employer taxes as follows:

	Three Months Ended July 31,	
	2023	2022
	(in thousands)	
Cost of revenue		
Subscription	$ 2,381	$ 2,383
Services	3,013	2,369
Research and development	23,405	19,672
Sales and marketing	19,669	16,422
General and administrative	11,146	8,419
Total stock-based compensation expense and related employer taxes	$ 59,614	$ 49,265

(2) Includes amortization of acquired intangible assets as follows:

	Three Months Ended July 31,	
	2023	2022
	(in thousands)	
Cost of revenue		
Subscription	$ 2,976	$ 2,964
Sales and marketing	1,232	1,231
Total amortization of acquired intangibles	$ 4,208	$ 4,195

(3) Includes acquisition-related expenses as follows:

	Three Months Ended July 31,	
	2023	2022
	(in thousands)	
Research and development	$ 780	$ 2,480
General and administrative	—	37
Total acquisition-related expenses	$ 780	$ 2,517

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

	Three Months Ended July 31,	
	2023	2022
Revenue		
Subscription	92 %	93 %
Services	8 %	7 %
Total revenue	100 %	100 %
Cost of revenue [1][2]		
Subscription	19 %	21 %
Services	7 %	8 %
Total cost of revenue	26 %	29 %
Gross profit	74 %	71 %
Operating expenses [1][2][3]		
Research and development	28 %	31 %
Sales and marketing	45 %	50 %
General and administrative	13 %	14 %
Restructuring and other related charges	— %	— %
Total operating expenses	86 %	95 %
Operating loss [1][2][3]	(12)%	(24)%
Other income (expense), net		
Interest expense	(2)%	(2)%
Other income, net	2 %	— %
Loss before income taxes	(12)%	(26)%
Provision for income taxes	5 %	2 %
Net loss	(17)%	(28)%

[1] Includes stock-based compensation expense and related employer taxes as follows:

	Three Months Ended July 31,	
	2023	2022
Cost of revenue		
Subscription	1 %	1 %
Services	1 %	1 %
Research and development	8 %	9 %
Sales and marketing	6 %	6 %
General and administrative	4 %	3 %
Total stock-based compensation expense and related employer taxes	20 %	20 %

[2] Includes amortization of acquired intangible assets as follows:

	Three Months Ended July 31,	
	2023	2022
Cost of revenue		
Subscription	1 %	1 %
Sales and marketing	— %	— %
Total amortization of acquired intangibles	1 %	1 %

(3) Includes acquisition-related expenses as follows:

	Three Months Ended July 31,	
	2023	2022
Research and development	— %	1 %
General and administrative	— %	— %
Total acquisition-related expenses	— %	1 %

Comparison of Three Months Ended July 31, 2023 and 2022

Revenue

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Revenue				
Subscription	$ 270,247	$ 231,814	$ 38,433	17 %
Services	23,506	18,267	5,239	29 %
Total revenue	$ 293,753	$ 250,081	$ 43,672	17 %

Subscription revenue increased by $38.4 million, or 17%, for the three months ended July 31, 2023 compared to the same period of the prior year. This increase was primarily driven by continued adoption of Elastic Cloud, which grew 24% over the same period and increased to 41% of total revenue for the three months ended July 31, 2023 from 39% for the three months ended July 31, 2022.

Services revenue increased by $5.2 million, or 29%, for the three months ended July 31, 2023 compared to the same period of the prior year. The increase in services revenue was attributable to increased adoption of our services offerings.

Cost of Revenue and Gross Margin

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Cost of revenue				
Subscription	$ 57,266	$ 53,551	$ 3,715	7 %
Services	20,211	19,428	783	4 %
Total cost of revenue	$ 77,477	$ 72,979	$ 4,498	6 %
Gross profit	$ 216,276	$ 177,102	$ 39,174	22 %
Gross margin:				
Subscription	79 %	77 %		
Services	14 %	(6)%		
Total gross margin	74 %	71 %		

Cost of subscription revenue increased by $3.7 million, or 7%, for the three months ended July 31, 2023 compared to the same period of the prior year. This increase was primarily due to an increase of $3.8 million in cloud infrastructure costs due to increased Elastic Cloud subscription revenue.

Cost of services revenue increased by $0.8 million, or 4%, for the three months ended July 31, 2023 compared to the same period of the prior year. This increase was primarily due to an increase of $1.2 million in personnel and related costs, including increases of $0.7 million in salaries and related taxes and $0.6 million in stock-based compensation. These costs were offset by decreases in third-party contractor costs of $0.3 million and in facility, software and equipment costs of $0.1 million.

Gross margin for services revenue was 14% for the three months ended July 31, 2023 compared to (6)% for the same period of the prior year. The increase in margin was primarily due to services revenue increasing at a higher rate, 29%, than cost of services revenue, which increased by 4%. We continue to make investments in our services organization that we believe will be needed as we continue to grow. Our gross margin for services may fluctuate or decline in the near-term as we seek to expand our services business.

Operating Expenses

Research and development

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Research and development	$ 80,690	$ 78,649	$ 2,041	3 %

Research and development expense increased by $2.0 million, or 3%, for the three months ended July 31, 2023 compared to the same period of the prior year as we continued to invest in the development of new and existing offerings. Personnel and related costs increased by $1.4 million for the current period, while cloud infrastructure costs related to our research and development activities increased by $0.6 million. The increase in personnel and related costs includes an increase of $3.7 million in stock-based compensation, offset by a decrease in acquisition-related compensation of $1.7 million, a decrease in salaries and related taxes of $0.4 million, and a decrease in miscellaneous other employee-related costs by $0.2 million.

Sales and marketing

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Sales and marketing	$ 133,169	$ 125,006	$ 8,163	7 %

Sales and marketing expense increased by $8.2 million, or 7%, for the three months ended July 31, 2023 compared to the same period of the prior year. This increase was primarily due to an increase of $5.0 million in personnel and related costs and a $3.8 million increase in travel costs. These increases were partially offset by a decrease of $0.8 million in consulting expense. The increase in personnel and related costs included an increase of $3.2 million in stock-based compensation, an increase of $1.0 million in salaries and related taxes, and an increase of $0.9 million in employee benefits expense.

General and administrative

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
General and administrative	$ 37,939	$ 34,088	$ 3,851	11 %

General and administrative expense increased by $3.9 million, or 11%, for the three months ended July 31, 2023 compared to the same period of the prior year. This increase was primarily due to an increase of $3.8 million in personnel and related costs. The increase in personnel and related costs included an increase of $2.7 million in stock-based compensation expense and an increase of $1.0 million in salaries and related taxes.

Restructuring and other related charges

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Restructuring and other related charges	$ 725	$ —	$ 725	100 %

For the three months ended July 31, 2023, we recorded restructuring and other related charges comprising employee-related severance and other termination benefits of approximately $0.7 million, while we had no such charges in the same period of the prior year.

Other Income (Expense), Net

Interest expense

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Interest expense	$ (6,306)	$ (6,401)	$ 95	(1)%

Interest expense decreased slightly by $0.1 million, or (1)%, for the three months ended July 31, 2023 compared to the same period of the prior year.

Other income (expense), net

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Other income (expense), net	$ 7,300	$ 339	$ 6,961	2,053 %

Other income, net was $7.3 million for the three months ended July 31, 2023 compared to $0.3 million for the same period of the prior year. This change of $7.0 million was primarily due to an increase of $7.2 million in investment income due to new investments in marketable securities and higher interest earned on funds invested in money market funds.

Provision for Income Taxes

	Three Months Ended July 31,		Change	
	2023	2022	$	%
	(in thousands)			
Provision for income taxes	$ 13,255	$ 2,848	$ 10,407	365 %

The provision for income taxes increased $10.4 million, or 365%, for the three months ended July 31, 2023 compared to the same period of the prior year. Our effective tax rate was (38)% and (4%) of our net loss before taxes for the three months ended July 31, 2023 and 2022, respectively. Our effective tax rate is affected by recurring items, such as tax rates in jurisdictions outside the Netherlands and the relative amounts of income we earn in those jurisdictions and non-deductible stock-based compensation as well as one-time tax benefits or charges. The increase in tax expense is driven primarily by growth in business operations in jurisdictions where we generate taxable income and do not have any available tax credits or net operating losses to offset that income and a one-time charge of $7.4 million for income taxes associated with acquisition-related integration.

We maintain a full valuation allowance against our U.S. federal and state deferred tax assets. We regularly assess the need for a valuation allowance against our deferred tax assets. In making that assessment, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets to determine, based on the weight of available evidence, whether it is more likely than not that some or all of the deferred tax assets will not be realized. Due to the cumulative U.S. losses during the prior twelve quarters, including permanent differences, and based on all available positive and negative evidence, as of July 31, 2023 and April 30, 2023, we have determined that it is more likely than not that our U.S. deferred tax assets will not be realized. However, given our current U.S. earnings and anticipated future earnings, we believe there is a reasonable possibility that within the next 12 months sufficient positive evidence of sustained U.S. profitability may become available to allow us to reach a conclusion that the U.S. valuation allowance will no longer be needed. Release of the valuation allowance would result in the recognition of material U.S. federal and state deferred tax assets and a corresponding decrease to income tax expense in the fiscal period the release is recorded. The exact timing and amount of the valuation allowance release are subject to change based on the level of sustained U.S. profitability we are able to actually achieve.

Liquidity and Capital Resources

As of July 31, 2023, our principal sources of liquidity were cash, cash equivalents, and marketable securities totaling $957.1 million. Our cash and cash equivalents and marketable securities consist of highly liquid investment-grade fixed-income securities. We believe that the credit quality of the securities portfolio is strong and diversified among industries and individual issuers.

We have generated significant operating losses from our operations as reflected in our accumulated deficit of $1.1 billion as of July 31, 2023. We have historically incurred, and expect to continue to incur, operating losses and may generate negative cash flows from operations on an annual basis for the foreseeable future due to the investments we intend to make as described above, and as a result, we may require additional capital resources to execute on our strategic initiatives to grow our business.

We believe that our existing cash, cash equivalents, and marketable securities and cash from our future operations will be sufficient to fund our operating and capital needs for at least the next 12 months, despite the uncertainty in the changing market and macroeconomic conditions. Our assessment of the period of time through which our financial resources will be adequate to support our operations is a forward-looking statement and involves risks and uncertainties. Our actual results could vary as a result of, and our future capital requirements, both near-term and long-term, will depend on, many factors, including our growth rate, the timing and extent of spending to support our research and development efforts, the expansion of sales and marketing activities, the timing of new introductions of solutions or features, and the continuing market acceptance of our solutions and services. We may in the future enter into arrangements to acquire or invest in complementary businesses, services and technologies, including intellectual property rights. We have based this estimate on assumptions that may prove to be wrong, and we could use our available capital resources sooner than we currently expect. In July 2021, we issued long-term debt of $575.0 million, and we may be required to seek additional equity or debt financing. In the event that additional financing is required from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are unable to raise additional capital when desired, or if we cannot expand our operations or otherwise capitalize on our business opportunities because we lack sufficient capital, our business, operating results and financial condition would be adversely affected.

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

	Three Months Ended July 31,	
	2023	2022
	(in thousands)	
Net cash provided by (used in) operating activities	$ 37,812	$ (9,705)
Net cash used in investing activities	$ (55,095)	$ (479)
Net cash provided by financing activities	$ 3,843	$ 3,397

Net Cash Provided by (Used in) Operating Activities

Net cash provided by operating activities during the three months ended July 31, 2023 was $37.8 million, which resulted from adjustments for non-cash charges of $81.8 million and net cash inflow of $4.6 million from changes in operating assets and liabilities, offset by a net loss of $48.5 million. Non-cash charges primarily consisted of $57.1 million for stock-based compensation expense, $17.6 million for amortization of deferred contract acquisition costs, $1.2 million of foreign currency exchange losses, $5.1 million of depreciation and intangible asset amortization expense, and $2.7 million in non-cash operating lease costs. The net cash inflow from changes in operating assets and liabilities was the result of a decrease of $75.9 million in accounts receivable and a decrease of $5.6 million in prepaid expenses and other assets. These outflows were partially offset by a $29.1 million decrease in deferred revenue, a net decrease of $23.5 million in accounts payable, accrued expenses and accrued compensation and benefits, an increase in deferred contract acquisition costs of $21.1 million as our sales commissions increased due to increased business volume, and a decrease of $3.1 million in operating lease liabilities.

Net cash used in operating activities during the three months ended July 31, 2022 was $9.7 million, which resulted from a net loss of $69.6 million adjusted for non-cash charges of $75.3 million and net cash outflow of $15.4 million from changes in operating assets and liabilities. Non-cash charges primarily consisted of $46.9 million for stock-based compensation expense, $17.4 million for amortization of deferred contract acquisition costs, $5.2 million of depreciation and intangible asset amortization expense, $3.0 million in non-cash operating lease costs, net foreign currency transaction loss of $1.8 million, an increase of $0.7 million in deferred tax assets, and amortization of debt issuance costs of $0.3 million. The net cash outflow from changes in operating assets and liabilities was the result of a decrease of $27.0 million in deferred revenue, an increase in deferred contract acquisition costs of $19.7 million as our sales commissions increased due to increased business volume, a net decrease of $18.4 million in accounts payable, accrued expenses, and accrued compensation and benefits, and a decrease of $3.2 million in operating lease liabilities. These outflows were partially offset by a decrease of $46.0 million in accounts receivable and a decrease of $6.8 million in prepaid expenses and other assets.

Net Cash Used in Investing Activities

Net cash used in investing activities of $55.1 million during the three months ended July 31, 2023 was primarily due to the purchase of marketable securities of $83.6 million, offset by cash provided by maturities of marketable securities of $29.1 million. In addition, we incurred $0.6 million of capital expenditures during the three months ended July 31, 2023.

Net cash used in investing activities of $0.5 million during the three months ended July 31, 2022 was due to capital expenditures during the period.

Net Cash Provided by Financing Activities

Net cash provided by financing activities of $3.8 million during the three months ended July 31, 2023 was due to the proceeds from stock option exercises.

Net cash provided by financing activities of $3.4 million during the three months ended July 31, 2022 was due to the proceeds from stock option exercises.

Contractual Obligations and Commitments

Our principal commitments consist of obligations under our operating leases, which are primarily for office space, and purchase commitments to our cloud hosting providers. There have been no material changes to our contractual obligations and commitments discussed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2023.

Recently Issued Accounting Pronouncements

See Note 2 “Summary of Significant Accounting Policies” of our accompanying Notes to Condensed Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for recently adopted accounting pronouncements and new accounting pronouncements not yet adopted as of the date of this report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

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

Interest Rate Risk

We had cash, cash equivalents, restricted cash, and marketable securities totaling $959.8 million as of July 31, 2023. Our cash, cash equivalents, and restricted cash are held in cash deposits and money market funds, and our marketable securities are held in time deposits and corporate and government debt securities. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, we do not believe that an immediate 10% increase or decrease in interest rates would have a material effect on the fair value of our investment portfolio. Declines in interest rates, however, would reduce our future interest income.

In July 2021, we issued $575.0 million aggregate principal amount of 4.125% Senior Notes due 2029 in a private placement. The fair value of the Senior Notes is subject to market risk. In addition, the fair market value of the Senior Notes is exposed to interest rate risk. Generally, the fair market value of our fixed interest rate Senior Notes will increase as interest rates fall and decrease as interest rates rise. The interest rate and market value changes affect the fair value of the Senior Notes, but do not impact our financial position, cash flows or results of operations due to the fixed nature of the debt obligation. Additionally, we carry the Senior Notes at face value less unamortized debt issuance cost on our balance sheet, and we present the fair value for required disclosure purposes only.

Foreign Currency Risk

Our revenue and expenses are primarily denominated in U.S. dollars, and to a lesser extent the Euro, British Pound Sterling, and other currencies. To date, we have not had a formal hedging program with respect to foreign currency, but we may adopt such a program in the future if our exposure to foreign currency should become more significant. For business conducted outside of the United States, we may have both revenue and costs incurred in the local currency of the subsidiary, creating a partial natural hedge. Although changes to exchange rates have not had a material impact on our net operating results to date, we will continue to reassess our foreign exchange exposure as we continue to grow our business globally.

We have experienced and will continue to experience fluctuations in net loss as a result of transaction gains or losses related to remeasurement of certain asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. An immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies could have a material effect on our revenue, operating expenses, and net loss. As a component of other income, net, we recognized a foreign currency transaction loss of $0.7 million and $1.0 million for the three months ended July 31, 2023 and 2022, respectively.

As of July 31, 2023, our cash, cash equivalents, restricted cash, and marketable securities were primarily denominated in U.S. dollars, Euros, and British Pound Sterling. A 10% increase or decrease in exchange rates as of such date would have had an impact of approximately $14.8 million on our cash, cash equivalents, restricted cash, and marketable securities balances.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain "disclosure controls and procedures," as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to 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 our management, including our principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of July 31, 2023, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by us in the reports we file or submit under the Exchange Act (a) is recorded, processed, summarized and reported within the time periods specified by the SEC rules and forms and (b) is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

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 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended July 31, 2023 that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to Part I, Item 1. “Financial Statements,” Note 7, “Commitments and Contingencies — Legal Matters” included in this Quarterly Report on Form 10-Q.

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

Item 1A. Risk Factors

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

The following is a summary of the key risks and uncertainties associated with our business, industry, and ownership of our ordinary shares. The summary below does not contain all of the information that may be important to you, and you should read this summary together with the more detailed description of each risk factor in the following discussion.

- If we do not appropriately manage our future growth or are unable to improve our systems and processes, our business and results of operations will be adversely affected.
- We have a history of losses and may not be able to achieve profitability on a consistent basis or at all or positive operating cash flow on a consistent basis.
- Our ability to grow our business will suffer if we do not expand and increase adoption of our Elastic Cloud offerings.
- Information technology spending, sales cycles, and other factors affecting the demand for our offerings and our results of operations have been, and may continue to be, negatively impacted by current macroeconomic conditions, including declining rates of economic growth, supply chain disruptions, inflationary pressures, increased interest rates, and other conditions discussed in this report, and by Russia’s invasion of Ukraine and the resulting international political crisis and associated impacts.
- Our future growth, business and results of operations will be harmed if we are not able to keep pace with technological and competitive developments, increase sales of our subscriptions to new and existing customers, renew existing customers’ subscriptions, increase adoption of our cloud-based offerings, respond effectively to evolving markets or offer high quality support services.
- Any actual or perceived failure by us to comply with regulations or any other obligations relating to privacy, data protection or information security could adversely affect our business.
- We and our third-party vendors and service providers are vulnerable to a risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches from nation-state and affiliated actors.
- Our operating results may fluctuate from quarter to quarter.
- Actions that we are taking to reduce costs and rebalance investments under a plan we announced in November 2022 may not result in anticipated savings or operational efficiencies, could result in total costs and expenses that are greater than expected and could disrupt our business.

- Our decision to no longer offer Elasticsearch and Kibana under an open source license may harm the adoption of those products.
- We could be negatively impacted if the Elastic License or the Server Side Public License under which some of our software is licensed is not enforceable.
- Limited technological barriers to entry into the markets in which we compete may facilitate entry by other enterprises into our markets to compete with us.
- We may not be able to effectively develop and expand our sales, marketing and customer support capabilities.
- Because we recognize the vast majority of our revenue from subscriptions, either based on actual consumption, monthly, or ratably, over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.
- Our limited history with consumption-based arrangements for our Elastic Cloud offerings is not adequate to enable us to predict accurately the long-term rate of customer adoption or renewal, or the impact those arrangements will have on our near-term or long-term revenue or operating results.
- A real or perceived defect, security vulnerability, error, or performance failure in our software could cause us to lose revenue, damage our reputation, and expose us to liability.
- Incorrect implementation or use of our software could negatively affect our business, operations, financial results, and growth prospects.
- Our reputation could be harmed if third parties offer inadequate or defective implementations of software that we have previously made available under an open source license.
- Interruptions or performance problems, and our reliance on technologies from third parties, may adversely affect our business operations and financial results.
- If our partners, including cloud providers, systems integrators, channel partners, referral partners, OEM and MSP partners, and technology partners, fail to perform or we are unable to maintain successful relationships with them, our ability to market, sell and distribute our solution will be more limited.
- Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.
- We could incur substantial costs as a result of any claim of infringement, misappropriation or violation of another party's intellectual property rights, including as a result of the indemnity provisions in various agreements.
- Our use of third-party open source software within our products could negatively affect our ability to sell our products and subject us to possible litigation.
- We may not be able to realize the benefits of our marketing strategies to offer some of our product features for free and to provide free trials to some of our paid features.
- Our international business exposes us to a variety of risks, and if we are not successful in sustaining and expanding our international business, we may incur additional losses and our revenue growth could be harmed.
- We are subject to risks associated with our receipt of revenue from sales to government entities.
- Our business is subject to a variety of government and industry regulations, as well as other obligations, including compliance with export control, trade sanctions, anti-bribery, anti-corruption, and anti-money laundering laws.
- An investment in our company is subject to tax risks based on our status as a non-U.S. corporation.
- The market price for our ordinary shares has been and is likely to continue to be volatile.
- The concentration of our share ownership with insiders will likely limit your ability to influence corporate matters.
- Dutch law and our articles of association include anti-takeover provisions, which may impact the value of our ordinary shares.
- Claims of U.S. civil liabilities may not be enforceable against us.
- We have a substantial amount of indebtedness and may not be able to generate sufficient cash to service all of our indebtedness.
- If industry or financial analysts do not publish research or reports about our business, or if they issue inaccurate or unfavorable research regarding our ordinary shares, our share price and trading volume could decline.

- We may fail to maintain an effective system of disclosure controls and internal control over financial reporting.

Risks Related to our Business and Industry

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

We have experienced rapid growth and increased demand for our offerings. Our employee headcount and number of customers have increased significantly. For example, our total number of customers has grown from over 2,800 as of April 30, 2017 to approximately 20,500 as of July 31, 2023. Further, although we implemented a workforce reduction in November 2022 and may modify our hiring to align with our evolving growth plans, our employee headcount generally has increased as we have expanded our business. The growth and expansion of our business and offerings place a continuous and significant strain on our management, operational, and financial resources. In addition, as customers adopt our technology for an increasing number of use cases, we have had to support more complex commercial relationships. We may not be able to leverage, develop and retain qualified employees effectively enough to maintain our growth plans. We must continue to improve our information technology and financial infrastructure, our operating and administrative systems, our relationships with various partners and other third parties, and our ability to manage headcount and processes in an efficient manner to manage our growth effectively. Our failure to do so could result in increased costs, negatively affect our customers' satisfaction with our offerings, and harm our results of operations.

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

We may find it difficult to maintain our corporate culture while managing our headcount. Any failure to manage our anticipated growth and related organizational changes in a manner that preserves our culture could negatively impact our future growth and achievement of our business objectives. Additionally, our productivity and the quality of our offerings may be adversely affected if we do not develop our employee talent effectively.

We have a history of losses and may not be able to achieve profitability on a consistent basis or at all, and may not be able to achieve positive operating cash flow on a consistent basis. As a result, our business, financial condition, and results of operations may suffer.

We have incurred losses in all years since our inception. We incurred a net loss of $48.5 million, $236.2 million, and $203.8 million for the three months ended July 31, 2023 and the years ended April 30, 2023 and 2022, respectively. As a result, we had an accumulated deficit of $1.1 billion as of July 31, 2023. We anticipate that our operating expenses will continue to increase substantially in the foreseeable future as we continue to enhance our offerings, broaden our customer base and pursue larger transactions, expand our sales and marketing activities, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. Revenue growth may slow or revenue may decline for a number of reasons, including slowing demand for our offerings, increasing competition, or economic downturns, including as a result of rising rates of inflation and other macroeconomic events. You should not consider our revenue growth in prior periods as indicative of our future performance. Any failure to increase our revenue or grow our business could prevent us from achieving profitability at all or on a consistent basis, which would cause our business, financial condition, and results of operations to suffer. Additionally, although we generated positive operating cash flow for the three months ended July 31, 2023 and in fiscal 2023, any failure to grow our business could prevent us from achieving positive operating cash flow on a consistent basis, which would cause our business, financial condition, and results of operations to suffer.

Our ability to grow our business will depend significantly on the expansion and adoption of our Elastic Cloud offerings.

We believe our future success will depend significantly on the growth in the adoption of Elastic Cloud, our family of cloud-based offerings. We have incurred and will continue to incur substantial costs to develop, sell and support our Elastic Cloud offerings. We have also entered into non-cancelable multi-year cloud hosting capacity commitments with certain third-party cloud providers, which require us to pay for such capacity irrespective of actual usage. We believe that we must offer a family of cloud-based products to address the market segment that prefers a cloud-based solution to a self-managed solution and that there will be increasing demand for cloud-based offerings of our products. For the three months ended July 31, 2023 and the years ended April 30, 2023 and 2022, Elastic Cloud contributed 41%, 40%, and 35% of our total revenue, respectively. However, as the use of cloud-based computing solutions is rapidly evolving, it is difficult to predict the potential growth, if any, of general market adoption, customer adoption, and retention rates of our cloud-based offerings. There could be decreased demand for our cloud-based offerings due to reasons within or outside of our control, including, among other things, lack of customer acceptance, technological challenges with bringing cloud offerings to market and maintaining those offerings, information security, data protection, or privacy concerns, our inability to properly manage and support our cloud-based offerings, competing technologies and products, weakening economic conditions, and decreases in corporate spending. If we are not able to develop, market, or deliver cloud-based offerings that satisfy customer requirements technically or commercially, if our investments in cloud-based offerings do not yield the expected return, or if we are unable to decrease the cost of providing our cloud-based offerings, our business, competitive position, financial condition and results of operations may be harmed.

Unfavorable or uncertain conditions in our industry or the global economy or reductions in information technology spending, including as a result of adverse macroeconomic conditions, or Russia's invasion of Ukraine, could limit our ability to grow our business and negatively affect our results of operations.

Our results of operations may vary based on the impact of changes in our industry or the global economy on us or our customers. Current, future, or sustained economic uncertainties or downturns, whether actual or perceived, could adversely affect our business and results of operations. Negative conditions in the general economy both in the United States and in international markets, including conditions resulting from changes in gross domestic product growth, financial and credit market fluctuations, international trade relations, changes in inflation, foreign exchange and interest rate environments, recessionary fears, supply chain constraints, energy costs, political instability, natural catastrophes, warfare, infectious diseases and terrorist attacks, could cause a decrease in business investments by our customers and potential customers, including spending on information technology, and negatively affect the growth of our business. For example, inflation rates recently reached levels not seen in decades and may continue to create economic volatility as governments adjust interest rates in an attempt to manage the inflationary environment, which may further lead to our customers tightening their technology spend and investment. Further, the ongoing international political crisis resulting from Russia's invasion of Ukraine could continue to have significant negative macroeconomic consequences, including on the businesses of our customers, which could negatively impact their spending on our offerings. Moreover, instability in the global banking system recently has resulted in failures of major banks. Any further disruptions or other adverse developments, or concerns or rumors about any such events or similar risks, in the financial services industry, both in the U.S. and in international markets, may lead to market-wide liquidity problems and may impact our or our customers' liquidity and, as a result, negatively affect the level of customer spending on our offerings.

As a result of the foregoing conditions, our revenue may be disproportionately affected by longer and more unpredictable sales cycles, delays or reductions in customer consumption or in general information technology spending, and further impacts of changing foreign exchange rates. Further, current and prospective customers may choose to develop in-house software as an alternative to using our paid products. These factors could increase the amount of customer churn we have experienced recently and further slow consumption and overall customer expenditure. Moreover, competitors may respond to market conditions by lowering prices. Such impacts of the current macroeconomic environment have negatively affected our results of operations since the first quarter of fiscal 2023. We cannot predict the timing, strength or duration of the current economic slowdown and instability or any recovery, generally or within our industry. If the economic conditions of the general economy or markets in which we operate do not improve, or worsen from present levels, our business, results of operations and financial condition could be adversely affected.

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

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

- our product capabilities, including speed, scale, and relevance, with which to power search experiences;
- our offerings of an extensible product "stack" that enables developers to build a wide variety of solutions;

- powerful and flexible technology that can manage a broad variety and large volume of data;
- ease of deployment and ease of use;
- ability to address a variety of evolving customer needs and use cases;
- strength and execution of our sales and marketing strategies;
- flexible deployment model across public or private clouds, hybrid environments, or multi-cloud environments;
- development of solutions engineered to be rapidly adopted to address specific applications;
- mindshare for our products with developers and IT and security executives;
- adoption of our products by many types of users and decision makers (including developers, architects, DevOps personnel, IT professionals, security analysts, and departmental and organizational leaders);
- enterprise-grade technology that is secure and reliable;
- size of our customer base and level of user adoption;
- quality of our training, consulting, and customer support;
- brand awareness and reputation; and
- low total cost of ownership.

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

- For Search and other platform use cases: offerings such as Solr (open source offering) and Lucidworks Fusion, search tools including Google, Coveo, and Algolia.
- For Observability: software vendors with specific observability solutions to analyze logging data, metrics, APM data, or infrastructure uptime, such as Splunk, New Relic, Dynatrace, AppDynamics (owned by Cisco Systems), and Datadog.
- For Security: security vendors such as Splunk, Azure Sentinel (by Microsoft), CrowdStrike, Carbon Black (owned by VMware), McAfee, and Symantec (owned by Broadcom).
- Certain cloud hosting providers and managed service providers, including AWS, that offer products or services based on a forked version of the Elastic Stack. These offerings are not supported by Elastic and come without any of Elastic's proprietary features, whether free or paid.

Some of our current and potential competitors have longer operating histories, significantly greater financial, technical, marketing and other resources, stronger brand recognition, broader global distribution and presence, more established relationships with current or potential customers and partners, and larger customer bases than we do. These factors may allow our competitors to respond more quickly than we can to new or emerging technologies and changes in customer preferences. These competitors may engage in more extensive research and development efforts, undertake more far-reaching and successful sales and marketing campaigns, have more experienced sales professionals, execute more successfully on their go-to-market strategy and have greater access to more markets and decision makers, and adopt more aggressive pricing policies which may allow them to build larger customer bases than we have. New start-up companies that innovate and large competitors that are making significant investments in research and development may develop similar offerings that compete with our offerings or that achieve greater market acceptance than our offerings. This could attract customers away from our offerings and reduce our market share. If we are unable to anticipate or react effectively to these competitive challenges, our competitive position would weaken, which would adversely affect our business and results of operations.

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

The market for search technologies, including search, observability and security, is subject to rapid technological change, innovation (such as the use of AI), evolving industry standards, and changing regulations, as well as changing customer needs, requirements and preferences. Our success depends upon our ability to continue to innovate, enhance existing products, expand the use cases of our products, anticipate and respond to changing customer needs, requirements, and preferences, and develop and introduce in a timely manner new offerings that keep pace with technological and competitive developments.

We have experienced delays in releasing new products, deployment options, and product enhancements and may experience similar delays in the future. As a result, in the past, some of our customers deferred purchasing our products until the next upgrade was released. Future delays or problems in the installation or implementation of our new releases may cause customers to forgo purchases of our products and purchase those of our competitors instead.

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

Sales of our products could suffer if the markets for those products do not grow or if we fail to adapt and respond effectively to evolving markets.

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

Any actual or perceived failure by us to comply with government or other obligations related to privacy, data protection and information security could adversely affect our business.

We are subject to compliance risks and uncertainties under a variety of federal, state, local and foreign laws and regulations governing privacy, data protection, information security, and the collection, storage, transfer, use, retention, sharing, disclosure, protection, and processing of personal data. Privacy, data protection, and information security laws may be interpreted and applied differently depending on the jurisdiction and continue to evolve, making it difficult to predict how they may develop and apply to us.

The regulatory frameworks for these issues worldwide are rapidly evolving and are likely to remain uncertain for the foreseeable future. Federal, state, or non-U.S. government bodies or agencies have in the past adopted, and may in the future adopt, new laws and regulations or may make amendments to existing laws and regulations affecting data protection, data privacy and/or information security and/or regulating the use of the Internet as a commercial medium.

In the United States, many states have enacted or are considering enacting such legislation. These laws and regulations may include a private right of action for certain data breaches or noncompliance with privacy obligations, may provide for penalties and other remedies, and may require us to incur substantial costs and expenses and liabilities in connection with our compliance. Other U.S. states and the U.S. federal government are considering or have enacted similar privacy legislation. Many obligations under these laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. Failure to comply with these varying laws and standards may subject us to investigations, enforcement actions, civil litigation, fines and other penalties, all of which may generate negative publicity and have a negative impact on our business.

Internationally, most jurisdictions in which we operate have established their own privacy, data protection and information security legal frameworks with which we or our customers must comply. Within the European Union, the General Data Protection Regulation ("GDPR") applies to the processing of personal data. The GDPR imposes significant obligations upon our business and compliance with these obligations can vary depending on how different regulators may interpret them. Failure to comply, or perceived failure to comply, can result in administrative fines of up to 20 million Euros or four percent of the group's annual global turnover, whichever is higher. Similarly, the United Kingdom has implemented legislation that is substantially similar to the EU GDPR where penalties for violations, actual or perceived, can be up to 17.5 million British Pound Sterling or four percent of the group's annual global turnover, whichever is higher, all of which may be subject to change with the introduction of the Data Protection and Digital Information (DPDI) Bill in 2022. The potential impact to our business remains unclear.

On June 4, 2021, the European Commission issued new Standard Contractual Clauses ("SCC") applicable to cross-border data transfers of personal data for people located in the EEA. On February 2, 2022, the United Kingdom's Information Commissioner's Office issued new standard contractual clauses to support personal data transfers out of the United Kingdom ("UK SCC"), which went into effect on March 21, 2022. In addition, on May 22, 2023, Ireland's Data Protection Commission ("DPC") found that another company's use of SCCs in its data transfers failed to adequately protect the personal data of its European users, and accordingly the DPC fined that company approximately $1.3 billion. While the full implications of this recent DPC decision for other companies such as us are not yet clear, those implications may, among other matters, affect our ability to continue using SCCs in our contracts or subject us to increased risk of regulatory fines related to our use of SCCs. In light of these and other ongoing developments relating to cross-border data transfer, we may experience additional costs associated with increased compliance burdens, and this regulation may impact our ability to transfer personal data across our organization, to customers, or to third parties.

In addition to government regulation, industry groups have established or may establish new and different self-regulatory standards that may legally or contractually apply to us or our customers. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard ("PCI DSS"), which relates to the processing of payment card information. Further, our customers increasingly expect us to comply with more stringent privacy, data protection, and information security requirements than those imposed by laws, regulations, or self-regulatory requirements, and we may be obligated contractually to comply with additional or different standards relating to our handling or protection of data on or by our offerings. Any failure to meet our customers' requirements may adversely affect our revenues and prospects for growth.

We also expect that there will continue to be changes in interpretations of existing or new laws and regulations, proposed laws, and other obligations, which could impair our or our customers' ability to process personal data, decrease demand for our offerings, impact our marketing efforts, increase our costs, and impair our ability to maintain and grow our customer base and increase our revenue. It is possible that these laws and regulations or other actual or asserted obligations relating to privacy, data protection, or information security may be interpreted and applied in manners that are, or are alleged to be, inconsistent with our data management practices or the features of our products. In such an event, we could face fines, lawsuits, regulatory investigations, and other claims and penalties, and we could be required to fundamentally change our products or our business practices, any of which could have an adverse effect on our business.

Data protection authorities and other regulatory bodies are increasingly focused on the use of online tracking tools and have issued or plan to issue rulings which may impact our marketing practices. Any restrictions on using online analytics and tracking tools could lead to substantial costs, require significant changes to our policies and practices, limit the effectiveness of our marketing activities, divert the attention of our technology personnel, adversely affect our margins, and subject us to additional liabilities.

We publicly post privacy statements and other documentation regarding our practices concerning the processing, use and disclosure of personal data. Any failure, or perceived failure, by us to comply with such statements could result in potential actions by regulatory bodies or governmental entities if they are found to be unfair or misrepresentative of our actual practices resulting in increased costs, changes in our business practices, or reputational harm.

We are unable to predict how emerging standards may be applied to us given the lack of substantial enforcement history, and thus, a regulator may subject us to certain actions, fines or public censure. Any actual or perceived inability to adequately address, or failure to comply with, data protection requirements, even if unfounded, could result in additional cost and liability to us, damage our reputation, inhibit sales, and adversely affect our business.

If our security measures are breached, we experience a security incident, or unauthorized access to or other processing of confidential information, including personal data, otherwise occurs, our software may be perceived as not being secure, customers may reduce the use of or stop using our products, and we may incur significant liabilities.

Any security breach or incident, including those resulting from a cybersecurity attack, phishing attack, unauthorized access, unauthorized usage, virus, malware, ransomware, denial of service, credential stuffing attack, supply chain attack, hacking, or similar breach involving our networks and systems, or those of third parties upon which we rely, could result in the loss of confidential information, including personal data, disruption to our operations, significant remediation costs, lost revenue, increased insurance premiums, damage to our reputation, litigation, regulatory investigations or other liabilities. These attacks may come from individual hackers, criminal groups, and state-sponsored organizations, and security breaches and incidents may arise from other sources, such as employee or contractor error or malfeasance.

Technology is constantly and rapidly evolving and security functionality may not develop as quickly, which could create vulnerabilities that can be exploited. Additionally, cyber threats are constantly evolving and becoming increasingly sophisticated and complex, increasing the difficulty of detecting and successfully defending against them. The use of AI by threat actors may increase the velocity of such threats, magnifying the risks associated with these types of attacks. As a provider of security solutions, we have been and may continue to be specifically targeted by threat actors for attacks intended to circumvent our security capabilities as an entry point into customers' endpoints, networks, or systems. Our industry continues to see a large volume of phishing attacks and unauthorized scans of systems searching for vulnerabilities or misconfigurations to exploit. If our security measures are breached or otherwise compromised as a result of third-party action, employee or contractor error, defect, vulnerability, or bugs in our products or products of third parties upon which we rely, malfeasance or otherwise, including any such breach or compromise resulting in someone obtaining unauthorized access to our confidential information, such as personal data or the confidential information or personal data of our customers or others, or if any of these are perceived or reported to occur, we may suffer the loss, compromise, corruption, unavailability, or destruction of our or others' confidential information and personal data, we may face a loss in intellectual property protection, our reputation may be damaged, our business may suffer and we could be subject to claims, demands, regulatory investigations and other proceedings, indemnity obligations, and otherwise incur significant liability. Even the perception of inadequate security or an inability to maintain security certifications or to comply with our customer or user agreements, contracts with third-party vendors or service providers or other contracts may damage our reputation, cause a loss of confidence in our security solutions and negatively impact our ability to win new customers and retain existing customers. Further, we could be required to expend significant capital and other resources to address any security breach or incident, and we may face difficulties or delays in identifying and responding to any security breach or incident.

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

We engage third-party vendors and service providers to store and otherwise process some of our and our customers' data, including sensitive and personal data. There have been and may continue to be significant supply chain attacks generally, and our third-party vendors and service providers may be targeted or impacted by such attacks, and face other risks of security breaches and incidents. Our third-party vendors and service providers have been subject to phishing attacks and other security incidents, and we cannot guarantee that our or our third-party vendors and service providers' systems and networks have not been breached or otherwise compromised or that they do not contain exploitable vulnerabilities, defects or bugs that could result in a breach of or disruption to our systems and networks or the systems and networks of third parties that support us and our services. Our ability to monitor our third-party vendors and service providers' data security is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized access to, or misuse, disclosure, loss, destruction, or other unauthorized processing of our and our customers' data, including sensitive and personal data. Additionally, some of our products leverage open source code libraries, and threat actors may attempt to deploy malicious code to users of these libraries, which could impact us and our users.

Techniques used to sabotage or obtain unauthorized access to systems or networks are constantly evolving and, in some instances, are not identified until launched against a target. We and our third-party vendors and service providers may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventative measures. Security risks have also heightened as more individuals are working remotely and utilizing home networks for transmitting information, and reported ransomware incidents with significant operational impacts also appear to be escalating in frequency and degree. Also, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our third-party vendors and service providers are vulnerable to a heightened risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches from nation-state and affiliated actors, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products and services as well as retaliatory cybersecurity attacks from Russian and Russian-affiliated actors against companies with a U.S. presence. We may be at a heightened risk of such retaliatory attacks due to our decision to no longer sell our products to companies in Russia or Belarus until further notice, and to support Ukraine by, among other things, providing free access to Elastic Cloud solutions, including our platinum security capabilities, to organizations in Ukraine.

Laws, regulations, government guidance, and industry standards and practices in the United States and elsewhere are rapidly evolving to combat cyber threats. We may face increased compliance burdens regarding such requirements with regulators and customers regarding our products and services and also incur additional costs for oversight and monitoring of our own supply chain. We and our customers may also experience increased costs associated with security measures and increased risk of suffering cybersecurity attacks, including ransomware attacks. Should we or the third-party vendors and service providers upon which we rely experience such attacks, including from ransomware or other security breaches or incidents, our operations may also be hindered or interrupted due to system disruptions or otherwise, with foreseeable secondary contractual, regulatory, financial, and reputational harms that may arise from such an incident.

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

Our operating results are likely to fluctuate from quarter to quarter, and our financial results in any one quarter should not be relied upon as indicative of future performance.

Our results of operations, including our revenue, cost of revenue, gross margin, operating expenses, cash flow and deferred revenue, have fluctuated from quarter-to-quarter in the past and may continue to vary significantly in the future so that period-to-period comparisons of our results of operations may not be meaningful. These variations may be further impacted as more of our Elastic Cloud customers adopt consumption-based arrangements or as Elastic Cloud customers already on consumption-based arrangements optimize their usage in response to the current macroeconomic environment. Accordingly, our financial results in any one quarter should not be relied upon as indicative of future performance. Our quarterly financial results may fluctuate as a result of a variety of factors, many of which are outside of our control, may be difficult to predict, and may or may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly financial results include:

- our ability to attract new customers and retain existing customers;
- the loss of existing customers;
- customer renewal rates;
- our ability to successfully expand our business in the U.S. and internationally;
- general political, geopolitical, economic, industry and market conditions (including recessionary pressures or uncertainties in the global economy);
- our ability to foster an ecosystem of developers and users to expand the use cases of our products;
- our ability to gain new partners and retain existing partners;
- fluctuations in the growth rate of the overall market that our products address;
- fluctuations in the mix of our revenue, which may impact our gross margins and operating income;

- the amount and timing of operating expenses related to the maintenance and expansion of our business and operations, including investments in sales and marketing, research and development and general and administrative resources;
- network outages or performance degradation of Elastic Cloud;
- actual or perceived breaches of, or failures or incidents relating to, privacy, data protection or information security;
- our recent plan to reduce costs and rebalance investments;
- additions or departures of key personnel;
- the impact of catastrophic events, man-made problems such as terrorism, natural disasters and public health epidemics and pandemics;
- Russia's invasion of Ukraine and the related impact on macroeconomic conditions;
- increases or decreases in the number of elements of our subscriptions or pricing changes upon any renewals of customer agreements;
- changes in our pricing policies or those of our competitors;
- the budgeting cycles and purchasing practices of customers;
- decisions by potential customers to purchase alternative solutions;
- decisions by potential customers to develop in-house solutions as alternatives to our products;
- insolvency or credit difficulties confronting our customers, which could adversely affect their ability to purchase or pay for our offerings;
- our ability to collect invoices or receivables in a timely manner;
- delays in our ability to fulfill our customers' orders;
- the cost and potential outcomes of future litigation or other disputes;
- future accounting pronouncements or changes in our accounting policies;
- our overall effective tax rate, including impacts caused by any reorganization in our corporate tax structure and any new legislation or regulatory developments;
- fluctuations in stock-based compensation expense;
- fluctuations in foreign currency exchange rates;
- the impact of changing inflation and interest rate environments;
- the timing and success of new offerings introduced by us or our competitors or any other change in the competitive dynamics of our industry, including consolidation among competitors, customers, or partners;
- the timing of expenses related to the development or acquisition of technologies or businesses and potential future charges for impairment of goodwill from acquired companies; and
- other risk factors described in this Quarterly Report on Form 10-Q.

The impact of one or more of the foregoing or other factors may cause our operating results to vary significantly. Such fluctuations in our results could cause us to fail to meet the expectations of investors or securities analysts, which could cause the trading price of our ordinary shares to fall substantially, and we could face costly lawsuits, including securities class action suits, which could have an adverse effect on our business.

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

A portion of our subscription revenue is generated, and a portion of our operating expenses is incurred, outside the United States in foreign currencies. Fluctuations in the value of the U.S. dollar versus foreign currencies, particularly with respect to the Euro and the British Pound Sterling, may impact our operating results when translated into U.S. dollars. Exchange rates have been volatile as a result of the Russian invasion of Ukraine and related events and uncertain macroeconomic conditions, and this volatility may continue. A strengthening of the U.S. dollar could adversely affect year-over-year growth and increase the real cost of our offerings to our non-U.S. dollar customers, leading to delays in the purchase of our offerings and the lengthening of our sales cycle. If, as has occurred in prior periods, the strength of the U.S. dollar increases, our financial condition and results of operations could be negatively affected. In addition, increased international sales in the future, including through our channel partners, may result in greater foreign currency denominated sales, increasing our foreign currency risk. Moreover, operating expenses incurred outside the United States in foreign currencies are increasing and are subject to fluctuations due to changes in foreign currency exchange rates. If we are not able to successfully hedge against the risks associated with currency fluctuations, our financial condition and results of operations could be adversely affected.

Actions that we have taken to reduce costs and rebalance investments may not result in anticipated savings or operational efficiencies, could result in total costs and expenses that are greater than expected, and could disrupt our business.

In November 2022, we announced and began implementing a plan to reduce our workforce by approximately 13% and optimize facilities-related costs. We adopted this plan to improve operational efficiencies and align our investments more closely with our strategic priorities. We may incur additional expenses associated with the reduction in our workforce not contemplated by our plan such as employment litigation costs, which may have an impact on other areas of our liabilities and obligations and contribute to losses in future periods. We may not realize, in full or in part, the anticipated benefits and savings from our plan due to unforeseen difficulties, delays or unexpected costs. If we are unable to realize the expected operational efficiencies and cost savings, our operating results and financial condition would be adversely affected.

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

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

If our existing customers do not renew their subscriptions, our business and results of operations may be adversely affected.

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

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

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

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

Our decision to no longer offer Elasticsearch and Kibana under an open source license may harm the adoption of Elasticsearch and Kibana.

In February 2021, with the release of version 7.11 of the Elastic Stack, we changed the source code of Elasticsearch and Kibana which had historically been licensed under Apache 2.0, to be dual licensed under Elastic License 2.0 and the Server Side Public License Version 1.0 ("SSPL"), at the user's election. Neither the Elastic License nor the SSPL has been approved by the Open Source Initiative or is included in the Free Software Foundation's list of free software licenses. Further, neither has been interpreted by any court. While the vast majority of downloads of Elasticsearch and Kibana from mid-2018 through early 2021 were licensed under the Elastic License, the removal of the Apache 2.0 alternative could negatively impact certain developers for whom the availability of an open source license was important. In addition, some developers and the companies for whom they work may be hesitant to download or upgrade to new versions of Elasticsearch or Kibana under the Elastic License or SSPL because of uncertainty regarding how these licenses may be interpreted and enforced. Other developers, including competitors of Elastic such as Amazon, have announced that they have "forked" Elasticsearch and Kibana, which means they have developed their own product or service that is based on features of Elasticsearch and Kibana that we had previously made available under an open source license. For example, Amazon has launched an open source project called OpenSearch based on a forked version of the Elastic Stack, which is licensed under Apache 2.0, and rebranded their existing Elasticsearch Service as OpenSearch Service. The combination of uncertainty around our dual license model and the potential competition from the forked versions of our software may negatively impact adoption of Elasticsearch and Kibana, which in turn could lead to reduced brand and product awareness and to a decline in paying customers, which could harm our ability to grow our business or achieve profitability.

We could be negatively impacted if the Elastic License or SSPL, under which some of our software is licensed, is not enforceable.

We make the source code of our products available under Apache 2.0, the Elastic License, or as dual licensed under the Elastic License and SSPL, depending on the product and version. Apache 2.0 is a permissive open source license that allows licensees to freely copy, modify and distribute Apache 2.0-licensed software if they meet certain conditions. The Elastic License is our proprietary source available license. The Elastic License permits licensees to use, copy, modify and distribute the licensed software so long as they do not offer access to the software as a cloud service, interfere with the license key or remove proprietary notices. SSPL is a source available license that is based on the GNU Affero General Public License ("AGPL") open source license and permits licensees to copy, modify and distribute SSPL-licensed software, but expressly requires licensees that offer the SSPL-licensed software as a third-party service to open source all of the software that they use to offer such service. We rely upon the enforceability of the restrictions set forth in the Elastic License and SSPL to protect our proprietary interests. If a court were to hold that the Elastic License or SSPL or certain aspects of these licenses are unenforceable, others may be able to use our software to compete with us in the marketplace in a manner not subject to the restrictions set forth in the Elastic License or SSPL.

Limited technological barriers to entry into the markets in which we compete may facilitate entry by other enterprises into our markets to compete with us.

Anyone may obtain access to source code for the features of our software that we have licensed under open source or source available licenses. Depending on the product and version of the Elastic software, this source code is available under Apache 2.0, SSPL, or the Elastic License. Each of these licenses allows anyone, subject to compliance with the conditions of the applicable license, to redistribute our software in modified or unmodified form and use it to compete in our markets. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies, due to the rights granted to licensees of open source and source available software. It is possible for competitors to develop their own software, including software based on our products, potentially reducing the demand for our products and putting pricing pressure on our subscriptions. For example, Amazon offers some of the features that we had previously made available under an open source license as part of its AWS offering. As such, Amazon competes with us for potential customers, and while Amazon cannot provide our proprietary software, Amazon's offerings may reduce the demand for our offerings and the pricing of Amazon's offerings may limit our ability to adjust the prices of our products. Competitive pressure in our markets generally may result in price reductions, reduced operating margins and loss of market share.

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

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

We may not achieve revenue growth from expanding our sales force if we are unable to hire, train, and retain talented and effective sales personnel. We depend on our sales force to obtain new customers and to drive additional sales to existing customers. We believe that there is significant competition for sales personnel, including sales representatives, sales managers, and sales engineers, with the requisite skills and technical knowledge. Our ability to achieve significant revenue growth will depend, in large part, on our success in recruiting, training and retaining sufficient sales personnel to support our growth, and as we introduce new products, solutions, and marketing strategies, we may need to re-train existing sales personnel. For example, we may need to provide additional training and development to our sales personnel in relation to understanding and selling consumption-based arrangements and expanding customer usage of our offerings over time. New hires also require extensive training which may take significant time before they achieve full productivity. Our recent hires and planned hires may not become productive as quickly as we expect, and we may be unable to hire or retain sufficient numbers of qualified individuals in the markets where we do business or plan to do business. As we continue to grow rapidly, a large percentage of our sales force will have relatively little experience working with us, our subscriptions, and our business model. Additionally, we may need to evolve our sales compensation plans to drive the growth of our Elastic Cloud offerings with consumption-based arrangements. Such changes may have adverse consequences if not designed effectively. If we are unable to hire and train sufficient numbers of effective sales personnel, our new and existing sales personnel are unable to achieve desired productivity levels in a reasonable period of time, our sales personnel are not successful in obtaining new customers or increasing sales to our existing customer base, or our sales and marketing programs, including our sales compensation plans, are not effective, our growth and results of operations could be negatively impacted, and our business could be harmed.

Our failure to offer high-quality customer support could have an adverse effect on our business, reputation and results of operations.

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

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

Because we recognize the vast majority of the revenue from subscriptions, either based on actual consumption, monthly, or ratably, over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.

Subscription revenue accounts for the substantial majority of our revenue, comprising 92%, 92%, and 93% of total revenue for the three months ended July 31, 2023 and the years ended April 30, 2023 and 2022, respectively. The effect of significant downturns in new or renewed sales of our subscriptions is not reflected in full in our results of operations until future periods. We recognize the vast majority of our subscription revenue, either based on actual consumption, monthly, or ratably, over the term of the relevant time period. As a result, much of the subscription revenue we report each fiscal quarter represents the recognition of deferred revenue from subscription contracts entered into during previous fiscal quarters. Consequently, a decline in new or renewed subscriptions in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter and will negatively affect our revenue in future fiscal quarters.

We do not have an adequate history with our consumption-based arrangements for our Elastic Cloud offerings to predict accurately the long-term rate of customer adoption or renewal, or the impact those arrangements will have on our near-term or long-term revenue or operating results.

We expect that our consumption-based arrangements for our Elastic Cloud offerings will continue to increase, both in amount and as a percentage of our total revenue. Because we recognize revenue under a consumption-based arrangement based on actual customer consumption, we do not have the same visibility into the timing of revenue recognition as we do under subscription arrangements where revenue is recognized on a predetermined schedule over the subscription term. Additionally, customers may consume our products at a different pace than we expect. For example, we have experienced and, if adverse economic conditions persist, may continue to experience slowing consumption as customers look to optimize their usage. Additionally, we have seen and may continue to see newer customers increase their consumption of our solutions at a slower pace than our more tenured customers. For these reasons, our revenue may be less predictable or more variable than our historical revenue, and our actual results may differ materially from our forecasts.

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

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

Our future performance also depends on the continued services and continuing contributions of our senior management, particularly our Chief Executive Officer, Ashutosh Kulkarni, and Chief Technology Officer, co-founder and former Chief Executive Officer, Shay Banon, to execute on our business plan and to identify and pursue new opportunities and product innovations. We do not maintain key person life insurance policies on any of our employees. The loss of services of senior management could significantly delay or prevent the achievement of our development and strategic objectives, which could adversely affect our business, financial condition, and results of operations. Any search for senior management in the future or any search to replace the loss of any senior management may be protracted, and we may not be able to attract a qualified candidate or replacement, as applicable, in a timely manner or at all, particularly as potential candidates may be less willing to change jobs during the unstable economic conditions caused by macroeconomic and geopolitical events.

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

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

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

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

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

We rely on third-party cloud platforms to host our cloud offerings. If we experience an interruption in service for any reason, our cloud offerings would similarly be interrupted. The ongoing effects of Russia's invasion of Ukraine, adverse economic conditions, and increased energy prices could also disrupt the supply chain of hardware needed to maintain our third-party data center operations. An interruption in our services to our customers could cause our customers' internal and consumer-facing applications to cease functioning, which could have a material adverse effect on our business, results of operations, customer relationships and reputation.

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

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

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

If third parties offer inadequate or defective implementations of software that we have previously made available under an open source license, our reputation could be harmed.

Certain cloud hosting providers and managed service providers, including AWS, offer hosted products or services based on a forked version of the Elastic Stack, which means they offer a service that includes some of the features that we had previously made available under an open source license. These offerings are not supported by us and come without any of our proprietary features, whether free or paid. We do not control how these third parties may use or offer our open source technology. These third parties could inadequately or incorrectly implement our open source technology or fail to update such technology in light of changing technological or security requirements, which could result in real or perceived defects, security vulnerabilities, errors, or performance failures with respect to their offerings. Users, customers, and potential customers could confuse these third-party products with our products, and attribute such defects, security vulnerabilities, errors, or performance failures to our products. Any damage to our reputation and brand from defective implementations of our open source software could result in lost sales and lack of market acceptance of our products and could adversely affect our business and growth prospects.

If our website fails to rank prominently in unpaid search results, traffic to our website could decline and our business would be adversely affected.

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

Our business could suffer if we fail to maintain satisfactory relationships with third-party service providers on which we rely for many aspects of our business.

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

If we are not able to maintain and enhance our brand, especially among developers, our ability to expand our customer base will be impaired and our business and operating results may be adversely affected.

We believe that developing and maintaining widespread awareness of our brand, especially with developers, is critical to achieving widespread acceptance of our software and attracting new users and customers. We also believe that the importance of brand recognition will increase as competition in our market increases. Successfully maintaining and enhancing our brand will depend largely on the effectiveness of our marketing efforts, our ability to maintain our customers' trust, our ability to continue to develop new functionality and use cases, and our ability to successfully differentiate our products and platform capability from competitive products. Brand promotion activities may not generate user or customer awareness or increase revenue. Even if they do, any increase in revenue may not offset the expenses we incur in building our brand. For instance, our continued focus and investment in our ElasticON user conferences and similar investments in our brand, user engagement, and customer engagement may not generate the desired customer awareness or a sufficient financial return. If we fail to successfully promote and maintain our brand, we may fail to attract or retain users and customers necessary to realize a sufficient return on our brand-building efforts, or to achieve the widespread brand awareness that is critical for broad customer adoption of our products, which would adversely affect our business and results of operations.

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

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

If our channel partners fail to perform or we are unable to maintain successful relationships with them, our ability to market, sell and distribute our solutions will be more limited, and our results of operations and reputation could be harmed.

A portion of our revenue is generated by sales through our channel partners, especially to U.S. federal government customers and in certain international markets, and these sales may grow and represent a larger portion of our revenues in the future. We provide certain of our channel partners with specific training and programs to assist them in selling our offerings, but this assistance may not always be effective. In addition, our channel partners may be unsuccessful in marketing and selling our offerings. If we are unable to develop and maintain effective sales incentive programs for our channel partners, we may not be able to incentivize these partners to sell our offerings to customers.

Some of these partners may also market, sell, and support offerings that compete with ours, may devote more resources to the marketing, sales, and support of such competitive offerings, may have incentives to promote our competitors' offerings to the detriment of our own or may cease selling our offerings altogether. The loss of one or more of our significant channel partners or a decline in the number or size of orders from any of them could harm our results of operations. In addition, many of our new channel partners require extensive training and may take several months or more to become effective in marketing our offerings. Our channel partner sales structure could subject us to lawsuits, potential liability, misstatement of revenue, and reputational harm if, for example, any of our channel partners misrepresents the functionality of our offerings to customers or violates laws or our or their corporate policies, including our terms of business, which in turn could impact reported revenue, deferred revenue and remaining performance obligations. If our channel partners are unsuccessful in fulfilling the orders for our offerings, or if we are unable to enter into arrangements with and retain high-quality channel partners, our ability to sell our offerings and results of operations could be harmed.

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

We maintain partnership relationships with a variety of partners, including cloud providers such as Amazon, Google, and Microsoft, systems integrators, channel partners, referral partners, OEM and MSP partners, and technology partners, to deliver offerings to our end customers and complement our broad community of users. In particular, we partner with various cloud providers to jointly market, sell and deliver our Elastic Cloud offerings, which in some instances also involves technical integration with such cloud providers.

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

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

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

The sales prices for our offerings may decline or we may introduce new pricing models for a variety of reasons, including competitive pricing pressures, discounts, in anticipation of or in conjunction with the introduction of new offerings, or promotional programs.

Competition continues to increase in the market segments in which we operate, and we expect competition to continue to increase, thereby leading to increased pricing pressures. Larger competitors with more diverse offerings may reduce the price of offerings that compete with ours or may bundle them with other offerings. Additionally, currency fluctuations in certain countries and regions and pressures from uncertain inflation and interest rate environments may negatively impact actual prices that customers and channel partners are willing to pay in those countries and regions. Any decrease in the sales prices for our offerings, without a corresponding decrease in costs or increase in volume, would adversely impact our gross profit. Gross profit could also be adversely impacted by a shift in the mix of our subscriptions from self-managed to our cloud offering, for which we incur hosting costs, as well as any increase in our mix of services relative to subscriptions. We may not be able to maintain our prices and gross profits at levels that will allow us to achieve and maintain profitability.

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

We expect our revenue mix to vary over time as a result of a number of factors, any one of which or the cumulative effect of which may result in significant fluctuations in our gross margin and operating results. We expect that revenue from Elastic Cloud will continue to become a larger part of our revenue mix. Due to the differing revenue recognition policies applicable to our subscriptions and services, shifts in our business mix from quarter to quarter could produce substantial variation in revenue recognized. The growth of consumption-based arrangements for our Elastic Cloud offerings, where the revenue we recognize is tied to our customers' actual usage of our products, and further reduction in usage by customers already using a consumption-based arrangement due to the uncertain macroeconomic environment, may further contribute to the variation in our revenue. Further, our gross margins and operating results could be harmed by changes in revenue mix and costs, together with numerous other factors, including entry into new markets or growth in lower margin markets; entry into markets with different pricing and cost structures; pricing discounts; and increased price competition. This variability and unpredictability could result in our failure to meet internal expectations or those of securities analysts or investors for a particular period.

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

Our success depends to a significant degree on our ability to protect our proprietary technology, methodologies, know-how and brand. We rely on a combination of trademarks, copyrights, patents, contractual restrictions, and other intellectual property laws and confidentiality procedures to establish and protect our proprietary rights. The steps we take to protect our intellectual property rights may be inadequate. We will not be able to protect our intellectual property rights if we are unable to enforce our rights or if we do not detect unauthorized use of our intellectual property rights. The source code of the proprietary features for the Elastic Stack is publicly available, which may enable others to replicate our proprietary technology and compete more effectively. If we fail to protect our intellectual property rights adequately, our competitors may gain access to our proprietary technology and our business may be harmed. In addition, defending our intellectual property rights might entail significant expense. Any patents, trademarks, or other intellectual property rights that we have or may obtain may be challenged by others or invalidated through administrative process or litigation. Patent applications we file may not result in issued patents. Even if we continue to seek patent protection in the future, we may be unable to obtain further patent protection for our technology. In addition, any patents issued in the future may not provide us with competitive advantages, or may be successfully challenged by third parties. Furthermore, legal standards relating to the validity, enforceability, and scope of protection of intellectual property rights are uncertain. Despite our precautions, it may be possible for unauthorized third parties to copy our products and use information that we regard as proprietary to create offerings that compete with ours. Effective patent, trademark, copyright, and trade secret protection may not be available to us in every country in which our products are available. We may be unable to prevent third parties from acquiring domain names or trademarks that are similar to, infringe upon, or diminish the value of our trademarks and other proprietary rights. The laws of some countries are not as protective of intellectual property rights as those in the United States, and mechanisms for enforcement of intellectual property rights may be inadequate. As we expand our international activities, our exposure to unauthorized copying and use of our products and proprietary information will likely increase.

We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with other parties. These agreements may not be effective in controlling access to and distribution of our proprietary information. Further, these agreements may not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our products. Our ability to enforce such agreements may be adversely affected if the Federal Trade Commission adopts a rule it proposed in January 2023 that would prohibit non-compete provisions in employment agreements. Although the proposed rule generally would not apply to other types of employment restrictions, such as confidentiality agreements, such employment restrictions could be subject to the rule if they are so broad in scope that they function as non-competes.

In order to protect our intellectual property rights, we may be required to spend significant resources to monitor and protect our intellectual property rights. Litigation has previously been, and may in the future be, necessary to enforce our intellectual property rights and to protect our trade secrets. Even if we prevail in such disputes, we may not be able to recover all or a portion of any judgments, and litigation brought to protect and enforce our intellectual property rights could be costly, time-consuming, and distracting to management. If unsuccessful, litigation could result in the impairment or loss of portions of our intellectual property. Further, our efforts to enforce our intellectual property rights may be met with defenses, counterclaims, and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could delay further sales or the implementation of our products, impair the functionality of our products, delay introductions of new products, result in our substituting inferior or more costly technologies into our products, or injure our reputation.

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

In recent years, there has been significant litigation involving patents and other intellectual property rights in the software industry. Companies providing software are increasingly bringing and becoming subject to suits alleging infringement, misappropriation or violation of proprietary rights, particularly patent rights, and to the extent we gain greater market visibility, we face a higher risk of being the subject of intellectual property infringement, misappropriation or violation claims. The risk of patent litigation has been amplified by the increase in the number of a type of patent holder, which we refer to as a non-practicing entity, whose sole or principal business is to assert such claims and against whom our own intellectual property portfolio may provide little deterrent value. We could incur substantial costs in prosecuting or defending any intellectual property litigation. If we sue to enforce our rights or are sued by a third party that claims that our products infringe, misappropriate or violate their rights, the litigation could be expensive and could divert our management resources from operations.

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

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

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

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

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

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

Our technologies incorporate open source software from other developers, and we expect to continue to incorporate such open source software in our products in the future. Few of the licenses applicable to open source software have been interpreted by courts, and there is a risk that these licenses could be construed in a manner that could impose unanticipated conditions or restrictions on our ability to commercialize our products. Moreover, we may not have incorporated third-party open source software in our software in a manner that is inconsistent with the terms of the applicable license or our current policies and procedures. If we fail to comply with these licenses, we may be subject to certain requirements, including requirements that we offer our solutions that incorporate the open source software for no cost, that we make available source code for modifications or derivative works we create based upon, incorporating or using the open source software, and that we license such modifications or derivative works under the terms of applicable open source licenses.

If an author or other third party that distributes such open source software were to allege that we had not complied with the conditions of one or more of these licenses, we could be required to incur significant legal expenses defending against such allegations and could be subject to significant damages, enjoined from the sale of our products that contained the open source software and required to comply with onerous conditions or restrictions on these products, which could disrupt the distribution and sale of these products. In addition, there have been claims challenging the ownership rights in open source software against companies that incorporate open source software into their products, and the licensors of such open source software provide no warranties or indemnities with respect to such claims. In any of these events, we and our customers could be required to seek licenses from third parties in order to continue offering our products, and to re-engineer our products or discontinue the sale of our products in the event re-engineering cannot be accomplished on a timely basis. We and our customers may also be subject to suits by parties claiming infringement, misappropriation or violation due to the reliance by our solutions on certain open source software, and such litigation could be costly for us to defend or subject us to an injunction. Some open source projects have known vulnerabilities and architectural instabilities and are provided on an "as-is" basis which, if not properly addressed, could negatively affect the performance of our product. Any of the foregoing could require us to devote additional research and development resources to re-engineer our solutions, could result in customer dissatisfaction, and may adversely affect our business, results of operations and financial condition.

We may not be able to realize the benefits of our marketing strategies to offer some of our product features for free and to provide free trials of some of our paid features.

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

Our international operations and expansion expose us to a variety of risks.

As of July 31, 2023, we had customers located in over 125 countries, and our strategy is to continue to expand internationally. In addition, as a result of our strategy of leveraging a distributed workforce, as of July 31, 2023, we had employees located in over 35 countries. Our current international operations involve and future initiatives may involve a variety of risks, including:

- political and economic instability related to international disputes, such as Russia's invasion of Ukraine and the related impact on macroeconomic conditions as a result of such conflict, which may negatively impact our customers, partners, and vendors;
- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- different labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- exposure to many stringent, particularly in the European Union, and potentially inconsistent laws and regulations relating to privacy, data protection and information security;
- changes in a specific country's or region's political or economic conditions;
- the evolving relations between the United States and China;

- changes in relations between the Netherlands and the United States;
- risks resulting from changes in currency exchange rates and inflationary pressures;
- risks resulting from the migration of invoicing from local billing entities to centralized regional billing entities;
- the impact of public health epidemics or pandemics on our employees, partners, and customers;
- challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- risks relating to enforcement of U.S. export control laws and regulations including the Export Administration Regulations, and trade and economic sanctions, including restrictions promulgated by the Office of Foreign Assets Control ("OFAC"), and other similar trade protection regulations and measures in the United States or in other jurisdictions;
- risks relating to our third-party vendors and service providers' storage and processing of some of our and our customers' data, including any supply chain cybersecurity attacks;
- reduced ability to timely collect amounts owed to us by our customers in countries where our recourse may be more limited;
- limitations on our ability to reinvest earnings from operations derived from one country to fund the capital needs of our operations in other countries;
- political, economic and trade uncertainties or instability related to the United Kingdom's withdrawal from the European Union (Brexit);
- limited or unfavorable intellectual property protection; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), and similar applicable laws and regulations in other jurisdictions.

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

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

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

Any need by us to raise additional capital or generate the significant capital necessary to expand our operations and invest in new offerings could reduce our ability to compete and could harm our business.

We may need to raise additional funds in the future, and we may not be able to obtain additional debt or equity financing on favorable terms, if at all, particularly during times of market volatility, changes in the interest rate environment, and general economic instability. If we raise additional equity financing, our shareholders may experience significant dilution of their ownership interests and the per share value of our ordinary shares could decline. Furthermore, if we engage in debt financing, the holders of debt would have priority over the holders of our ordinary shares, and we may be required to accept terms that restrict our ability to incur additional indebtedness. We may also be required to take other actions that would otherwise be in the interests of the debt holders and force us to maintain specified liquidity or other ratios, any of which could harm our business, results of operations, and financial condition. If we need additional capital and cannot raise it on acceptable terms, we may not be able, among other actions, to:

- develop or enhance our products;
- continue to expand our sales and marketing and research and development organizations;

- acquire complementary technologies, products or businesses;
- expand operations in the United States or internationally;
- hire, train, and retain employees; or
- respond to competitive pressures or unanticipated working capital requirements.

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

Our generation of a portion of our revenue by sales to government entities subjects us to a number of risks.

Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive, and time-consuming, often requiring significant upfront time and expense without any assurance that these efforts will generate a sale. Government certification and security requirements for products like ours may change, thereby restricting our ability to sell into the U.S. federal government sector, U.S. state government sector, or government sectors of countries other than the United States until we have obtained the revised certification or met the changed security requirements. If we are unable to timely meet such requirements, our ability to compete for and retain federal government contracts may be diminished, which could adversely affect our business, results of operations and financial condition.

Government entities may have statutory, contractual, or other legal rights to terminate contracts with us or our channel partners for convenience or due to a default, and any such termination may adversely affect our future results of operations. Government demand and payment for our offerings may be affected by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our offerings or exercise of options under multi-year contracts. Contracts with government agencies, including classified contracts, are subject to extensive, evolving and sometimes complex regulations, as well as audits and reviews of contractors' administrative processes and other contract related compliance obligations. Breaches of government contracts, failure to comply with applicable regulations or unfavorable findings from government audits or reviews could result in contract terminations, reputational harm or other adverse consequences, including but not limited to ineligibility to sell to government agencies in the future, the government refusing to continue buying our subscriptions, a reduction of revenue, or fines or civil or criminal liability, which could adversely affect our results of operations in a material way.

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

Our income tax obligations are based in part on our corporate structure and intercompany arrangements, including the manner in which we develop, value, and use our intellectual property and the valuations of our intercompany transactions. The tax laws applicable to our business, including the laws of the Netherlands, the United States and other jurisdictions, are subject to change and interpretation. Any new legislation or interpretations of existing legislation could impact our tax obligations in countries where we do business or cause us to change the way we operate our business and result in increased taxation of our international earnings.

For example, the Organisation for Economic Co-operation and Development ("OECD")/G20 Inclusive Framework has been working on addressing the tax challenges arising from the digitalization of the economy, including by releasing the OECD's Pillar One and Pillar Two blueprints on October 12, 2020. Pillar One refers to the re-allocation of taxing rights to jurisdictions where sustained and significant business is conducted, regardless of a physical presence, while Pillar Two establishes a minimum tax to be paid by multinational enterprises. On December 15, 2022, the Council of the EU formally adopted Directive (EU) 2022/2523 (the "Pillar Two Directive") to achieve a coordinated implementation of Pillar Two in EU Member States consistent with EU law. On May 31, 2023, the Dutch State Secretary of Finance submitted a proposal of law for the Minimum Tax Rate Act 2024 (Wet minimumbelasting 2024) to Dutch parliament, which would effectively implement the Pillar Two initiative in Dutch law, with an effective date of December 31, 2023. This measure will ensure that multinational enterprises that are within the scope of the Pillar Two rules will always be subject to a corporation tax rate of at least 15%. The proposal of law is subject to amendment during the course of the legislative process and needs to be approved by both chambers of the Dutch parliament before it can enter into force. We do not currently believe that, if enacted, the Minimum Tax Rate Act 2024 will have a material adverse effect on our financial results.

In 2022, the United States enacted legislation implementing several changes to U.S. tax laws, including a 15% corporate alternative minimum tax on applicable corporations with an average adjusted financial statement income (AFSI) in excess of $1 billion for any three consecutive years preceding the tax year at issue. In addition, on January 1, 2022, a provision of the Tax Cuts and Jobs Act of 2017 went into effect that eliminates the option to deduct domestic research and development costs in the year incurred and instead requires taxpayers to amortize such costs over five years. Once we have taxable profits in the United States, these provisions are not expected to materially affect our cash flows or deferred tax assets.

The taxing authorities of the jurisdictions in which we operate may challenge our methodologies for valuing developed technology or intercompany arrangements, which could increase our worldwide effective tax rate and harm our financial position and results of operations. Tax authorities examine and may audit our income tax returns and other non-income tax returns, such as payroll, sales, value-added, net worth or franchise, property, goods and services, and excise taxes, in both the United States and foreign jurisdictions. It is possible that tax authorities may disagree with certain positions we have taken, and any adverse outcome of such a review or audit could have a negative effect on our financial position and results of operations. Further, the determination of our worldwide provision for, or benefit from, income taxes and other tax liabilities requires significant judgment by management, and there are transactions where the ultimate tax determination is uncertain. Although we believe that our estimates are reasonable, the ultimate tax outcome may differ from the amounts recorded in our consolidated financial statements and may materially affect our financial results in the period or periods for which such determination is made.

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

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

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

As of April 30, 2023, we had net operating loss carryforwards ("NOL") for Netherlands, United States (federal and state, respectively) and United Kingdom income tax purposes of $1.0 billion, $973.4 million, $665.0 million and $74.5 million, respectively, which may be utilized against future income taxes. Limitations imposed by the applicable jurisdictions on our ability to utilize NOLs could cause income taxes to be paid earlier than would be paid if such limitations were not in effect and could cause such NOLs to expire unused, in each case reducing or eliminating the benefit of such NOLs. Furthermore, we may not be able to generate sufficient taxable income to utilize our NOLs before they expire. If any of these events occur, we may not derive some or all of the expected benefits from our NOLs.

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

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

Risks Related to Regulatory Matters

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

Our software and services, in some cases, are subject to U.S. export control laws and regulations including the Export Administration Regulations ("EAR"), and trade and economic sanctions maintained by OFAC as well as similar laws and regulations in the countries in which we do business. As such, an export license may be required to export or re-export our software and services to, or import our software and services into, certain countries and to certain end-users or for certain end-uses. If we were to fail to comply with such U.S. and foreign export control laws and regulations, trade and economic sanctions, or other similar laws, we could be subject to both civil and criminal penalties, including substantial fines, possible incarceration for employees and managers for willful violations, and the possible loss of our export or import privileges. Obtaining the necessary export license for a particular sale or offering may not be possible and may be time-consuming and may result in the delay or loss of sales opportunities. Furthermore, export control laws and economic sanctions in many cases prohibit the export of software and services to certain embargoed or sanctioned countries, governments and persons, as well as for prohibited end-uses. Monitoring and ensuring compliance with these complex U.S. export control laws involves uncertainties because our offerings are widely distributed throughout the world, and information available on the users of these offerings is, in some cases, limited. Even though we take precautions to ensure that we and our partners comply with all relevant export control laws and regulations, any failure by us or our partners to comply with such laws and regulations could have negative consequences for us, including reputational harm, government investigations and penalties.

Various countries have enacted laws that could limit our ability to distribute our products and services or could limit our end customers' ability to implement our products in those countries based on encryption in our offerings. Changes in our products or changes in export and import regulations in such countries may create delays in the introduction of our products and services into international markets, prevent our end customers with international operations from deploying our products globally or, in some cases, prevent or delay the export or import of our products and services to certain countries, governments or persons altogether. Reduced use of our products and services by, or decreased ability by us to export or sell our products to, existing or potential end customers with international operations could result from changes in export or import laws or regulations, economic sanctions or related legislation; shifts in the enforcement or scope of existing export, import or sanctions laws or regulations; or changes in the countries, governments, persons, or technologies targeted by such export, import or sanctions laws or regulations.

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

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

Risks Related to Ownership of our Ordinary Shares

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

The stock markets, and securities of technology companies in particular, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many technology companies. Stock prices of many technology companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In particular, stock prices of companies with significant operating losses have recently declined significantly, and in many instances more significantly than stock prices of companies with operating profits. The economic impact and uncertainty of changes in the inflation, interest and macroeconomic environments, and Russia's invasion of Ukraine have exacerbated this volatility in both the overall stock markets and the market price of our ordinary shares. A significant decline in the price of our shares could have an adverse impact on investor confidence and employee retention. In the past, shareholders have instituted securities class action litigation following periods of market volatility. If we were to become involved in securities litigation, our involvement could subject us to substantial costs, divert resources and the attention of management from our operations and adversely affect our business. The market price of our ordinary shares may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

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

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 and other expectations regarding our future performance in our quarterly and annual earnings conference calls, quarterly and annual earnings releases, or other public disclosures. Guidance, as well as other expectations, are forward-looking and represent our management's estimates as of the date of release and are based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic and competitive uncertainties and contingencies on our business, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. Furthermore, analysts and investors may develop and publish their own forecasts concerning our financial results, which may form a consensus about our future performance. Our actual business results may vary significantly from such guidance or other expectations 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 current macroeconomic environment, and which could adversely affect our business and future operating results. Furthermore, if we make downward revisions of our previously announced guidance or other expectations, if we withdraw our previously announced guidance or other expectations, or if our publicly announced guidance or other expectations of future operating results fail to meet expectations of securities analysts, investors or other interested parties, the price of our ordinary shares could decline. In light of the foregoing, investors should not rely upon our guidance or other expectations in making an investment decision regarding our ordinary shares.

Any failure to successfully implement our operating strategy or the occurrence of any of the events or circumstances set forth in this "Risk Factors" section in this report could result in the actual operating results being different from our guidance or other expectations, and the differences may be adverse and material.

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

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

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

Our articles of association authorize us to issue up to 165 million ordinary shares and up to 165 million preference shares with such rights and preferences as included in our articles of association. On September 28, 2018, our extraordinary general meeting of shareholders (the "2018 Extraordinary Meeting") empowered our board of directors to issue ordinary shares and preference shares up to our authorized share capital for a period of five years from October 10, 2018. Subject to compliance with applicable rules and regulations, we may issue ordinary shares or securities convertible into ordinary shares from time to time in connection with a financing, acquisition, investment, our equity incentive plans or otherwise. Any such issuance could result in substantial dilution to our existing shareholders unless pre-emptive rights exist and cause the market price of our ordinary shares to decline.

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

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

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

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

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

Holders of an aggregate of 17,063,977 ordinary shares, based on shares outstanding as of July 31, 2023, are entitled to rights with respect to registration of these shares under the Securities Act pursuant to our amended and restated investors' rights agreement, dated July 19, 2016. If these holders of our ordinary shares, by exercising their registration rights, sell a large number of shares, such sales could adversely affect the market price for our ordinary shares. We have also filed, and may file in the future, registration statements on Form S-8 under the Securities Act registering all ordinary shares that we may issue under our equity compensation plans, which may in turn be sold and may adversely affect the market price for our ordinary shares.

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

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

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

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

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

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

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

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

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

There is no treaty between the United States and the Netherlands for the mutual recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. Therefore, a final judgment rendered by any federal or state court in the United States based on civil liability, whether or not predicated solely upon the U.S. federal securities laws, would not be enforceable in the Netherlands unless the underlying claim is re-litigated before a Dutch court of competent jurisdiction. In such proceedings, however, a Dutch court may be expected to recognize the binding effect of a judgment of a federal or state court in the United States without re-examination of the substantive matters adjudicated thereby, if (i) the jurisdiction of the U.S. federal or state court has been based on internationally accepted principles of private international law, (ii) that judgment resulted from legal proceedings compatible with Dutch notions of due process, (iii) that judgment does not contravene public policy of the Netherlands and (iv) that judgment is not incompatible with (x) an earlier judgment of a Dutch court between the same parties, or (y) an earlier judgment of a foreign court between the same parties in a dispute regarding the same subject and based on the same cause, if that earlier foreign judgment is recognizable in the Netherlands.

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

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

U.S. persons who hold our ordinary shares may suffer adverse tax consequences if we are characterized as a passive foreign investment company.

A non-U.S. corporation will generally be considered a passive foreign investment company ("PFIC"), for U.S. federal income tax purposes, in any taxable year if either (i) at least 75% of its gross income for such year is passive income or (ii) at least 50% of the value of its assets (based on an average of the quarterly values of the assets during such year) is attributable to assets that produce or are held for the production of passive income ("the PFIC asset test"). For purposes of the PFIC asset test, the value of our assets will generally be determined by reference to our market capitalization. Based on our past and current projections of our income and assets, we do not expect to be a PFIC for the current taxable year or for the foreseeable future. Nevertheless, a separate factual determination as to whether we are or have become a PFIC must be made each year (after the close of such year). Since our projections may differ from our actual business results and our market capitalization and value of our assets may fluctuate, we cannot assure you that we will not be or become a PFIC in the current taxable year or any future taxable year. If we are a PFIC for any taxable year during which a U.S. person (as defined in Section 7701(a)(30) of the Internal Revenue Code of 1986, as amended) holds our ordinary shares, such U.S. person may be subject to adverse tax consequences. Each U.S. person who holds our ordinary shares is strongly urged to consult his, her or its tax advisor regarding the application of these rules and the availability of any potential elections.

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

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

We may not be able to make distributions or repurchase shares without subjecting our shareholders to Dutch withholding tax, and dividends distributed on our ordinary shares to certain related parties in low-tax jurisdictions might in the future become subject to an additional Dutch withholding tax.

We have not paid a dividend on our ordinary shares in the past and we do not intend to pay any dividends to holders of our ordinary shares in the foreseeable future. See "We do not intend to pay dividends in the foreseeable future, so your ability to achieve a return on your investment will depend on appreciation in the price of our ordinary shares." However, if we ever do pay dividends or repurchase shares, then under current Dutch tax law, the dividend paid or repurchase price paid may be subject to Dutch dividend withholding tax at a rate of 15% under the Dutch Dividend Withholding Tax Act (*Wet op de dividendbelasting 1965*, "Regular Dividend Withholding Tax"), unless a domestic or treaty exemption applies.

The Dutch parliament has adopted a proposal of law pursuant to which an alternative withholding tax ("Alternative Withholding Tax") will be imposed on dividends paid to related entities in designated low-tax jurisdictions, effective January 1, 2024. An entity is considered related if (i) it has a "Qualifying Interest" in our company, (ii) our company has a "Qualifying Interest" in the entity holding the ordinary shares, or (iii) a third party has a "Qualifying Interest" in both our company and the entity holding the ordinary shares. The term "Qualifying Interest" means a direct or indirectly held interest either by an entity individually or jointly if an entity is part of a collaborating group (*samenwerkende groep*) that enables such entity or such collaborating group to exercise a definite influence over another entity's decisions, such as our company or an entity holding ordinary shares, as the case may be, and allows it to determine the other entity's activities. The Alternative Withholding Tax will be imposed at the highest Dutch corporate income tax rate in effect at the time of the distribution (currently 25.8%). The Alternative Withholding Tax will be reduced, but not below zero, with any Regular Dividend Withholding Tax imposed on distributions. Based on currently applicable rates, the overall effective rate of withholding of Regular Dividend Withholding Tax and Alternative Withholding Tax will not exceed the highest corporate income tax rate in effect at the time of the distribution (currently 25.8%).

If we cease to be a Dutch tax resident for the purposes of a tax treaty concluded by the Netherlands and in certain other events, we could potentially be subject to a proposed Dutch dividend withholding tax in respect of a deemed distribution of our entire market value less paid-up capital.

Under a proposal of law currently pending before the Dutch parliament, the Emergency act conditional exit dividend withholding tax (*Spoedwet conditionele eindafrekening dividendbelasting*, "DWT Exit Tax"), we will be deemed to have distributed an amount equal to our entire market capitalization less recognized paid-up capital immediately before the occurrence of certain events, including if we cease to be a Dutch tax resident for purposes of a tax treaty concluded by the Netherlands with another jurisdiction and become, for purposes of such tax treaty, exclusively a tax resident of that other jurisdiction which is a qualifying jurisdiction. A qualifying jurisdiction is a jurisdiction other than a member state of the EU/EEA which does not impose a withholding tax on distributions, or that does impose such tax but that grants a step-up for earnings attributable to the period before we become exclusively a resident in such jurisdiction. This deemed distribution will be subject to a 15% tax insofar it exceeds a franchise of EUR 50 million. The tax is payable by us as a withholding agent. A full exemption applies to entities and individuals that are resident in an EU/EEA member state or a state that has concluded a tax treaty with the Netherlands that contains a dividend article, provided we submit a declaration confirming the satisfaction of applicable conditions by qualifying shareholders within one month following the taxable event. We will be deemed to have withheld the tax on the deemed distribution and have a statutory right to recover this from our shareholders. Dutch resident shareholders qualifying for the exemption are entitled to a credit or refund, and non-Dutch resident shareholders qualifying for the exemption are entitled to a refund, subject to applicable statutory limitations, provided the tax has been actually recovered from them.

The DWT Exit Tax has been amended several times since the initial proposal of law and is under ongoing discussion. In addition, a critical reaction from authorities to the latest proposal of law have been published. It is therefore not certain whether the DWT Exit Tax will be enacted and if so, in what form. If enacted in its present form, the DWT Exit Tax will have retroactive effect as from December 8, 2021.

Risks Related to our Outstanding Senior Notes

We have a substantial amount of indebtedness, which could adversely affect our financial condition.

We have a substantial amount of indebtedness and we may incur additional indebtedness in the future. As of July 31, 2023, we had $575.0 million aggregate principal amount of Senior Notes outstanding. Our indebtedness could have important consequences, including:

- limiting our ability to obtain additional financing to fund future working capital, capital expenditures, acquisitions or other general corporate requirements;
- requiring a portion of our cash flows to be dedicated to debt service payments instead of other purposes, thereby reducing the amount of cash flows available for working capital, capital expenditures, acquisitions and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and competitive conditions; and
- increasing our cost of borrowing.

In addition, the indenture that governs the Senior Notes contains restrictive covenants that limit our ability to engage in activities that may be in our long-term best interest. Our failure to comply with those covenants could result in an event of default which, if not cured or waived, could result in the acceleration of substantially all of our indebtedness.

We may not be able to generate sufficient cash to service all of our indebtedness and may be forced to take other actions to satisfy our obligations under our indebtedness, which may not be successful.

Our ability to make scheduled payments on or to refinance our debt obligations depends on our financial condition and results of operations, which in turn are subject to prevailing economic and competitive conditions and to certain financial, business and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness, which could have a material adverse effect on our business, results of operations and financial condition.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we could face substantial liquidity problems and may be forced to reduce or delay investments and capital expenditures, or to sell assets, seek additional capital or restructure or refinance our indebtedness. Our ability to restructure or refinance our debt will depend on, among other factors, the condition of the capital markets and our financial condition at such time. Any refinancing of our debt could be at higher interest rates and may require us to comply with more onerous covenants, which could further restrict our business operations. The terms of existing or future debt instruments and the indenture that governs the Senior Notes may restrict us from adopting some of these alternatives. In addition, any failure to make payments of interest and principal on our outstanding indebtedness on a timely basis would likely result in a reduction of our credit rating, which could harm our ability to incur additional indebtedness. In the absence of such cash flows and resources, we could face substantial liquidity problems and might be required to dispose of material assets or operations to meet our debt service and other obligations. Any of these circumstances could have a material adverse effect on our business, results of operations and financial condition.

Further, any future credit facility or other debt instrument may contain provisions that will restrict our ability to dispose of assets and use the proceeds from any such disposition. We may not be able to consummate those dispositions or to obtain the proceeds that we could realize from them and these proceeds may not be adequate to meet any debt service obligations then due. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations and any such failure to meet our scheduled debt service obligations could have a material adverse effect on our business, results of operations and financial condition.

The indenture that governs the Senior Notes contains, and any of our future debt instruments may contain, terms which restrict our current and future operations, particularly our ability to respond to changes or to take certain actions.

The indenture that governs the Senior Notes contains a number of restrictive covenants that impose significant operating and financial restrictions on us and may limit our ability to engage in acts that may be in our long-term best interest, including, among other things, restrictions on our ability to:

- create liens on certain assets to secure debt;
- grant a subsidiary guarantee of certain debt without also providing a guarantee of the Senior Notes; and
- consolidate or merge with or into, or sell or otherwise dispose of all or substantially all of our assets to, another person.

The covenants in the indenture that governs the Senior Notes are subject to important exceptions and qualifications described in such indenture.

As a result of these restrictions, we are limited as to how we conduct our business and we may be unable to raise additional debt or equity financing to compete effectively or to take advantage of new business opportunities. The terms of any future indebtedness we may incur could include more restrictive covenants and may require us to maintain specified financial ratios and satisfy other financial condition tests. We may not be able to maintain compliance with these covenants in the future and, if we fail to do so, we may not be able to obtain waivers from the relevant lenders and/or amend the covenants.

Our failure to comply with the restrictive covenants described above and/or the terms of any future indebtedness from time to time could result in an event of default, which, if not cured or waived, could result in our being required to repay these borrowings before their due date. If we are forced to refinance these borrowings on less favorable terms or cannot refinance these borrowings, our results of operations and financial condition could be adversely affected. As a result, our failure to comply with such restrictive covenants could have a material adverse effect on our business, results of operations and financial condition.

We may be required to repurchase some of the Senior Notes upon a change of control triggering event.

Holders of the Senior Notes can require us to repurchase the Senior Notes upon a change of control (as defined in the indenture governing the Senior Notes) at a repurchase price equal to 101% of the principal amount of the Senior Notes, plus accrued and unpaid interest to, but excluding, the applicable repurchase date. Our ability to repurchase the Senior Notes may be limited by law or the terms of other agreements relating to our indebtedness. In addition, we may not have sufficient funds to repurchase the Senior Notes or have the ability to arrange necessary financing on acceptable terms, if at all. A change of control may also constitute a default under, or result in the acceleration of the maturity of, our other then-existing indebtedness. Our failure to repurchase the Senior Notes would result in a default under the Senior Notes, which may result in the acceleration of the Senior Notes and other then-existing indebtedness. We may not have sufficient funds to make any payments triggered by such acceleration, which could result in foreclosure proceedings and our seeking protection under the U.S. bankruptcy code.

General Risk Factors

We may not benefit from our acquisition strategy.

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

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

A significant natural disaster, such as an earthquake, fire, flood, or significant power outage, could have an adverse impact on our business, results of operations, and financial condition. The impact of climate change may increase these risks due to changes in weather patterns, such as increases in storm intensity, sea-level rise, melting of permafrost and temperature extremes in areas where we or our suppliers and customers conduct business. We have a number of our employees and executive officers located in the San Francisco Bay Area, a region that has recently been affected by wildfires and other extreme weather events. If our or our partners' abilities are hindered by any of the foregoing events, we could experience sales delays, supply chain disruptions, and other negative impacts on our business. In addition, acts of terrorism, acts of war, including Russia's invasion of Ukraine, other geo-political unrest or health issues, such as an outbreak of pandemic or epidemic diseases, such as the COVID-19 pandemic, or fear of such events, could cause disruptions in our business or the business of our partners, customers or the economy as a whole. Any disruption in the business of our partners or customers that affects sales in a fiscal quarter could have a significant adverse impact on our quarterly results for that and future quarters. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

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

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, as provided in "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in Part I, Item 2 of this Quarterly Report on Form 10-Q, the results of which form the basis for making judgments about the carrying values of assets, liabilities, equity, revenue, and expenses that are not readily apparent from other sources. Our results of operations may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our results of operations to fall below our publicly announced guidance or the expectations of securities analysts and investors, resulting in a decline in the market price of our ordinary shares. Significant assumptions and estimates used in preparing our consolidated financial statements include those related to revenue recognition and accounting of intangible assets.

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

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

Our reputation and/or business could be negatively impacted by ESG matters and/or our reporting of such matters.

There is an increasing focus from regulators, certain investors, and other stakeholders concerning environmental, social, and governance ("ESG") matters, both in the United States and internationally. In addition, changing laws, regulations and standards relating to ESG matters are evolving, creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time-consuming. We communicate certain ESG-related initiatives and goals regarding ESG in our annual ESG Report, on our website, in our filings with the SEC, and elsewhere. These initiatives and goals, coupled with the uncertainty regarding compliance with evolving ESG laws, regulations and expectations, could be difficult to achieve and costly to implement. We could fail to achieve, or be perceived to fail to achieve, our ESG-related initiatives and goals. In addition, we could be criticized for the timing, scope or nature of these initiatives and goals, or for any revisions to them. We could be criticized for the accuracy, adequacy, presentation, or completeness of our required and voluntary ESG disclosures, which could impact our brand and reputation. If our ESG practices and disclosures do not meet evolving investor or other stakeholder expectations and societal and regulatory standards, or if we experience an actual or perceived failure to achieve our ESG-related initiatives and goals our ability to attract or retain sales, marketing and other employees, and our attractiveness as an investment or as a business partner could be negatively impacted, which could adversely affect our business.

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

As a public company in the United States, we are subject to the Sarbanes-Oxley Act, which requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. In order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting, we have expended and anticipate that we will continue to expend significant resources, including accounting-related costs and significant management oversight. We have incurred and expect to continue to incur significant expenses and devote substantial management effort toward compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act. To assist us in complying with these requirements, we may need to hire more employees in the future, or engage outside consultants, which will increase our operating expenses.

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

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

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Insider Trading Arrangements

During our last fiscal quarter, no director or officer, as defined in Rule 16a-1(f) under the Exchange Act, adopted or terminated a "Rule 10b5-1 trading arrangement" or a "non-Rule 10b5-1 trading arrangement," each for purposes of Regulation S-K Item 408.

Item 6. Exhibits

The documents listed below are incorporated by reference or are filed with this Quarterly Report on Form 10-Q, in each case as indicated therein (numbered in accordance with Item 601 of Regulation S-K).

		Incorporated by Reference				
Exhibit No.	**Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Filed Herewith**
3.1	Articles of Association of Elastic N.V. (English translation).	10-Q	001-38675	3.1	12/12/2018	
3.2	Deed of Amendment of the Articles of Association of Elastic N.V. (English translation).	10-Q	001-38675	3.2	12/12/2018	
3.3	Deed of Conversion and Amendment of the Articles of Association of Elastic N.V. Articles of Association (English translation).	10-Q	001-38675	3.3	12/12/2018	
10.1	Employment Agreement between Elasticsearch Ltd and Shay Banon, dated June 19, 2023.					X
10.2	Form of Performance Unit Agreement under the Amended and Restated 2012 Stock Option Plan.					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 Chief 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 Chief 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 (formatted as Inline XBRL and contained in Exhibit 101).					X

* The certifications furnished in Exhibits 32.1 and 32.2 hereto are deemed to accompany this Quarterly Report on Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, except to the extent that we specifically incorporate them by reference.

SIGNATURES

Pursuant to the requirements 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.

Elastic N.V.

Date: September 1, 2023

By: /s/ Ashutosh Kulkarni

Ashutosh Kulkarni

Chief Executive Officer and Director
(*Principal Executive Officer*)

Date: September 1, 2023

By: /s/ Janesh Moorjani

Janesh Moorjani

Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)



CONTRACT OF EMPLOYMENT

ELASTICSEARCH LIMITED

and

SHAY BANON

CONTRACT OF EMPLOYMENT

This Contract of Employment dated 19 June 2023 (this "Contract") is made between:

Employer: **Elasticsearch Limited** registered at Southampton Street 5, London, WC2E 7HA, United Kingdom (company number 08362475) ("**the Company**"); and

Employee: Shay Banon ("**You**" or "**Employee"**).

This Contract, along with the Change in Control and Severance Agreement between you, Elasticsearch, Inc. and Elastic N.V. (the "**Parent**") and the Assignment of Technology Agreement between you and Elasticsearch Global B.V. dated 3 September 2012, constitutes the entire agreement between you and any company in the Group and supersedes any prior agreement or arrangement in respect of the employment relationship between you and the Group from the Commencement Date, including the US employment agreement dated 9 September 2022, the Notice of Key Terms of Employment with Elastic Technologies (Israel) Limited, the Proprietary Information and Inventions Assignment Agreement dated 9 September 2022 and the Confidential Information and Invention Assignment Agreement between you and Elasticsearch, Inc. dated 4 September 2018.

1. Definitions

1.1. In this Contract:

"**Board"** means the board of directors of the Parent from time to time (including any committee of the Board duly appointed by it).

"**Commencement Date**" means the day your employment with the Company commences, which shall be 1 September 2023.

"Confidential Information" means all and any trade secrets or any other information however recorded or preserved of the Company or any Group Company or any of its or their customers, suppliers or agents which the Company or Group Company regards as confidential, commercially sensitive or in respect of which it owes an obligation of confidentiality to a third party which is not part of your own knowledge and experience and which is not readily ascertainable to persons not connected with the Company or any Group Company either at all or without significant expenditure of labour, skill or money, including but not limited to:

1.1.1. information relating to the business methods, corporate plans, management systems, finances, new business opportunities, research and development projects, marketing or sales of any past, present or future product or service;

1.1.2. secret formulae, processes, inventions, designs, know-how discoveries, technical specifications and other technical information relating to the creation, production or supply of any past, present or future product or service of the Company and/or any Group Company;

1.1.3. lists or details of customers, potential customers or suppliers or the arrangements made with any customer or supplier; and

1.1.4. any information in respect of which the Company and/or any Group Company owes an obligation of confidentiality to any third party.

"Employment IPRs" means Intellectual Property Rights created by you in the course of your employment with the Company or any Group Company (whether or not during working hours or using the Company's or any Group Company's premises or resources).

"Group Companies" or **"Group"** means the Company and any holding company or any parent company or any subsidiary or subsidiary undertaking of the Company or such

companies, as such terms are defined in s 1159, s 1162 (together with Schedule 7 and the definition of "parent company" in s 1173), s 1161 and Schedule 6 of the Companies Act 2006, and "**Group Company**" means any of them.

"**Intellectual Property Rights**" means patents, rights to inventions, copyright and related rights, trademarks, trade names and domain names, rights in get-up, goodwill and the right to sue for passing off, unfair competition rights, rights in designs, rights in computer software, database rights, topography rights, rights to use and preserve the confidentiality of information (including Know-How and trade secrets) and any other intellectual property rights, in each case whether registered or unregistered and including all applications (or rights to apply) for and be granted, renewals or extensions of, and rights to claim priority from, such rights and all similar or equivalent rights or forms of protection which subsist or will subsist now or in the future in any part of the world.

"Invention" any technique, process, improvement, invention, idea, innovation, development or discovery (whether patentable or not or capable of registration) which you (whether alone or with any other person) make, conceive, create, develop, write, devise or acquire at any time during the course of your employment (whether or not during working hours or using Company and/or Group Company premises or resources, and whether or not recorded in material form).

"Know-How" means formulae, methods, plans, Inventions, discoveries, improvements, processes, performance methodologies, techniques, specifications, technical information, tests, results, reports, component lists, manuals and instructions.

"Works" means all works including without limitation all records, reports, documents, papers, plans, drawings, designs, models, transparencies, photographs, graphics, logos, typographical arrangements, computer programs, software, and all other materials in whatever form (whether in hard copy, electronic or any other form), originated, conceived, prepared, developed or written by you alone or with others during the course of your employment (whether or not during working hours or using Company and/or Group Company premises or resources).

1.2. Any reference in this Contract to a statute or statutory provision will include a reference to that statute or provision as from time to time amended, consolidated, extended, modified or re-enacted and to any subordinate legislation made under it.

2. Commencement of Employment

2.1. Your employment with the Company will commence on the Commencement Date. However, your prior employment within the Group, which commenced on 1 May 2012, counts towards your period of continuous employment with the Company and therefore your continuous employment for the purposes of the Employment Rights Act 1996 commenced on 1 May 2012. Your employment with the Company is conditional on your successful work visa approval.

2.2. No probationary period applies to your employment.

3. Job title, Reporting and Duties

3.1. Your job title is Executive Director designated as Chief Technology Officer of the Parent. You will report to Ashutosh Kulkarni (your "**Line Manager**"), or such other person as may be authorised by the Company and notified to you. Your Line Manager has the right in their absolute discretion to change the person or persons to whom you report. Your membership of the Board shall be subject to the Articles of Association of the Parent, the Board Rules of the Parent and any required Board and shareholder approvals.

3.2. You shall carry out such duties, functions and exercises of power as set out in the Parent's Board Rules and as delegated or assigned to you by the Board or your Line Manager from time to time and comply with such instructions in connection with the

business of the Company and the Group as the Board or your Line Manager determines from time to time and in accordance with the general fiduciary and statutory duties required of your office.

3.3. In addition to your main duties, you must at all times comply with the Parent's Board Rules, the Company's Handbook, Policies, Codes of Conduct and any duties imposed on you by law. To the extent there is any inconsistency between the Handbook, Policies, Codes of Conduct and this Contract, the Contract shall prevail.

3.4. You will, if and for as long as the Company requires, during the term of this Contract carry out duties for the benefit of or on behalf of any Group Company and/or act as a director, officer or employee of the Company or any Group Company and shall comply with the Articles of Association of the Company and/or any Group Company (as amended from time to time).

3.5. During your employment:

3.5.1. You may be required to undertake certain compulsory training in respect of your role and general employment from time to time. Details of this and any additional non-compulsory training to which you may have access will be made available to you throughout your employment.

3.6. You will, at all times during the term of this Contract:

3.6.1. devote the whole of your time, attention and ability during your working hours to the duties of your employment;

3.6.2. faithfully and diligently perform your duties and exercise only such powers as are consistent with them;

3.6.3. obey all and any lawful and reasonable directions of the Company or any Group Company;

3.6.4. use your best endeavours to promote, develop and extend the interests of the Group giving the Company the full benefit of your knowledge, expertise and technical skills;

3.6.5. not knowingly or deliberately do anything which is to the Company's or Group's detriment, including having any direct or indirect involvement in discussions with any other employees of the Company or Group, head-hunters or potential employers about leaving the employment of the Company with other employees of the Group to join a new employer as part of a team of more than one person;

3.6.6. promptly give to the Board (in writing if requested) all information, explanations and assistance that the Board may require in connection with the business or affairs of the Company and, where appropriate the Group, and your employment under this Agreement;

3.6.7. disclose immediately to the Board anything of which you become aware or in which you become involved which affects adversely or may affect adversely the business, interests or reputation of the Company or any Group Company including but not limited to acts of misconduct, dishonesty, breaches of contract, fiduciary duty or company rules whether by you personally or by a director or employee of the Company or any Group Company, irrespective of whether doing so may be self-incriminating on your part.

4. **Place of Work**

Your normal place of work is the Company's London office. You may also work from home from time to time, subject to prior arrangement with your Line Manager and

compliance with applicable Company policies and the provisions in Schedule 1 relating to home working.

Your role is likely to require extensive travel, both within the UK and internationally. It is your responsibility to ensure that you hold a valid passport at all times to ensure you are able to carry out such travel; failure to do so may be considered a disciplinary issue.

4.1. There is no current requirement for you to work outside the United Kingdom for any consecutive period in excess of one month.

5. Hours of Work

5.1. The normal hours of business of the Company and your normal working hours are from 9.00 am to 5:30 pm from Monday to Friday with an unpaid lunch break of half an hour each day. However, owing to the nature of your job you will be expected to work such additional hours (without additional remuneration or time off in lieu) that are necessary to fulfil your duties.

5.2. In view of your seniority and managerial duties and responsibilities, you are regarded as a “managing executive” for the purposes of the Working Time Regulations 1998 and accordingly the maximum weekly working hours provided for under the Working Time Regulations 1998 do not apply.

5.3. By your signature to this statement, you confirm that you do not undertake any other work for any employer and undertake to seek the consent of the Company before undertaking work for any other employer.

6. Salary

6.1. Your basic salary is GPB 401,900 gross per annum, which will be paid subject to deduction of such tax and national insurance as the Company is required by law to deduct (your “**Salary**”). Your Salary will accrue from day to day and will be paid in equal monthly instalments in arrears by credit transfer to your bank account on or around the last working day of each month.

6.2. The Compensation Committee of the Board will review your Salary annually. There is no obligation on the Compensation Committee of the Board to recommend to the Board to increase your Salary following a review and the fact that your Salary may be increased in any year or years during your employment does not confer any right on you to receive any increase in any subsequent year.

6.3. You authorise the Company to deduct from your Salary or any other sums due to you, including any payment due to you on termination of your employment, any sums due from you to the Company, any sums you owe to the Company, including, without limitation, repayment of any loans or advances (including advances on expenses), all sums owed by you to the Company or any Group Company, including but without limitation the balance of any loans (and interest where appropriate) advanced by the Company to you and any overpayment of your Salary or benefits, or accrued holiday pay and the cost of any damage to or loss of or failure to return the Company's property caused by you.

7. BONUS

7.1. You will be eligible to receive an annual bonus (the “Target Bonus”) of up to 60% of Salary, less applicable deductions, upon achievement of performance objectives to be mutually agreed upon between you and the Board under Elasticsearch, Inc.’s Executive Incentive Compensation Plan or any successor plan or arrangement adopted or implemented by Elasticsearch, Inc. The Target Bonus, or any portion

thereof, will be paid as soon as practicable after the Board determines that the Target Bonus has been earned, save that no bonus payment will be made if:

7.1.1. you are subject to any capability and/or disciplinary procedures; and/or

7.1.2. your employment has terminated (whether lawfully or unlawfully) or you are under notice of termination (whether given by you or the Company).

7.1.3. If you have been notified that you are under investigation in accordance with the Company's disciplinary or capability procedure then your eligibility to be considered for a discretionary bonus will be postponed pending the conclusion of any such investigation and any subsequent disciplinary hearing or capability meeting.

8. Expenses

The Company will reimburse to you all expenses properly incurred by you in the performance of your duties, provided that you comply with the Company's current policy relating to expenses and produces to the Company satisfactory evidence of expenditure.

9. Benefits and Paid Leave

9.1. Subject to Clauses 9.2 to 9.7 below, you shall be entitled to participate in such of the following schemes as the Company may operate from time to time:

9.1.1. medical insurance scheme providing cover for you and your spouse and dependent children up to 18 years' old;

9.1.2. life assurance scheme which shall pay to your beneficiaries a sum equal to 4 times your annual salary if you die during your employment with the Company;

9.1.3. a pension plan into which the Company will match your contributions up to 6% of Salary to the plan during each year of employment (payments being made in monthly instalments in arrears). The Company will comply with the employer pension duties in accordance with Part 1 of the Pensions Act 2008 by automatically enrolling eligible jobholders into its pension scheme and making such deductions as are required by law. Please see the accompanying pension letter (which may be amended by the Company from time to time) for further details.

9.2. Participation and entitlement to benefits under any of the schemes is subject to:

9.2.1. the terms of the relevant scheme as amended from time to time;

9.2.2. the rules or policies as amended from time to time of the relevant scheme provider;

9.2.3. acceptance by the relevant scheme provider; and

9.2.4. satisfaction of the normal underwriting requirements of the relevant scheme provider and the premium being at a rate which the Company considers reasonable.

9.3. The Company shall only be obliged to make any payment under any scheme where it has received payment from the relevant scheme provider for that purpose. If a scheme provider refuses to provide any benefit to you, whether based on its own interpretation of the terms and/or rules of the relevant scheme or otherwise, the

Company shall not be liable to provide you with any replacement benefit whatsoever or pay any compensation in lieu of such benefit.

9.4. The Company, in its absolute discretion, reserves the right to discontinue, vary or amend any of the schemes (including the provider and/or level of cover provided under any scheme) at any time on reasonable notice to you.

9.5. Any other benefit provided to you shall, unless otherwise agreed in writing, be at the absolute discretion of the Company who may, at any time, withdraw or vary the terms of any such benefit as it sees fit.

9.6. You will be enrolled in the benefits schemes in this clause as soon as reasonably practicable following the Commencement Date and you agree to provide the Company with such information as may be required by the relevant scheme provider to enrol you in the schemes.

9.7. You agree that the Company shall be under no obligation to continue this Contract and your employment so that you continue to receive benefits under this Contract. In particular, you agree that the Company may terminate your employment notwithstanding any rights which you may have to participate in and/or obtain benefits under any permanent health insurance scheme which the Company operates from time to time. You agree that you shall have no entitlement to compensation or otherwise from the Company and/or any Group Company for the loss of any such entitlements and/or benefits.

9.8. You may be entitled to paid or unpaid leave subject to any statutory eligibility requirements or conditions and the Company's rules applicable to each type of leave in force from time to time.

10. Holiday

10.1. You are entitled to 25 days' paid holiday each year and the usual bank and public holidays where you are located. If you start or leave your employment during a holiday year, your holiday entitlement for that holiday year will accrue and be calculated pro-rata per complete calendar month worked, rounded up to the nearest half day.

10.2. The Company's holiday year is 1 January to 31 December, and you should take your annual holiday allowance during this period. You may carry over a maximum of 10 days, but they must be taken by 31st March the following year. Any carry over holiday not taken by 31st March in the following holiday year will be lost and you will not be entitled to any compensation in respect of them, other than as required by law.

10.3. Notwithstanding Clause 12.2, you may carry up to 10 days of holiday forward to the following leave year, which must then be taken before 31 March, failing which any untaken days as at 31 March will lapse.

10.4. You must agree to the dates of your holiday in advance with your Line Manager. You should not commit yourself to bookings without first obtaining the agreement of your Line Manager to your chosen dates.

10.5. Holidays of more than 10 consecutive working days in duration will always be subject to business needs and prior consent of your Line Manager.

10.6. On the termination of your employment, you will be paid in lieu of any accrued but unused holiday entitlement. If you have taken in excess of your accrued holiday entitlement, a sum will be deducted from your final Salary payment and any excess will be recoverable from you. If the Company has terminated or would be entitled to terminate your employment under Clause 12.3 or if you have terminated your employment in breach of this Contract, any payment due under this clause shall be limited to your statutory entitlement under the Working Time Regulations 1998 (SI

1998/1833) and any paid holidays (including paid public holidays) taken shall be deemed first to have been taken in satisfaction of that statutory entitlement.

10.7. The basis for payment and deduction referred to above shall be 1/260th of your Salary per day of holiday.

10.8. If you resign, or your employment is terminated by the Company, and you do not or are not required to work out your notice period, you will not accrue any holiday entitlement during that period.

10.9. The Company reserves the right to require you to take any accrued holiday entitlement during your notice period or garden leave.

11. Sickness or other absence

11.1. If you are absent from work as a result of sickness or injury, you must contact your Line Manager by 10am on the first day of absence to inform them of the reason for your absence and how long it is likely to last.

11.2. When you return to work, you will be required to complete a self-certification form for periods of up to 7 consecutive days (including weekends).

11.3. If the reason for your absence is sickness or injury which continues for more than seven consecutive days (including weekends) you must provide the Company with a medical certificate stating that you are not fit for work and the reason(s) why. This certificate should be sent to your Line Manager on or before the eighth day of sickness or injury or as soon as reasonably practicable. If your absence continues, further certificates must be provided to cover the whole period of absence until you return to work.

11.4. Provided that you have complied with the notice requirements set out in this clause, you will be entitled to supplemental sick pay to total 100% of your base pay for up to 12 weeks of absence due to sickness or injury in any consecutive 12-month period. Any further period will be paid as provided for under the statutory sick pay (SSP) legislation in force from time to time. You will give credit for any national insurance, sickness or other benefits obtainable by you under any legislation for the time being in force as a result of such absence. Monday to Friday (inclusive) in each week shall be qualifying days for the purposes of the legislation relating to SSP.

11.5. If you are incapable of performing your duties by reason of circumstances where you have a claim for compensation against a third party and you recover compensation for loss of earnings whether from that third party or otherwise, you shall repay to the Company a sum equal to the amount recovered or, if less, any amounts paid to you by the Company in respect of your absence.

11.6. The Company may, at any time during your employment, require you to undergo a medical examination (at the Company's expense) with a medical practitioner nominated by the Company. You agree to such examination, and you authorise such medical practitioners to disclose and to discuss with the Company and its advisers the results of such examinations and you also authorise your own doctor to provide to any

medical practitioner appointed by the Company any relevant extracts from your medical notes.

11.7. In the event that you are incapacitated during a period of holiday, you will only be entitled to treat that day as sick leave and retake as holiday if this is required by law and if you provide a certificate from a medical practitioner for each day of incapacity.

12. Termination

12.1. Subject to the remaining terms of this Contract, the Contract shall continue until terminated by either party giving the other not less than three months' notice in writing.

12.2. Without prejudice to any other rights the Company or any Group Company may have, the Company may terminate your employment immediately by summary notice in writing without compensation or may accept any breach of this Agreement by you as having brought this Agreement to an end (notwithstanding that the Company may have allowed any time to elapse or on a former occasion may have waived its rights under this clause) if you:

12.2.1. commits, repeats or continues any breach of this Agreement or your obligations under it including any material or persistent breach of your fiduciary duties;

12.2.2. commit any act of gross misconduct or gross incompetence or negligence or seriously breaches the Company's policies and procedures;

12.2.3. commit any act of fraud or dishonesty relating to the Company, any Group Company or any of its or their employees customers or otherwise;

12.2.4. are convicted of a criminal offence (save for a motoring offence for which a fine or non-custodial sentence is imposed);

12.2.5. become bankrupt or make any arrangement or composition with your creditors generally;

12.2.6. are prohibited by law from being a director of a company or ceases to be a director of any Group Company without the prior consent or agreement of the Board;

12.2.7. are suspended or dismissed as a director of Parent by the general meeting of shareholders of the Parent, or if you are suspended as a director by the Board;

12.2.8. are, in the opinion of the Board or your Line Manager, incompetent in the performance of your duties;

12.2.9. act in a way (whether or not in the course of your employment) which brings or is likely to prejudice the interests or reputation of the Company or the Group;

12.2.10. become incapacitated from performing all or any of your duties by illness or injury (physical or mental) for a period exceeding 26 weeks (or such longer period as the Company may agree) in any period of 12 months whether or not your entitlement to Company sick pay has been exhausted and whether or not you have any actual or anticipated benefit of permanent health insurance.

12.3. On giving or receiving notice to terminate this Contract or at any time thereafter during the period of such notice, the Company may, at its absolute discretion, terminate your employment with immediate effect and pay you a sum equal to your basic Salary you would have received during your notice period pursuant to Clause 6.1 (or, if notice

has already been given, during the remainder of the notice period) less income tax and National Insurance contributions (**"Payment in Lieu"**). The Payment in Lieu shall not include any payment in respect of:

12.3.1. any bonus payments that might otherwise have been paid to you during the period for which the Payment in Lieu is made;

12.3.2. benefits which you would have been entitled to receive during the period for which the Payment in Lieu is made; or

12.3.3. any holiday entitlement that would have accrued to you during the period for which the Payment in Lieu is made.

12.4. If the Company exercises its discretion pursuant to Clause 12.3 the Payment in Lieu will be made to you within a reasonable period after the date on which notice is given but the termination of your employment will have immediate effect. If the Company discovers after notice has been served that we would have been entitled to terminate your employment without notice for gross misconduct, you will cease to have any entitlement to payment pursuant to Clause 12.4 and any such payment already made will be recoverable as a debt. If the Company does not exercise its discretion to make a Payment in Lieu, you cannot enforce such payment as a contractual debt nor as liquidated damages and your sole remedy will be a claim in damages.

12.5. At any time after notice to terminate this Contract has been given or received by the Company, or if you purport to terminate your employment in breach of this Contract, the Company may, in its absolute discretion (and notwithstanding any other provisions of this Contract) elect to put you on garden leave for all or part of your notice period. In doing so, the Company may:

12.5.1. exclude you from all or any premises of the Company or the Group;

12.5.2. require you not, without the prior consent of the Board or your Line Manager, to engage in any contact (whether or not at your own instigation) with any customer, supplier, employee, director, officer or agent of the Company or any Group Company which touches and concerns the business affairs of the Group;

12.5.3. require you to carry out specified duties consistent with your status and experience for the Company or any Group Company or require you to carry out no duties at all, and

12.5.4. require you to return (to the Company and not retain copies of all documents, notes, reports, equipment, computer software, keys and passes and any other property that belongs to the Company or any Group Company or which refers to or contains any Confidential Information and is in your possession, power or control.

12.6. During any garden leave period you are required to remain available to attend the workplace if required and may not be engaged in any capacity with another company without written permission. For the avoidance of doubt, your duties and obligations of confidentiality under this Contract will continue to apply during any period of garden leave and after your employment terminates.

12.7. Before and after termination of your employment, you will provide the Company and/or any Group Company or its or their agents with any assistance it or they may request in connection with any proceedings or possible proceedings, including any internal investigation or administrative, regulatory or judicial investigation, inquiry or proceedings, in which the Company and/or Group Company is or may be involved. The Company will reimburse you for your reasonable expenses incurred in fulfilling your obligations under this clause. However, you shall not be entitled to any other payment or remuneration in consideration of your assistance.

13. Intellectual Property

13.1. You acknowledge that all Employment IPRs and all materials embodying and recording them will automatically belong to the Company to the fullest extent permitted by law. If such Employment IPRs and all materials embodying and recording them do not automatically vest in the Company or Relevant Group Company, you hereby assign (including by way of present assignment of future rights) to the Company or Relevant Group Company all such rights with full title guarantee. To the extent that such an assignment is not permitted or is unenforceable by the operation of law you hold them on trust for the Company or Relevant Group Company.

13.2. You acknowledge that, because of the nature of your duties and the particular responsibilities arising from the nature of those duties, you have, and shall have at all times while employed by the Company, a special obligation to further the Company's and the Group's interests.

13.3. To the extent that legal title in any other Intellectual Property Rights do not vest in the Company or Relevant Group Company by virtue of Clause 13.1, you hereby agree immediately upon creation of such rights and inventions to offer to the Company or Relevant Group Company in writing a right of first refusal to acquire them on arm's length terms to be agreed between the parties. If the parties cannot agree on such terms within 30 days of the Company or Relevant Group Company receiving the offer, the Company or Relevant Group Company will refer the dispute to an arbitrator who will be appointed by the President of Chartered Institute of Patent Attorneys. The arbitrator's decisions will be final and binding on the parties and the costs of arbitration will be borne equally by the parties. You agree to keep such Intellectual Property Rights offered to the Company or any Relevant Group Company under this Clause 13.3 confidential until such time as the Company or Relevant Group Company has agreed in writing that you may offer them for sale to a third party.

13.4. You agree:

13.4.1. to give the Company full written details of all Employment IPRs which relate to or are capable of being used in the business of the Company or any Group Company promptly on their creation;

13.4.2. at the Company's request or that of any Group Company and in any event on the termination of your employment to give to the Company or any Relevant Group Company all originals and copies of correspondence, documents, papers and records on all media which record or relate to any of the Employment IPRs;

13.4.3. not to attempt to register any Employment IPRs unless requested to do so by the Company or any Relevant Group Company; and

13.4.4. to keep confidential all Employment IPRs unless the Company or any Relevant Group Company has consented in writing to its disclosure by you.

13.5. You waive all your present and future moral rights which arise under the Copyright Designs and Patents Act 1988 and all similar rights in other jurisdictions relating to any copyright which forms part of the Employment IPRs and agree not to support, maintain nor permit any claim for infringement of moral rights in such copyright works.

13.6. You acknowledge that, except as provided by law, no further remuneration or compensation other than that provided for in this Agreement is or may become due to you in respect of your compliance with this clause. This clause is without prejudice to your rights under the Patents Act 1977.

13.7. You undertake to execute all documents and do all acts both during and after your employment by the Company or any Group Company as may in the opinion of the Company be necessary or desirable to vest the Employment IPRs in the Company or

any Relevant Group Company, to register them in the name of the Company or any Relevant Group Company where appropriate throughout the world and for the full term of those rights and to protect and maintain the Employment IPRs. Such documents may, at the Company's request, include waivers of all and any statutory moral rights relating to any copyright works which form part of the Employment IPRs. The Company agrees to reimburse or procure the reimbursement of your reasonable expenses of complying with this Clause 13.7.

13.8. You agree to give all necessary assistance to the Company or any Group Company at the Company's or any Relevant Group Company's reasonable expense to enable it/them to enforce its/their Intellectual Property Rights against third parties and to defend claims for infringement of third party Intellectual Property Rights.

13.9. You irrevocably appoint the Company to be your attorney in your name and on your behalf to execute documents, use your name and do all things which are necessary or desirable for the Company to obtain for itself or its nominee the full benefit of this clause. A certificate in writing, signed by any director or the secretary of the Company, that any instrument or act falls within the authority conferred by this Agreement shall be conclusive evidence that such is the case so far as any third party is concerned.

14. Return of Company Property

14.1. On the termination of your employment for whatever reason, or upon any earlier demand by the Company, you will immediately return to the Company copies of all documents, notes, reports, equipment, laptop, computer software, keys and passes and any other property that belongs to the Company or any Group Company or which refers to or contains any Confidential Information and is in your possession, power or control and shall not retain copies (whether electronic or otherwise) or any Company property.

14.2. If you have any Confidential Information or work you have carried out for the Company or any Group Company which is stored on a device (including a personal computer, laptop computer, web-server, personal digital assistant, your telephone handset, any other mobile telephone, disk, memory or any other device) which does not belong to the Company you undertake that you will notify the Company of this fact and provide the Company with access to such device so that it can download the information and/or supervise its deletion from the device concerned.

15. Confidentiality

15.1. You shall not either during your employment or at any time after its termination (howsoever arising), directly or indirectly, use, disclose or communicate to any person

whatsoever and, shall use your best endeavours to prevent the publication or disclosure of any Confidential Information.

15.2. Clause 15.1 does not apply to:

15.2.1. any use or disclosure in the proper performance of your duties under this Contract, as authorised by the Company or the Board and/or as required by law;

15.2.2. any disclosure in order to report an offence to a law enforcement agency or to co-operate with a criminal investigation or prosecution;

15.2.3. any disclosure for the purposes of reporting misconduct or a serious breach of regulatory requirements to any body responsible for supervising or regulating the matters in question;

15.2.4. any disclosure to professional advisers, medical professionals and/or counsellors bound by a duty of confidentiality;

15.2.5. any information which is already in or comes into the public domain other than through your unauthorised disclosure; and/or

15.2.6. any protected disclosure within the meaning of s43A Employment Rights Act 1996 provided, where at the relevant time you are employed by the Company, you have fully complied with the Company's procedures relating to such disclosures.

15.3. You must immediately inform us if you become aware of the possession, use or knowledge of any Confidential Information by any person not authorised to possess, use, or have knowledge of the Confidential Information, whether during your employment or thereafter and you must at our request provide such reasonable assistance as is required to deal with such event.

15.4. Nothing in this Clause 15 will prevent you from disclosing Confidential Information where it is required to be disclosed by judicial, administrative, governmental or regulatory process in connection with any action, suit, proceeding or claim or otherwise by applicable law.

15.5. Failure by you to comply with this Clause 15 shall represent gross misconduct entitling us to terminate your employment with immediate effect.

16. Conflicts of Interest

During your employment, you will not without the prior written consent of the Board, be directly or indirectly employed, engaged, concerned or interested in any trade, business or profession other than the business of the Company or any Group Company save for the holding as a passive investor only of not more than 5% of the issued ordinary shares of any company of a class which are listed or traded on the London Stock Exchange or any other recognised stock exchange. During your employment with the Company, you will not obtain or seek to obtain, or permit any other person to obtain or seek to obtain, any financial or other competitive advantage (direct or indirect) from the disclosure, downloading, uploading, copying, transmittal,

removal or destruction of information acquired by you in the course of your employment, whether or not that information is Confidential Information.

17. Restrictive Covenants

Without prejudice to the other terms of this Contract, you agree that following the termination of your employment for any reason whatsoever, you will be bound by and you will comply with the terms set out in Schedule 2 of this Contract.

18. Passing Off

You agree that, save in the proper performance of your duties, you will not during your employment or after the termination of your employment, make use of any corporate or business brand or domain name or logo or style which is identical or similar to or likely to be confused or associated with any corporate or business brand or domain name or logo or style of the Company or any Group Company or which might suggest a connection with the same.

19. Disciplinary and Grievance Procedures

19.1. You are subject to the Company's disciplinary rules and procedures in force from time to time copies of which are available from Human Resources and such other procedures of this nature as may from time to time be adopted. Application of any such procedure is at the Company's discretion and is not a contractual entitlement.

19.2. If you are dissatisfied with any disciplinary decision to dismiss you, you should refer such dissatisfaction in writing to Human Resources, who will proceed in accordance with the appeal procedure set out in the appropriate Company procedure.

19.3. If you have any grievance relating to your employment (other than one relating to a disciplinary decision or a decision to dismiss you), you should refer such grievance in writing to Human Resources in accordance with the Company's grievance procedure in force from time to time. If the grievance is not resolved at this stage, you can appeal in accordance with the appeal procedure set out in the grievance procedure. Application of the grievance procedure is discretionary and not a contractual entitlement.

19.4. The Company may amend these procedures from time to time.

20. Suspension

The Company, the Board or your Line Manager may suspend you from any or all of your duties where it considers it to be necessary for the purposes of investigating an allegation of misconduct against you. During any period of suspension, you shall continue to receive your Salary and contractual benefits but you will not (unless requested by the Company, the Board or your Line Manager) attend any premises of the Company or the Group, carry out your duties, access the Company's or the Group's information technology systems or contact any employees, customers, suppliers or other business contacts of the Company or the Group.

21. RESIGNATION AS DIRECTOR

21.1. You will on termination of your employment for any reason, or on commencement of any period of exclusion pursuant to Clause 12.5, at the request of the Board, give notice resigning immediately without claim for compensation (but without prejudice to any claim they may have for damages for breach of this Agreement):

21.1.1. as a director of any Group Company; and

21.1.2. all trusteeships you hold of any pension scheme or other trusts established by the Company or any Group Company or any other company with which

you have had dealings as a consequence of your employment with the Company.

21.2. If notice pursuant to Clause 21.1 is not received by the relevant company within 48 hours of the Termination Date or a request by the Board, the Company (or such Group Company as may be applicable) is irrevocably authorised to appoint a person to execute any documents and do everything necessary to effect such resignation or resignations on your behalf.

21.3. Except with the prior written agreement of the Board, you will not during your employment under this Agreement resign your office as director of any Group Company.

22. Data Protection and Email Security

22.1. You acknowledge that the Company shall hold and otherwise process personal data including (without limitation) sensitive personal data relating to you for legal, personnel, administrative and management purposes as further described in all applicable employee privacy notices and policies notified to you from time to time.

22.2. You agree to comply with the Company's policies in force from time to time regarding the processing of personal data and the use of equipment provided to you for use in the normal course of your employment including, without limitation, any method of electronic communication.

22.3. You agree to keep the Company up to date in relation to any changes to the personal data that the Company may process in relation to you.

22.4. For the purposes of this Clause 22, the Company may transfer, disclose, transfer or give access to data to jurisdictions outside the European Economic Area as further described in the applicable Company privacy notices and policies as amended from time to time.

22.5. All communications, whether by telephone, email, fax or any other means, which are transmitted, undertaken or received using Company property or on Company premises, or which relate to the Company's affairs, will be treated by the Company as work-related and are subject to occasional interception, recording and monitoring without further notice. You should not regard any such communications as private.

22.6. Interception, recording and monitoring of communications is intended to protect the Company's business interests, for example but without limitation, for the purposes of quality control, security of communication and IT systems, record-keeping and evidential requirements, detection and prevention of criminal activity or misconduct and to assist the Company to comply with relevant legal requirements. Such interception, recording and monitoring will not be undertaken for prurient interest.

22.7. Intercepted communications may be used as evidence in disciplinary or legal proceedings, including in any such action against you.

23. Right to Work in the UK

If you require immigration permission to work in the UK, you warrant and undertake that you are entitled to work in the UK and that you will:

23.1. on request, provide the Company with such documentary evidence on or around 1 January of each year and as it requires from time to time, to prove that you have

immigration permission to work for the Company in the role set out in this Contract and in order for it to check your immigration status;

23.2. notify the Company immediately of any change to your immigration status;

23.3. keep the Company notified of any changes to your home address and phone number (including mobile phone number, if you have one). For these purposes, you should be aware that the Company needs to maintain a history of your contact details, not just your current details;

23.4. notify the Company of any absences; and

23.5. notify the Company of any change in circumstances which may affect your right to work for the Company or to live in the UK.

24. Collective Agreements

There are no collective agreements affecting your terms and conditions of employment.

25. Governing Law

This Contract shall be interpreted and construed in accordance with the laws of England and shall be subject to the exclusive jurisdiction of the English Courts.

26. Third Party Rights

Nothing in this Contract is intended to confer on any person any right to enforce any term of this Contract which that person would not have had but for the Contract (Rights of Third Parties) Act 1999.

27. Counterparts

This Contract may be executed in any number of counterparts, each of which when signed shall constitute a duplicate original, but all the counterparts shall together constitute the one agreement.

THIS DOCUMENT is executed as a deed and delivered on the date stated at the beginning of this Deed.

EXECUTED as a deed by

ELASTICSEARCH LIMITED

acting by one authorized signatory Marielle Reints in the presence of Rolly Srivastava Khera:

/s/ Marielle Reints

Witness signature: /s/ Rolly Srivas
Name: Rolly Srivastava Khera

Address: Keizersgracht 281 1016 ED Amsterdam The Netherlands

Occupation: Senior Compensation Consultant at Elastic

SIGNED as a deed by

SHAY BANON /s/ Shay Banon

in the presence of Said Boscovic

Witness signature /s/ Said Boscovic

Name: Said Boscovic

Address: Keizersgracht 281, 1016 ED Amsterdam, The Netherlands

Occupation: Director Immigration & Mobility at Elastic

SCHEDULE 1

1. HOME WORKING

1.1 You are entitled to a rest break of 20 minutes for every six hours that you work. It is your responsibility to ensure you take this rest break.

1.2 You agree to comply with all health and safety guidelines, instructions and policies which the Company may give to you from time to time and to complete without delay all health and safety questionnaires that the Company may send to you from time to time.

1.3 Any Company property provided to you in order to perform your duties at your home shall remain the property of the Company. Where equipment is provided you must:

(a) use it only for the purposes for which it has been provided;

(b) take reasonable care of it and use it only in accordance with any operating instructions and our policies and procedures; and

(c) not permit use of it by any person other than yourself and authorised representatives of the Company.

1.4 We shall be liable for the costs of installing, servicing and maintaining the Company property, as necessary. You shall be responsible for any damage to the Company property which goes beyond ordinary wear and tear. You are required to report to the Company any such damage or malfunction of the Company property as soon as you become aware of it.

1.5 You shall be responsible for taking out and maintaining a valid policy of insurance covering Company property against fire, theft, loss and damage throughout your employment. You shall ensure that the level of cover and other terms of insurance are acceptable to the Company and shall on request supply to the Company copies of such insurance policy and evidence that the relevant premiums have been paid. You shall not do, cause or permit any act or omission which will invalidate the insurance policy covering the Company property.

1.6 You consent to the Company's representatives, at reasonable times and on reasonable notice, entering your home address to:

(a) install, inspect, replace, repair, maintain or service the Company property during your employment;

(b) carry out health and safety risk assessments of the Company property and your workstation during your employment; and

(c) recover the Company property on or after termination of your employment.

1.7 We shall not be responsible for the maintenance, replacement, or repair in the event of loss or damage to any personal equipment used by you when working for us.

1.8 We are not responsible for associated costs of you working from home including the costs of heating, lighting, electricity or telephone calls.

1.9 You are responsible for ensuring the security of confidential information in your home. In particular, you undertake to:

(a) encrypt and/or protect by password any confidential information held on your home computer;

(b) lock your computer terminal whenever it is left unattended;

(c) ensure any wireless network used is secure;

(d) keep all papers containing confidential information in filing cabinets that are locked when not in use; and

(e) comply with the Company's data protection policy from time to time in force regarding the retention of personal data.

1.10 You confirm that you have read and understand our policies relating to computer use, electronic communications, software and data security and that you will regularly keep yourself informed of the most current version of these policies.

1.11 If you discover or suspect that there has been an incident involving the security of information relating to the Company, clients, customers or anyone working with or for the Company, you must report it immediately to your manager.

SCHEDULE 2

POST-TERMINATION RESTRICTIONS

1. DEFINITIONS

In this Schedule, unless the context otherwise requires, the following additional definitions shall apply (in addition to the definitions contained in the Contract to which this Schedule is annexed and of which it forms a part):

Capacity: as agent, consultant, director, employee, owner, partner, independent contractor, shareholder or in any other capacity.

Garden Leave: any period during which the Company has exercised its rights under Clause 12.6 of the Contract.

Relevant Period: means the period starting 12 months prior to the Termination Date and ending on the Termination Date.

Restricted Business: means any business activity carried on by the Company or Group during the Relevant Period that you were involved in to a material extent or for which you developed products or programs or about which you received Confidential Information.

Restricted Customer: any firm, company, entity or person:

(i) who, during the Relevant Period, was a customer of the Company or the Group or with whom the Company or any Group Company was negotiating with a view to supplying goods or services, or actively and directly seeking to supply goods or services; and
(ii) with whom you had material dealings or in relation to whom you have acquired Confidential Information.

Restricted Supplier: any firm, company, entity or person:

(i) who during the Relevant Period has supplied goods or services to the Company or any Group Company on terms other than those available to another purchaser in the market during that period, whether by reason of exclusivity (either de facto or contractually obliged), price or otherwise; and
(ii) with whom you have had material dealings during the Relevant Period or in relation to whom you have acquired Confidential Information.

Restricted Person: anyone employed or engaged by the Company or any Group Company in a senior, executive, professional, technical, marketing, distribution, sales or managerial capacity and who could materially damage the interests of the Company or any Group Company if they were involved in any Capacity in any business concern which competes with any Restricted Business and with whom you had material dealings in the Relevant Period.

Termination Date: the date of termination of your employment with the Company.

2. POST-TERMINATION RESTRICTIONS

2.1 In order to protect the Confidential Information, trade secrets and business connections of the Company and each Group Company to which you have access as a result of your employment under this Contract, you undertake and covenant with the Company (for itself and as trustee and agent for each Group Company) that you shall not (save as the beneficial owner of shares or other securities of a body corporate whose shares are quoted on a Recognised Investment Exchange and which when aggregated with shares or securities beneficially owned by your spouse and/or children, total no more than five per cent of any single class of shares or securities in such body corporate):

(a) for 6 months after the Termination Date, induce, solicit or entice away (or endeavour to induce, solicit or entice away) from the Company or any Group Company the business or custom of a Restricted Customer with a

view to providing goods or services to that Restricted Customer in competition with any Restricted Business; or

(b) for 6 months after the Termination Date in the course of any business concern which is in competition with any Restricted Business, induce, solicit, proactively offer to employ or employ; offer to engage or engage; or otherwise proactively endeavour to entice away from the Company or any Group Company any Restricted Person or otherwise facilitate the employment or engagement of any Restricted Person, whether or not such person would be in breach of contract as a result of such employment or engagement; or

(c) for 3 months after the Termination Date, be involved in any Capacity with any business concern which is (or intends to be) in competition with any Restricted Business; or

(d) for 6 months after the Termination Date, be involved with the provision of goods or services to (or otherwise have any business dealings with) any Restricted Customer in the course of any business concern which is in competition with any Restricted Business; or

(e) at any time after the Termination Date, represent yourself as connected with the Company or any Group Company in any Capacity.

2.2 None of the restrictions in Clause 2.1 of this Schedule shall prevent you from:

(a) being engaged or concerned in any business concern to the extent that your duties or work shall relate solely to geographical areas where the business concern is not in competition with any Restricted Business; or

(b) being engaged or concerned in any business concern, provided that your duties or work shall relate solely to services or activities of a kind with which you were not concerned to a material extent in the 6 months prior to the Termination Date.

2.3 The restrictions imposed on you by Clause 2.1 of this Schedule apply to you acting:

(a) directly or indirectly; and

(b) on your own behalf or on behalf of, or in conjunction with, any firm, company or person.

2.4 The periods for which the restrictions in Clause 2.1 of this Schedule apply shall be reduced by any period that you spend on Garden Leave immediately prior to the Termination Date.

2.5 The Company may at its discretion by notice in writing to you waive or reduce the periods for which the restrictions in Clause 2.1 of this Schedule apply.

2.6 If you receive an offer to be involved in a business concern in any Capacity during your employment under this Contract, or prior to the expiry of the last of the covenants in Clause 2.1 of this Schedule, you shall give the person making the offer a copy of this Schedule and shall tell the Company the identity of that person immediately after accepting the offer.

2.7 Each of the restrictions in this Clause 2.1 of this Schedule is intended to be separate and severable. If any of the restrictions shall be held to be void but would be valid if part of their wording were deleted or the period of it reduced, or area covered or range of activities reduced, such restriction shall apply with such modification as may be necessary to make it valid or effective.

2.8 You will, at the request and expense of the Company, enter into a separate agreement with any Group Company in which you agree to be bound by restrictions corresponding to those restrictions in Clause 2.1 of this Schedule (or such of those restrictions as may be appropriate) in relation to that Group Company.

2.9 You warrant that you believe the covenants contained within this Schedule to be reasonable as between the parties and that you have no present intention of ever arguing that the restraints are unreasonable or otherwise unenforceable.

2.10 In the event of any clause or part of a clause contained in this Schedule being declared invalid or unenforceable by any court of competent jurisdiction, all other clauses or parts of clauses contained in this Schedule shall remain in full force and effect and shall not be affected thereby.

SIDE LETTER BY ELASTICSEARCH LTD

ELASTICSEARCH LIMITED ("ELASTIC") PENSION

Elastic offers a pension plan which matches your contributions on a 1:1 basis up to 6% of your annual base salary to all eligible employees and have chosen Scottish Widows as scheme providers. This pension is fully compliant with Auto Enrolment and meets all the legislative requirements.

We believe the most tax efficient way of making employee pension contributions is via a salary sacrifice arrangement, which is the default way we approach your pension contributions at Elastic.

The effect of the salary sacrifice arrangement will be that your basic annual salary will be reduced by a default percentage of 6%, or such other percentage you decide to contribute within the limits of the Scottish Widows pension scheme available to employees of Elastic ("**Your Pension Contribution**"). We will contribute Your Pension Contribution to the Scottish Widows pension scheme on your behalf. You should bear in mind the impact that this change of remuneration could have on other benefit schemes that you are part of. If this is of concern, please speak to the HR team via askhr@elastic.co.

If you wish to opt out of this salary sacrifice arrangement, please let the HR Team's Benefits Manager know within 14 days of your start date by writing to askhr@elastic.co. If you were to opt-out, this salary sacrifice arrangement would be revoked and your salary would return to the old level.

How do I join the Elastic pension?

Upon your employment with Elastic, you will be able to complete the pension joining form as part of your onboarding. Please note if you opt not to join the pension at this time, we may still be required to enrol you under our Auto Enrolment obligations.

What is Auto Enrolment?

Automatic Enrolment was introduced by the Government as an easy way to encourage people to start thinking and saving towards their retirement slightly earlier in their working life. It requires all employers to automatically enrol their employees into a workplace pension scheme if you meet the following criteria:

- are not already in a suitable workplace pension scheme;
- are at least 22 years old, but under state pension age;
- earn more than £10,000 a year;
- usually (ordinarily) work in Great Britain;
- are not otherwise statutorily exempt from auto-enrollment requirements.

If you are automatically enrolled, you will be defaulted to a 6% contribution from you which will be matched by a 6% contribution form Elastic. You do however have a right to opt-out of our pension scheme if you wish by informing the Benefits manager or pension scheme provider, Scottish Widows, within one month of the date on which you become a member of the scheme. We will provide you with further information, including how to opt out of the pension scheme and the key dates you should be aware of. If you do not meet the above criteria, you can still join the pension if you wish.

Yours sincerely,

/s/ Marielle Reints

Marielle Reints, Vice President, Legal

Exhibit 10.2

ELASTIC N.V.
AMENDED AND RESTATED 2012 STOCK OPTION PLAN
PERFORMANCE UNIT AGREEMENT

NOTICE OF PERFORMANCE UNIT GRANT

Unless otherwise defined herein, the terms defined in the Elastic N.V. Amended and Restated 2012 Stock Option Plan (the "Plan") will have the same defined meanings in this Performance Unit Agreement, which includes the Notice of Performance Unit Grant (the "Notice of Grant"), the Performance Goal attached hereto as Schedule I, the Terms and Conditions of Performance Unit Grant, attached hereto as Exhibit A, including any additional terms and conditions for Participant's country set forth in the country addendum thereto (the "Country Addendum"), and all other exhibits and appendices attached hereto (all together, the "Award Agreement").

Participant:

Address: «Address»

The undersigned Participant has been granted the right to receive an Award of Performance Units, subject to the terms and conditions of the Plan and this Award Agreement, as follows:

Grant Number: __

Date of Grant: __

Number of Performance Units: __

Vesting Schedule:

Subject to any acceleration provisions contained in the Plan, the Performance Units will vest in accordance with the following schedule:

1. Performance Units shall become eligible to vest (and shall be "Eligible Performance Units") based on the level of the Company's achievement against the applicable performance goal set forth on Schedule I (the "Performance Goal") for the Company's fiscal year 2024 (such period, the "Performance Period," and the last day of the Performance Period, the "Measurement Date"). As soon as practicable following the Measurement Date, the Administrator shall, in its sole discretion, make a written determination of the extent which the Company's performance against the Performance Goal has been satisfied (the "Level of Attainment"). The date of such determination is the "Determination Date."
2. Based on the Level of Attainment, the number of Eligible Performance Units shall be determined as indicated on Schedule I. The Administrator retains the discretion to adjust its determination of the number of Eligible Performance Units up or down from the actual Level of Attainment. Such determination shall be final, conclusive, and binding.
3. [Insert vesting schedule].
4. In the event of a Change in Control prior to the Measurement Date, the Performance Units shall convert to time-based vesting, based on the Number of Performance Units as indicated in the Notice of Grant, unless actual performance measured as of the date of the closing of the Change in Control can be determined and results in a higher number of Eligible Performance Units. In that event, the number of Eligible Performance Units shall be the

number of Performance Units determined based on actual performance. Following conversion, Eligible Performance Units shall [Insert vesting schedule].

5. If the application of a vesting percentage would cause only part of an Eligible Performance Unit to vest, such Eligible Performance Unit shall not vest until the next regular vesting date.
6. In the event Participant's Continuous Service Status ceases for any or no reason, before Participant vests in the Performance Units, the Performance Units and Participant's right to acquire any Shares hereunder will immediately terminate.

For purposes of the Performance Units, Participant's Continuous Service Status will be considered terminated as of the date Participant is no longer actively providing services to the Company or any Affiliate, Parent or Subsidiary (regardless of the reason for such termination and whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant's employment or service agreement, if any), and unless otherwise expressly provided in this Award Agreement (including by reference in the Notice of Grant to other arrangements or contracts) or determined by the Administrator, Participant's right to vest in the Performance Units under the Plan, if any, will terminate as of such date and will not be extended by any notice period (e.g., Participant's period of service would not include any contractual notice period or any period of "garden leave" or similar period mandated under employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant's employment or service agreement, if any, unless Participant is providing bona fide services during such time). Actively providing services during only a portion of the vesting period prior to a vesting date shall not entitle Participant to vest in a pro-rata portion of the unvested Performance Units that would have vested as of such vesting date, nor will it entitle Participant to any compensation for the lost vesting. The Administrator shall have the exclusive discretion to determine when Participant is no longer actively providing services for purposes of the Performance Units grant (including whether Participant may still be considered to be providing services while on a leave of absence).

By Participant's signature and the signature of the representative of Elastic N.V. (the "Company") below, Participant and the Company agree that this Award of Performance Units is granted under and governed by the terms and conditions of the Plan and this Award Agreement, including the Performance Goal attached hereto as Schedule I, the Terms and Conditions of Performance Unit Grant and the Country Addendum, attached hereto as Exhibit A, all of which are made a part of this document. Participant acknowledges receipt of a copy of the Plan. Participant has reviewed the Plan and this Award Agreement in their entirety, has had an opportunity to obtain the advice of counsel prior to executing this Award Agreement, and fully understands all provisions of the Plan and this Award Agreement. Participant hereby agrees to accept as binding, conclusive, and final all decisions or interpretations of the Administrator upon any questions relating to the Plan and the Award Agreement. Participant further agrees to notify the Company upon any change in the residence address indicated below.

By accepting this Award Agreement, Participant expressly consents to the sale of Shares to cover the Tax Withholding Obligations (as defined in the Terms and Conditions of Performance Unit Grant) arising from the Performance Units and any associated broker or other fees and agrees and acknowledges that, subject to Applicable Laws, Participant may not satisfy them by any means other than such sale of Shares, unless required to do so by the Administrator or pursuant to the Administrator's express written consent.

If this Award Agreement is not executed by Participant prior to the date that any Performance Units subject to this Award Agreement become vested, the Company will deem Participant to have accepted all of the terms and conditions of the Plan and this Award Agreement as of such vesting date.

PARTICIPANT: ELASTIC N.V.

Signature Signature

Print Name Print Name

Address: Title

SCHEDULE I

Performance Goal

Level of Attainment vs. Plan	Performance Goal Attainment (in $M)	Percentage of Eligible Performance Units
Below Threshold:		
Threshold:		
Target:		
Maximum:		

If Performance Goal Attainment is greater than the "Threshold" level and is between two points set forth above, then the Percentage of Eligible Performance Units shall be determined by linear interpolation, rounded to the nearest whole percentage. The number of Eligible Performance Units shall be determined by multiplying the Number of Performance Units indicated in the Notice of Grant by the applicable whole percentage. The product shall be rounded down to the nearest whole number of Performance Units.

EXHIBIT A

TERMS AND CONDITIONS OF PERFORMANCE UNIT GRANT

1. Grant of Performance Units. The Company hereby grants to the individual (the "Participant") named in the Notice of Performance Unit Grant that forms part of this Award Agreement (the "Notice of Grant") under the Plan an Award of Performance Units, subject to all of the terms and conditions in this Award Agreement and the Plan, which is incorporated herein by reference. Subject to Section 17 of the Plan, in the event of a conflict between the terms and conditions of the Plan and this Award Agreement, the terms and conditions of the Plan shall prevail.

2. Company's Obligation to Pay. Each Performance Unit represents the right to receive a Share on the date it vests. Unless and until the Performance Units will have vested in the manner set forth in Section 3 or 4, Participant will have no right to payment of any such Performance Units. Prior to actual payment of any vested Performance Units, such Performance Unit will represent an unsecured obligation of the Company, payable (if at all) only from the general assets of the Company.

3. Vesting Schedule. Except as provided in Section 4, and subject to Section 5, the Performance Units awarded by this Award Agreement will vest in accordance with the vesting schedule set forth in the Notice of Grant, subject to Participant remaining in Continuous Service Status through each applicable vesting date, with Continuous Service Status determined as described in the Notice of Grant.

4. Payment after Vesting.

(a) General Rule. Subject to Section 8, any Performance Units that vest will be paid to Participant (or in the event of Participant's death, to his or her properly designated beneficiary or estate) in whole Shares. Subject to the provisions of Section 4(b), such vested Performance Units shall be paid in whole Shares as soon as practicable after vesting, but in each such case within sixty (60) days following the vesting date. In no event will Participant be permitted, directly or indirectly, to specify the taxable year of payment of any Performance Units payable under this Award Agreement.

(b) Acceleration.

(i) Discretionary Acceleration. The Administrator, in its discretion, may accelerate the vesting of the balance, or some lesser portion of the balance, of the unvested Performance Units at any time, subject to the terms of the Plan. If so accelerated, such Performance Units will be considered as having vested as of the date specified by the Administrator. If Participant is subject to taxation in the U.S., the payment of Shares vesting pursuant to this Section 4(b) shall in all cases be paid at a time or in a manner that is exempt from, or complies with, Section 409A. The prior sentence may be superseded in a future agreement or amendment to this Award Agreement only by direct and specific reference to such sentence.

(ii) Notwithstanding anything in the Plan or this Award Agreement or any other agreement (whether entered into before, on or after the Date of Grant), if the vesting of the balance, or some lesser portion of the balance, of the Performance Units is accelerated in connection with the termination of Participant's Continuous Service Status (provided that such termination is a "separation from service" within the meaning of Section 409A, as determined by the Company), other than due to Participant's death, and if (x) Participant is subject to taxation in the U.S. and a "specified employee" within the meaning of Section 409A at the time of such termination of

Continuous Service Status and (y) the payment of such accelerated Performance Units will result in the imposition of additional tax under Section 409A if paid to Participant on or within the six (6) month period following the termination of Participant's Continuous Service Status, then the payment of such accelerated Performance Units will not be made until the date six (6) months and one (1) day following the date of termination of Participant's Continuous Service Status, unless Participant dies following the termination of his or her Continuous Service Status, in which case, the Performance Units will be paid in Shares to Participant's estate as soon as practicable following his or her death.

(c) Section 409A. It is the intent of this Award Agreement that it and all payments and benefits to U.S. taxpayers hereunder be exempt from, or comply with, the requirements of Section 409A so that none of the Performance Units provided under this Award Agreement or Shares issuable thereunder will be subject to the additional tax imposed under Section 409A, and any ambiguities herein will be interpreted to be so exempt or so comply. Each payment payable under this Award Agreement is intended to constitute a separate payment for purposes of Treasury Regulation Section 1.409A-2(b)(2). However, in no event will the Company reimburse Participant, or be otherwise responsible for, any taxes or costs that may be imposed on Participant as a result of Section 409A. For purposes of this Award Agreement, "Section 409A" means Section 409A of the Code, and any final Treasury Regulations and Internal Revenue Service guidance thereunder, as each may be amended from time to time.

5. Forfeiture Upon Termination of Continuous Service Status. Notwithstanding any contrary provision of this Award Agreement, if Participant's Continuous Service Status ceases for any or no reason, the then-unvested Performance Units awarded by this Award Agreement will thereupon be forfeited at no cost to the Company and Participant will have no further rights thereunder. The date that Continuous Service Status terminates will be determined as described in the Notice of Grant.

6. Tax Consequences. Participant has reviewed with his or her own tax advisors the U.S. and non-U.S. federal, state, and local tax consequences of this investment and the transactions contemplated by this Award Agreement. With respect to such matters, Participant relies solely on such advisors and not on any statements or representations of the Company or any of its agents, written or oral. Participant understands that Participant (and not the Company) shall be responsible for Participant's own tax liability that may arise as a result of this investment or the transactions contemplated by this Award Agreement.

7. Death of Participant. Any distribution or delivery to be made to Participant under this Award Agreement will, if Participant is then deceased, be made to Participant's designated beneficiary, provided the beneficiary designation is valid under Applicable Laws and permitted by the Company for Participant's jurisdiction, or if no beneficiary survives Participant, the administrator or executor of Participant's estate. Any such transferee must furnish the Company with (a) written notice of his or her status as transferee, and (b) evidence satisfactory to the Company to establish the validity of the transfer and compliance with any laws or regulations pertaining to said transfer.

8. Tax Obligations

(a) Responsibility for Taxes. Participant acknowledges that, regardless of any action taken by the Company or, if different, the Affiliate, Parent or Subsidiary to which Participant is providing services (the "Service Recipient"), the ultimate liability for any tax and/or social insurance liability obligations and requirements in connection with the Performance Units, including, without limitation, (i) all U.S. and non-U.S. federal, state, and local taxes (including Participant's U.S. Federal Insurance Contributions Act (FICA) obligation) that are required to be withheld by the Company or the Service Recipient or other payment of tax-related items related to Participant's participation in the Plan and legally applicable to Participant, (ii) Participant's and, to the extent

required by the Company (or Service Recipient), the Company's (or Service Recipient's) fringe benefit tax liability, if any, associated with the grant, vesting, or settlement of the Performance Units or sale of Shares, and (iii) any other Company (or Service Recipient) taxes the responsibility for which Participant has, or has agreed to bear, with respect to the Performance Units (or settlement thereof or issuance of Shares thereunder) (collectively, the "Tax Obligations"), is and remains Participant's responsibility and may exceed the amount, if any, actually withheld by the Company or the Service Recipient. Participant further acknowledges that the Company and/or the Service Recipient (A) make no representations or undertakings regarding the treatment of any Tax Obligations in connection with any aspect of the Performance Units, including, but not limited to, the grant, vesting or settlement of the Performance Units, the subsequent sale of Shares acquired pursuant to such settlement and the receipt of any dividends or other distributions, and (B) do not commit to and are under no obligation to structure the terms of the grant or any aspect of the Performance Units to reduce or eliminate Participant's liability for Tax Obligations or achieve any particular tax result. Further, if Participant is subject to Tax Obligations in more than one jurisdiction, Participant acknowledges that the Company and/or the Service Recipient (or former service recipient, as applicable) may be required to withhold or account for Tax Obligations in more than one jurisdiction. If Participant fails to make satisfactory arrangements for the payment of any required Tax Obligations hereunder at the time of the applicable taxable event, Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares.

(b) Tax Withholding and Default Sell-to-Cover Method of Tax Withholding. When Shares are issued as payment for vested Performance Units, Participant generally will recognize immediate U.S. taxable income if Participant is subject to taxation in the U.S. If Participant is subject to taxation in any other jurisdiction, Participant will be subject to applicable taxes, if any, in such jurisdiction at the time of the taxable event, as determined under local law. Subject to Section 8(c) and Applicable Laws, the amount of Tax Obligations which the Company determines must be withheld with respect to this Award ("Tax Withholding Obligation") will be satisfied by Shares being sold on Participant's behalf at the prevailing market price pursuant to such procedures as the Administrator may specify from time to time, including through a broker-assisted arrangement (it being understood that the Shares to be sold must have vested pursuant to the terms of this Award Agreement and the Plan) (the "Sell-to-Cover Method"). The proceeds from the Sell-to-Cover Method will be used to satisfy Participant's Tax Withholding Obligation arising with respect to this Award. In addition to Shares sold to satisfy the Tax Withholding Obligation, additional Shares will be sold to satisfy any associated broker or other fees. Only whole Shares will be sold through the Sell-to-Cover Method to satisfy any Tax Withholding Obligation and any associated broker or other fees. Any proceeds from the sale of Shares in excess of the Tax Withholding Obligation and any associated broker or other fees generated through the Sell-to-Cover Method will be paid to Participant in accordance with procedures the Company may specify from time to time. **By accepting this Award, Participant expressly consents to the sale of Shares to cover the Tax Withholding Obligations (and any associated broker or other fees) through the Sell-to-Cover Method and agrees and acknowledges that, subject to Applicable Laws, Participant may not satisfy them by any means other than such sale of Shares, unless required to do so by the Administrator or pursuant to the Administrator's express written consent.**

(c) Administrator Discretion. Notwithstanding the foregoing Sections 8(a) and 8(b), if the Administrator determines it is in the best interests of the Company for Participant to satisfy Participant's Tax Withholding Obligation by a method other than through the default Sell-to-Cover Method described in Section 8(b), it may permit or require Participant to satisfy Participant's Tax Withholding Obligation, in whole or in part (without limitation), if permissible by Applicable Laws, by (i) paying cash, (ii) withholding the amount of such Tax Withholding Obligation from Participant's wages or other cash compensation paid to Participant by the Company and/or the Service Recipient, (iii) if Participant is a U.S. employee, delivering to the Company Shares that Participant owns and that have vested with a fair market value equal to the amount required to be withheld (or such other amount, up to the maximum withholding rate in Participant's country,

determined by the Administrator and provided such other amount would not result in adverse financial accounting consequences to the Company as determined by the Administrator), (iv) by having the Company withhold otherwise deliverable Shares having a fair market value equal to the amount required to be withheld (or such other amount, up to the maximum withholding rate in Participant's country, determined by the Administrator and provided such other amount would not result in adverse financial accounting consequences to the Company as determined by the Administrator), and, unless the Administrator provides otherwise, this will be the default method for satisfying Participant's Tax Withholding Obligations if Participant has not executed this Award Agreement or otherwise failed to take actions necessary to facilitate the Sell-to-Cover Method prior to the date that any Performance Units under this Award Agreement become vested, or (v) such other means as the Administrator deems appropriate.

(d) Company's Obligation to Deliver Shares. For clarification purposes, in no event will the Company issue Participant any Shares unless and until arrangements satisfactory to the Administrator have been made for the payment of Participant's Tax Withholding Obligation. If Participant fails to make satisfactory arrangements for the payment of such Tax Withholding Obligations hereunder at the time any applicable Performance Units otherwise are scheduled to vest pursuant to Sections 3 or 4 or Participant's Tax Withholding Obligations otherwise become due, Participant will permanently forfeit such Performance Units to which Participant's Tax Withholding Obligation relates and any right to receive Shares thereunder and such Performance Units will be returned to the Company at no cost to the Company. Participant acknowledges and agrees that the Company may refuse to issue or deliver the Shares if such Tax Obligations are not delivered at the time they are due.

9. Rights as Shareholder. Neither Participant nor any person claiming under or through Participant will have any of the rights or privileges of a shareholder of the Company in respect of any Shares deliverable hereunder unless and until such Shares (which are in book entry form) will have been issued and delivered to Participant (including through electronic delivery to a brokerage account). Such issuance will occur by the execution of a deed of issuance to which the Company and Participant are each party, unless the Shares will be delivered into a brokerage account in the name of Participant, in which case the issuance will take place by a deed of issuance with due observance of the relevant requirements that may apply from time to time. After such issuance and delivery, Participant will have all the rights of a shareholder of the Company with respect to voting such Shares and receipt of dividends and distributions on such Shares.

10. No Guarantee of Continued Service. PARTICIPANT ACKNOWLEDGES AND AGREES THAT THE VESTING OF THE PERFORMANCE UNITS PURSUANT TO THE VESTING SCHEDULE HEREOF IS EARNED ONLY BY REMAINING IN CONTINUOUS SERVICE STATUS, WHICH UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW IS AT THE WILL OF THE COMPANY (OR THE SERVICE RECIPIENT) AND NOT THROUGH THE ACT OF BEING HIRED, BEING GRANTED THIS PERFORMANCE UNIT AWARD OR ACQUIRING SHARES HEREUNDER. PARTICIPANT FURTHER ACKNOWLEDGES AND AGREES THAT THIS AWARD AGREEMENT, THE TRANSACTIONS CONTEMPLATED HEREUNDER AND THE VESTING SCHEDULE SET FORTH HEREIN DO NOT CONSTITUTE AN EXPRESS OR IMPLIED PROMISE OF CONTINUED ENGAGEMENT AS AN EMPLOYEE OR CONSULTANT FOR THE VESTING PERIOD, FOR ANY PERIOD, OR AT ALL, AND SHALL NOT INTERFERE IN ANY WAY WITH PARTICIPANT'S RIGHT OR THE RIGHT OF THE COMPANY (OR THE SERVICE RECIPIENT) TO TERMINATE PARTICIPANT'S CONTINUOUS SERVICE STATUS, SUBJECT TO APPLICABLE LAW, WHICH TERMINATION, UNLESS PROVIDED OTHERWISE UNDER APPLICABLE LAW, MAY BE AT ANY TIME, WITH OR WITHOUT CAUSE.

11. Grant is Not Transferable. Except to the limited extent provided in Section 7, this grant and the rights and privileges conferred hereby will not be transferred, assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and will not be subject to sale under execution, attachment or similar process. Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of this grant, or any right or privilege conferred hereby, or upon any attempted sale under any execution, attachment or similar process, this grant and the rights and privileges conferred hereby immediately will become null and void.

12. Nature of Grant. In accepting the grant, Participant acknowledges, understands, and agrees that:

(a) the Plan is established voluntarily by the Company, it is discretionary in nature and it may be modified, amended, suspended or terminated by the Company at any time, to the extent permitted by the Plan;

(b) the grant of the Performance Units is exceptional, voluntary and occasional and does not create any contractual or other right to receive future grants of Performance Units, or benefits in lieu of Performance Units, even if Performance Units have been granted in the past;

(c) all decisions with respect to future Performance Units or other grants, if any, will be at the sole discretion of the Company;

(d) the grant of the Performance Units and Participant's participation in the Plan shall not create a right to employment, other service relationship, or be interpreted as forming or amending an employment or service contract with the Company, the Service Recipient or any other Affiliate, Parent or Subsidiary, and shall not interfere with the ability of the Company, the Service Recipient or any other Affiliate, Parent or Subsidiary, as applicable, to terminate Participant's employment or other service relationship, if any;

(e) Participant is voluntarily participating in the Plan;

(f) the Performance Units and the Shares subject to the Performance Units, and the income from and value of same, are not intended to replace any pension rights or compensation;

(g) the Performance Units and the Shares subject to the Performance Units, and the income from and value of same, are not part of normal or expected compensation for any purpose, including without limitation, calculating any severance, resignation, termination, redundancy, dismissal, end-of-service payments, bonuses, long-service awards, leave-related payments, holiday pay, holiday top-up, pension or retirement or welfare benefits or similar mandatory payments;

(h) unless otherwise agreed in writing with the Company, the Performance Units and the Shares subject to the Performance Units, and the income from and value of same, are not granted as consideration for, or in connection with, the service Participant may provide as a director of an Affiliate, Parent or Subsidiary;

(i) the future value of the underlying Shares is unknown, indeterminable and cannot be predicted with certainty;

(j) no claim or entitlement to compensation or damages shall arise from forfeiture of the Performance Units or any underlying Shares resulting from (i) the application of any compensation recovery or clawback policy adopted by the Company or required by law, or (ii) the termination of Participant's Continuous Service Status (for any reason whatsoever whether or not later found to be invalid or in breach of employment laws in the jurisdiction where Participant is employed or providing services or the terms of Participant's employment or service agreement, if any);

(k) unless otherwise provided in the Plan or by the Company in its discretion, the Performance Units and the benefits evidenced by this Award Agreement do not create any entitlement to have the Performance Units or any such benefits transferred to, or assumed by, another company nor be exchanged, cashed out or substituted for, in connection with any corporate transaction affecting the Shares; and

(l) neither the Company nor the Service Recipient or any other Affiliate, Parent or Subsidiary shall be liable for any foreign exchange rate fluctuation between Participant's local currency and the United States Dollar that may affect the value of the Performance Units or of any amounts due to Participant pursuant to the settlement of the Performance Units or the subsequent sale of any Shares acquired upon settlement.

13. No Advice Regarding Grant. The Company is not providing any tax, legal or financial advice, nor is the Company making any recommendations regarding Participant's participation in the Plan, or Participant's acquisition or sale of the underlying Shares. Participant is hereby advised to consult with his or her own personal tax, legal and financial advisors regarding his or her participation in the Plan before taking any action related to the Plan.

14. ***Data Privacy. Participant hereby explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of Participant's personal data as described in this Award Agreement and any other Performance Unit grant materials by and among, as applicable, the Service Recipient, the Company and any other Affiliate, Parent or Subsidiary for the exclusive purpose of implementing, administering and managing Participant's participation in the Plan.***

Participant understands that the Company and the Service Recipient may hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, social insurance number (to the extent permitted under Applicable Laws), passport or other identification number (e.g., resident registration number), salary, nationality, job title, any Shares or directorships held in the Company, details of all Performance Units or any other entitlement to Shares or equivalent benefits awarded, canceled, purchased, exercised, vested, unvested or outstanding in Participant's favor ("Data"), for the exclusive purpose of implementing, administering and managing the Plan.

Participant understands that Data will be transferred to such stock plan service provider(s) as may be selected by the Company (currently E*TRADE Financial Corporate Services, Inc., the brokerage firm engaged by the Company to hold participants' Shares and other amounts acquired under the Plan, and its affiliated companies (collectively, "the Designated Broker")) to assist with the implementation, administration, and management of the Plan. The recipients of Data may be located in the United States or elsewhere, and each recipient's country of operation (e.g., the United States) may have different data privacy laws and protections than Participant's country. Depending on where Participant is based, such rights may include the right to request a list with the names and addresses of any potential recipients of Data by contacting his or her local human resources representative. Participant authorizes the Company, any stock plan service provider selected by the Company and any other possible recipients which may assist the Company (presently or in the future) with implementing, administering and managing the Plan to receive, possess, use, retain and transfer Data, in electronic or other form, for the sole purpose of implementing, administering and managing his or her participation in the Plan, including any requisite transfer of such Data as may be required to a broker, escrow agent or other third party with whom Participant may elect to deposit any Shares received upon vesting of the Performance Units. Participant understands that Data will be held only as long as is necessary to implement, administer and manage Participant's participation in the Plan. Participant may have a number of rights under data privacy laws in Participant's jurisdiction. Depending on where Participant is based, such rights may include the right to, at any time, view Data, request information about the

storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, by contacting his or her local human resources representative. Further, Participant understands that he or she is providing the consents herein on a purely voluntary basis. If Participant does not consent, or if Participant later seeks to revoke his or her consent, his or her employment or service with the Service Recipient will not be affected; the only consequence of refusing or withdrawing Participant's consent is that the Company would not be able to grant Participant Performance Units or other equity awards or administer or maintain such awards. Therefore, Participant understands that refusing or withdrawing his or her consent may affect Participant's ability to participate in the Plan. For more information on the consequences of Participant's refusal to consent or withdrawal of consent, Participant may contact his or her local human resources representative.

Finally, Participant understands that the Company may rely on a different basis for the processing or transfer of Data in the future and/or request that Participant provide another data privacy consent. If applicable, Participant agrees that upon request of the Company or the Service Recipient, Participant will provide an executed acknowledgement or data privacy consent form (or any other agreements or consents) that the Company and/or the Service Recipient may deem necessary to obtain from Participant for the purpose of administering Participant's participation in the Plan in compliance with the data privacy laws in Participant's country, either now or in the future. Participant understands and agrees that he or she will not be able to participate in the Plan if he or she fails to provide any such consent or agreement requested by the Company and/or the Service Recipient.

15. Address for Notices. Any notice to be given to the Company under the terms of this Award Agreement will be addressed to the Company at Elastic N.V., 800 West El Camino Real, Suite 350, Mountain View, California 94040 or at such other address as the Company may hereafter designate in writing.

16. Electronic Delivery and Participation. The Company may, in its sole discretion, decide to deliver any documents related to the Performance Units awarded under the Plan or future Performance Units that may be awarded under the Plan by electronic means or request Participant's consent to participate in the Plan by electronic means. Participant hereby consents to receive such documents by electronic delivery and agrees to participate in the Plan through any online or electronic system established and maintained by the Company or a third party designated by the Company.

17. No Waiver. Either party's failure to enforce any provision or provisions of this Award Agreement shall not in any way be construed as a waiver of any such provision or provisions, nor prevent that party from thereafter enforcing each and every other provision of this Award Agreement. The rights granted both parties herein are cumulative and shall not constitute a waiver of either party's right to assert all other legal remedies available to it under the circumstances.

18. Successors and Assigns. The Company may assign any of its rights under this Award Agreement to single or multiple assignees, and this Award Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer herein set forth, this Award Agreement shall be binding upon Participant and his or her heirs, executors, administrators, successors and assigns. The rights and obligations of Participant under this Award Agreement may only be assigned with the prior written consent of the Company.

19. Additional Conditions to Issuance of Shares. If at any time the Company determines, in its discretion, that the listing, registration, qualification or rule compliance of the Shares upon any securities exchange or under any U.S. or non-U.S. state, federal or local law, including exchange control, tax or other Applicable Laws or related regulations, or under the rulings or regulations of the United States Securities and Exchange Commission or any other U.S. or non-U.S. governmental

regulatory body or the clearance, consent or approval of the United States Securities and Exchange Commission or any other U.S. or non-U.S. governmental regulatory authority is necessary or desirable as a condition to the issuance of Shares to Participant (or his or her estate) hereunder, such issuance will not occur unless and until such listing, registration, qualification, rule compliance, clearance, consent or approval has been completed, effected or obtained free of any conditions not acceptable to the Company. Notwithstanding the foregoing, Participant understands that the Company is under no obligation to register, qualify or otherwise obtain clearance, consent or other approvals from any governmental authority or any stock exchange. Subject to the terms of the Award Agreement and the Plan, the Company shall not be required to issue any certificate or certificates for Shares hereunder prior to the lapse of such reasonable period of time following the date of vesting of the Performance Units as the Administrator may establish from time to time for reasons of administrative convenience.

20. Language. Participant acknowledges and represents that he or she is proficient in the English language or has consulted with an advisor who is sufficiently proficient in English, as to allow Participant to understand the terms of this Award Agreement and any other documents related to the Plan. If Participant has received this Award Agreement or any other document related to the Plan translated into a language other than English and if the meaning of the translated version is different than the English version, the English version will control.

21. Interpretation. The Administrator will have the power to interpret the Plan and this Award Agreement and to adopt such rules for the administration, interpretation and application of the Plan as are consistent therewith and to interpret or revoke any such rules (including, but not limited to, the determination of whether or not any Performance Units have vested). All actions taken and all interpretations and determinations made by the Administrator in good faith will be final and binding upon Participant, the Company and all other interested persons. Neither the Administrator nor any person acting on behalf of the Administrator will be personally liable for any action, determination, or interpretation made in good faith with respect to the Plan or this Award Agreement.

22. Captions. Captions provided herein are for convenience only and are not to serve as a basis for interpretation or construction of this Award Agreement.

23. Amendment, Suspension or Termination of the Plan. By accepting this Award, Participant expressly warrants that he or she has received an Award of Performance Units under the Plan, and has received, read, and understood a description of the Plan. Participant understands that the Plan is discretionary in nature and may be amended, suspended or terminated by the Company at any time.

24. Modifications to the Award Agreement. This Award Agreement constitutes the entire understanding of the parties on the subjects covered. Participant expressly warrants that he or she is not accepting this Award Agreement in reliance on any promises, representations, or inducements other than those contained herein. Modifications to this Award Agreement or the Plan can be made only in an express written contract executed by a duly authorized officer of the Company. Notwithstanding anything to the contrary in the Plan or this Award Agreement, the Company reserves the right to impose other requirements on Participant's participation in the Plan, on the Performance Units and on any Shares acquired under the Plan, to the extent the Company determines it is necessary or advisable for legal or administrative reasons, and to require Participant to sign any additional agreements or undertakings that may be necessary to accomplish the foregoing. Further, the Company reserves the right to revise this Award Agreement as it deems necessary or advisable, in its sole discretion and without the consent of Participant, to comply with Section 409A or to otherwise avoid imposition of any additional tax or income recognition under Section 409A in connection with this Award of Performance Units.

25. Governing Law; Venue; Severability. This Award Agreement and the Performance Units are governed by the internal substantive laws, but not the choice of law rules, of Delaware; provided, however, that the corporate law aspects of issuance shall be governed by the laws of the Netherlands. For purposes of litigating any dispute that arises under these Performance Units or this Award Agreement, the parties hereby submit to and consent to the exclusive jurisdiction of the State of California, and agree that such litigation will be conducted in the courts of Santa Clara County, California, or the United States federal courts for the Northern District of California, and no other courts, where this Award Agreement is made and/or to be performed. In the event that any provision hereof becomes or is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Award Agreement shall continue in full force and effect.

26. Entire Agreement. The Plan is incorporated herein by reference. The Plan and this Award Agreement (including the appendices and exhibits referenced herein) constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Participant with respect to the subject matter hereof, and, subject to Section 24 hereof, may not be modified adversely to Participant's interest except by means of a writing signed by the Company and Participant.

27. Country Addendum. Notwithstanding any provisions in this Award Agreement, the Performance Unit grant shall be subject to any special terms and conditions set forth in an appendix to this Award Agreement for any country whose laws are applicable to Participant and this Award of Performance Units (as determined by the Administrator in its sole discretion) (the "Country Addendum"). Moreover, if Participant relocates to one of the countries included in the Country Addendum, the special terms and conditions for such country will apply to Participant, to the extent the Company determines that the application of such terms and conditions is necessary or advisable for legal or administrative reasons. The Country Addendum constitutes part of this Award Agreement.

28. Insider Trading/Market Abuse Laws. Participant may be subject to insider trading restrictions and/or market abuse laws in applicable jurisdictions, including the United States and, if different, Participant's country, Participant's broker's country and/or the country in which Shares may be listed, if applicable, which may affect Participant's ability to accept or otherwise acquire, or sell, attempt to sell or otherwise dispose of, Shares or rights to Shares (e.g., Performance Units) under the Plan or rights linked to the value of Shares (e.g., phantom awards, futures) during such times as Participant is considered to have "inside information" regarding the Company (as defined by the laws or regulations in the applicable jurisdiction) or the trade in Shares or the trade in rights to Shares under the Plan. Local insider trading laws and regulations may prohibit the cancellation or amendment of orders Participant placed before possessing inside information. Furthermore, Participant could be prohibited from (1) disclosing the inside information to any third party and (2) "tipping" third parties or otherwise causing them to buy or sell Company securities; "third parties" includes fellow employees or service providers. Any restrictions under these laws or regulations are separate from and in addition to any restrictions that may be imposed under any applicable company insider trading policy. It is Participant's responsibility to comply with any applicable restrictions and Participant should speak to a personal advisor on this matter.

29. Foreign Asset/Account Reporting Requirements And Exchange Controls. Certain foreign asset and/or foreign account reporting requirements and exchange controls may affect Participant's ability to acquire or hold Shares acquired under the Plan or cash received from participating in the Plan (including from any dividends paid on or sales proceeds arising from the sale of Shares acquired under the plan) in a brokerage or bank account outside Participant's country of residence. Participant may be required to report such accounts, assets or transactions to the tax or other authorities in Participant's country and/or to repatriate sale proceeds or other funds received as a result of participation in the Plan to Participant's country through a designated bank or broker

within a certain time after receipt. It is Participant's responsibility to be aware of and comply with such regulations, and Participant should consult a personal legal advisor for any details.

ELASTIC N.V.
AMENDED AND RESTATED 2012 STOCK OPTION PLAN
PERFORMANCE UNIT AGREEMENT
COUNTRY ADDENDUM

Capitalized terms used but not otherwise defined herein shall have the meaning given to such terms in the Plan, the Notice of Performance Unit Grant or the Terms and Conditions of Performance Unit Grant, as applicable.

Terms and Conditions

This Country Addendum includes additional terms and conditions that govern the Award of Performance Units granted to Participant under the Plan if Participant resides and/or works in one of the countries listed below. If Participant is a citizen or resident of a jurisdiction (or is considered as such for local law purposes) other than the one(s) in which he or she is currently residing and/or working or if Participant relocates to another jurisdiction after receiving the Award of Performance Units, the Company will, in its sole discretion, determine the extent to which the terms and conditions contained herein will be applicable to Participant.

Notifications

This Country Addendum also includes notifications relating to exchange control and certain other issues of which Participant should be aware with respect to his or her participation in the Plan. The information is based on the exchange control, securities and other laws in effect in the respective countries listed in this Country Addendum, as of December 2022. Such laws are often complex and change frequently. As a result, Participant should not rely on the notifications in this Country Addendum as the only source of information relating to the consequences of his or her participation in the Plan because the information may be out of date at the time Participant vests in the Performance Units and acquires Shares, or when Participant subsequently sell Shares acquired under the Plan.

In addition, the notifications herein are general in nature and may not apply to Participant's particular situation, and the Company is not in a position to assure Participant of any particular result. Accordingly, Participant is advised to seek appropriate professional advice as to how the relevant laws in Participant's jurisdiction may apply to Participant's situation.

Finally, if Participant is a citizen or resident of a jurisdiction other than the one(s) in which Participant is currently residing and/or working or if Participant moves to another jurisdiction after receiving the Award of Performance Units, the information contained herein may not be applicable to Participant in the same manner.

EUROPEAN UNION ("EU")/EUROPEAN ECONOMIC AREA ("EEA") COUNTRIES, SWITZERLAND AND THE UNITED KINGDOM (TOGETHER, "EEA+")
Terms and Conditions

Data Privacy. This provision replaces Section 14 of the Terms and Conditions of Performance Unit Grant:

(a) Controller and Authorized EEA+ Representative. The Company is the controller responsible for processing Participant's Data (as defined below) in connection with this Award Agreement.

(b) Purposes and Legal Bases of Processing. The Company processes Data (as defined below) for the purpose of performing its contractual obligations under this Award Agreement, granting Performance Units, implementing, administering and managing Participant's participation in the Plan and facilitating compliance with Applicable Laws. The legal basis for the processing of Data (as defined below) by the Company and the third-party service providers described below is (i) the necessity of the data processing for the Company to perform its contractual obligations under this Award Agreement with Participant, (ii) the necessity for compliance with legal obligations to which the Company is subject, and (iii) the Company's legitimate business interest of managing the Plan and generally administering the Award.

(c) Data Collection and Usage. The Company and the Service Recipient will collect, process and use certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number, email address, date of birth, tax and social insurance, passport or other identification number, salary, nationality, job title, any Shares or directorships held in the Company, details of all awards or any other entitlement to Shares or equivalent benefits awarded, canceled, exercised, vested, unvested or outstanding in Participant's favor ("Data").

(d) Stock Plan Administration Service Providers. The Company transfers Data to such independent stock plan service provider(s) based in the United States as may be selected by the Company (currently E*TRADE Financial Corporate Services, Inc., the brokerage firm engaged by the Company to hold participants' Shares and other amounts acquired under the Plan, and its affiliated companies (collectively, "the Designated Broker")), which assists the Company with the implementation, administration and management of the Plan. Participant acknowledges and understands that the Designated Broker will open an account for Participant to receive and trade Shares acquired under the Plan and that Participant will be asked to agree on separate terms and data processing practices with the Designated Broker, with such agreement being a condition to the ability to participate in the Plan.

(e) International Data Transfers. The Company is based in the Netherlands and the United States. The Designated Broker is based in the United States. Participant's country or jurisdiction may have different data privacy laws and protections than the Netherlands and/or the United States. The Company has implemented appropriate safeguards for protecting Data that it receives in the United States through its adherence to EU Standard Contractual Clauses entered into between the Company and any Affiliate, Parent or Subsidiary within the EEA+. Participant may request a copy of the EU Standard Contractual Clauses by contacting privacy@elastic.co. No appropriate safeguards have been implemented with respect to the onward transfer by the Company to the Designated Broker. Instead, the onward transfer is solely based on the necessity of the onward transfer for the performance of the Company's contractual obligations under this Award Agreement. Participant understands that this might result in certain risks to his or her Data such as the lack of protection by substantive data processing principles, the lack of supervision by data protection authorities, or the lack of enforceable rights regarding the processing of Participant's Data. The current data privacy policy in place by the Designated Broker can be obtained via https://us.etrade.com/l/f/privacy-statement. In addition, Participant may request further information, especially on the safeguards implemented for the onward transfer to the Designated Broker, by contacting cpo@etrade.com.

(f) Data Retention. The Company will hold and use Data only as long as is necessary to implement, administer and manage Participant's participation in the Plan, or as required to comply with legal or regulatory obligations, including under tax and securities laws. This means Data may be retained until after termination of Participant's Continuous Service Status.

(g) Data Subject Rights. Participant may have a number of rights under data privacy laws in Participant's jurisdiction. Such rights may include the right to (i) request access or copies of

Data the Company processes, (ii) rectification of incorrect Data, (iii) deletion of Data, (iv) restrictions on processing of Data, (v) object to the processing of Data for legitimate interests on grounds relating to Participants' particular situation, (vi) portability of Data, (vii) lodge complaints with competent authorities in Participant's jurisdiction, and/or (viii) receive a list with the names and addresses of any potential recipients of Data. To receive clarification regarding these rights or to exercise these rights, Participant can contact his or her local human resources representative.

(h) Contractual Requirement. Participant's provision of Data and its processing and transfer as described above is a contractual requirement and a condition to Participant's ability to participate in the Plan. Participant understands that, as a consequence of Participant's refusing to provide Data, the Company may not be able to allow Participant to participate in the Plan, grant Performance Units to Grantee or administer or maintain such Performance Units. However, Participant's participation in the Plan and his or her acceptance of this Award Agreement are purely voluntary. While Participant will not receive Performance Units or other Awards if he or she decides against participating in the Plan or providing Data as described above, Participant's career and salary will not be affected in any way. For more information on the consequences of the refusal to provide Data, Participant may contact privacy@elastic.co.

ISRAEL

Terms and Conditions

All capitalized terms used in this Israel section of the Country Addendum, unless separately defined in this Award Agreement, have the meanings set forth in the Israel Addendum to the Plan (the "Israeli Addendum").

The following provisions apply to Participants who are eligible to receive 102 Trustee Awards as defined in the Israeli Addendum. In the event of any inconsistencies between the Israel Addendum and this Award Agreement or the Plan, the Israel Addendum will govern the Performance Units granted to such Participants in Israel.

Trust Arrangement. Participant understands and agrees that Performance Units are intended to qualify as 102 Capital Gain Track Awards and are offered subject to and in accordance with the terms of this Award Agreement, the Plan, the Israel Addendum and the agreement between the Company and the Trustee (currently IBI Trust Management) (the "Trust Agreement").

Performance Units will be registered in the name of the Trustee for the benefit of Participant and/or the Company, as the case may be (or will otherwise be subject to an ITA-approved supervisory trust arrangement), as required to qualify as a 102 Trustee Award under the applicable subsections of Section 102. Performance Units or Shares to be issued in settlement of vested Performance Units will be held by the Trustee (or will otherwise be subject to an ITA-supervisory trust arrangement) for the Required Holding Period. Participant hereby undertakes to release the Trustee from any liability in respect of any action or decision duly taken and bona fide executed in relation to the Plan or any Performance Units or Shares received thereunder.

Certain events may affect status of Performance Units and Shares subject to Performance Units as qualified under Section 102. The Company does not make any undertaking or representation to provide or maintain the tax status of Performance Units or Shares subject to Performance Units.

The Company may in its sole discretion replace the Trustee from time to time and instruct the transfer of all Performance Units, if applicable, and Shares held or administered by such Trustee at such time to its successor, and the provisions of this Award Agreement shall apply to the new Trustee.

Beneficiary 102 Undertaking. Participant agrees that, upon request of the Company or the Trustee, Participant will complete the Beneficiary 102 Undertaking (the "Undertaking") acceptance prescribed by the Company or the Trustee, according to the procedures and timeline set forth by the Company and the Trustee (which may include executing this Award Agreement in writing). Participant also agrees to execute any other documents that the Company or the Trustee may reasonably determine to be necessary in order to comply with the Ordinance and, in particular, the Rules. If Participant does not comply with any such request, the qualified status of Performance Units and Shares under the applicable subsection of Section 102 may not apply.

The following provisions apply to Participants who transfer into Israel after the Date of Grant and/or who otherwise are not eligible to receive 102 Trustee Awards on the Date of Grant.

Trustee. The Company may determine, at its discretion, that Performance Units, Shares issuable upon vesting of Performance Units and/or any securities issued or distributed with respect thereto, shall be allocated or issued to (or made subject to a supervisory trust arrangement with) the Trustee, who shall hold in trust or otherwise supervise such Performance Units and all accrued rights thereon (if any) for the benefit of Participant and/or the Company, as the case may be, until the full payment of all applicable Tax Obligations. Further, the Company, without limitation, may require Participant to provide the Company with a guarantee or other security, to the satisfaction of each of the Trustee and the Company, with respect to Tax Obligations applicable to Participant. Notwithstanding the foregoing, Performance Units shall not be treated as 102 Trustee Awards even if allocated or issued to (or made subject to a supervisory trust arrangement with) the Trustee.

Payment after Vesting. The following provision supplements Section 4 of the Terms and Conditions of Performance Unit Grant.

Participant agrees that if Performance Units and/or Shares issuable upon vesting of Performance Units are not allocated or issued to (or made subject to a supervisory trust arrangement with) the Trustee, then at the Company's discretion and instruction, any or all of the Shares delivered upon vesting of Performance Units may be sold immediately, to facilitate compliance with Israeli tax laws and regulations. Acceptance of Performance Units constitutes Participant's instruction and authorization to the Company and the Designated Broker to assist with such sale of Shares on Participant's behalf. The Company and the Designated Broker (or any other Company designated broker) are under no obligation to arrange for such sale at any particular price. In the event of such sale of Shares, Participant will receive the cash proceeds from the sale, less any brokerage fees or other costs of sale and subject to fulfillment of any applicable Tax Obligations.

Participant acknowledges that, if the Shares delivered upon vesting of Performance Units are not allocated or issued to (or made subject to a supervisory trust arrangement with) the Trustee and are not sold immediately per this provision, then Participant may be required to maintain the Shares in an account with the Designated Broker.

Notifications

Securities Law Information. The grant of the Award of Performance Units does not constitute a public offering under the Securities Law, 1968.

Exhibit 31.1

Certification by the Principal Executive Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Ashutosh Kulkarni, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Elastic N.V. (the "registrant") for the fiscal quarter ended July 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 01, 2023

By: /s/ Ashutosh Kulkarni

Name: Ashutosh Kulkarni
Title: Chief Executive Officer and Director
(Principal Executive Officer)

Exhibit 31.2

Certification by the Principal Financial Officer pursuant to
Securities Exchange Act Rules 13a-14(a) and 15d-14(a)
as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Janesh Moorjani, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Elastic N.V. (the "registrant") for the fiscal quarter ended July 31, 2023;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 01, 2023

By: /s/ Janesh Moorjani
Name: Janesh Moorjani
Title: Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

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

I, Ashutosh Kulkarni, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Elastic N.V. for the fiscal quarter ended July 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Elastic N.V.

Date: September 01, 2023

By: /s/ Ashutosh Kulkarni

Name: Ashutosh Kulkarni

Title: Chief Executive Officer and Director
(Principal Executive Officer)

This certification accompanies the Annual Report, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Elastic N.V. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.

Exhibit 32.2

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

I, Janesh Moorjani, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Elastic N.V. for the fiscal quarter ended July 31, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Elastic N.V.

Date: September 01, 2023

By: /s/ Janesh Moorjani

Name: Janesh Moorjani
Title: Chief Financial Officer and Chief Operating Officer
(Principal Financial and Accounting Officer)

This certification accompanies the Annual Report, is not deemed filed with the Securities and Exchange Commission and is not to be incorporated by reference into any filing of Elastic N.V. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of the Quarterly Report on Form 10-Q), irrespective of any general incorporation language contained in such filing.