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 March 31, 2021
OR

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

Commission File Number: 001-39492

JFrog Ltd.

(Exact name of Registrant as specified in its charter)

Israel	**98-0680649**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

270 E. Caribbean Drive
Sunnyvale, California 94089
(408) 329-1540

(Address, including zip code, and telephone number, including area code, of Registrant's principal executive offices)

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, NIS 0.01 par value	**FROG**	**The Nasdaq Global Select Market**

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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 April 30, 2021, the registrant had 93,517,053 ordinary shares, NIS 0.01 par value per share, outstanding.

TABLE OF CONTENTS

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," "will," "should," "expect," "plan," "anticipate," "could," "intend," "target," "project," "contemplate," "believe," "estimate," "predict," "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 future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit, operating expenses, operating cash flow and free cash flow, and our ability to achieve, and maintain, future profitability;
- market acceptance of our products;
- anticipated trends, growth rates and challenges in our business and in the markets in which we operate;
- the effects of increased competition in our markets and our ability to compete effectively;
- our ability to maintain and expand our customer base, including by attracting new customers;
- our ability to successfully expand in our existing markets and into new markets;
- our ability to maintain the security and availability of our software;
- our ability to maintain or increase our net dollar retention rate;
- our ability to develop new products, or enhancements to our existing products, and bring them to market in a timely manner;
- our business model and our ability to effectively manage our growth and associated investments;
- beliefs and objectives for future operations, including regarding our market opportunity;
- our relationships with third parties, including our technology partners and cloud providers;
- our ability to maintain, protect, and enhance our intellectual property rights;
- our ability to successfully defend litigation brought against us;
- the attraction and retention of qualified employees and key personnel;
- sufficiency of cash to meet cash needs for at least the next 12 months;
- our ability to comply with laws and regulations that currently apply or become applicable to our business in Israel, the United States and internationally;
- our expectations about the impact of natural disasters, public health epidemics, such as the coronavirus, protests or riots on our business, results of operations and financial condition; and
- the future trading prices of our ordinary shares.

You should not rely upon forward-looking statements 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 and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors described in the section titled "*Risk Factors*" and elsewhere in this 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 Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

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

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

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

JFROG LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share data)
(unaudited)

	As of	
	March 31, 2021	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 146,676	$ 164,461
Short-term investments	458,977	433,595
Accounts receivable, net	51,423	37,048
Deferred contract acquisition costs	3,655	3,247
Prepaid expenses and other current assets	14,430	14,210
Total current assets	675,161	652,561
Property and equipment, net	5,598	4,963
Deferred contract acquisition costs, noncurrent	5,925	4,949
Operating lease right-of-use assets	20,611	—
Intangible assets, net	3,674	4,047
Goodwill	17,320	17,320
Other assets, noncurrent	6,722	5,391
Total assets	$ 735,011	$ 689,231
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 8,957	$ 9,911
Accrued expenses and other current liabilities	23,777	21,039
Operating lease liabilities	4,876	—
Deferred revenue	102,432	91,750
Total current liabilities	140,042	122,700
Deferred revenue, noncurrent	18,542	11,087
Operating lease liabilities, noncurrent	15,897	—
Other liabilities, noncurrent	1,132	1,550
Total liabilities	175,613	135,337
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred shares, NIS 0.01 par value per share; 50,000,000 shares authorized; 0 issued and outstanding as of March 31, 2021 and December 31, 2020	—	—
Ordinary shares, NIS 0.01 par value per share, 500,000,000 shares authorized; 93,467,841 and 92,112,447 shares issued and outstanding as of March 31, 2021 and December 31, 2020, respectively	261	257
Additional paid-in capital	642,090	628,054
Accumulated other comprehensive income (loss)	(269)	372
Accumulated deficit	(82,684)	(74,789)
Total shareholders' equity	559,398	553,894
Total liabilities and shareholders' equity	$ 735,011	$ 689,231

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

JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Revenue:		
Subscription—self-managed and SaaS	$ 41,338	$ 30,297
License—self-managed	3,749	2,524
Total subscription revenue	45,087	32,821
Cost of revenue:		
Subscription—self-managed and SaaS	8,236	6,190
License—self-managed	191	214
Total cost of revenue—subscription	8,427	6,404
Gross profit	36,660	26,417
Operating expenses:		
Research and development	13,836	9,295
Sales and marketing	19,765	14,023
General and administrative	13,671	5,198
Total operating expenses	47,272	28,516
Operating loss	(10,612)	(2,099)
Interest and other income, net	360	564
Loss before income taxes	(10,252)	(1,535)
Income tax expense (benefit)	(2,357)	590
Net loss	$ (7,895)	$ (2,125)
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (0.09)	$ (0.08)
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	92,679,756	28,154,185

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

JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	**2020**
Net loss	$ (7,895)	$ (2,125)
Other comprehensive income (loss), net of tax:		
Unrealized loss on available-for-sale marketable securities, net	(30)	(51)
Unrealized gain (loss) on derivative instruments, net	(611)	137
Other comprehensive income (loss)	(641)	86
Comprehensive loss	$ (8,536)	$ (2,039)

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

JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CONVERTIBLE PREFERRED SHARES AND SHAREHOLDERS' EQUITY (DEFICIT)
(in thousands, except share data)
(unaudited)

	Three Months Ended March 31, 2021						
	Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'	
	Shares	Amount	Capital	Income (loss)	Deficit	Equity	
Balance as of December 31, 2020	92,112,447	$ 257	$ 628,054	$ 372	$ (74,789)	$ 553,894	
Issuance of ordinary shares upon exercise of share options	1,305,571	4	2,286	—	—	2,290	
Issuance of ordinary shares related to business combination	49,823	(*)	(*)	—	—	—	
Share-based compensation expense	—	—	11,750	—	—	11,750	
Other comprehensive loss, net of tax	—	—	—	(641)	—	(641)	
Net loss	—	—	—	—	(7,895)	(7,895)	
Balance as of March 31, 2021	93,467,841	$ 261	$ 642,090	$ (269)	$ (82,684)	$ 559,398	

	Three Months Ended March 31, 2020							
	Convertible Preferred Shares		Ordinary Shares		Additional Paid-in	Accumulated Other Comprehensive	Accumulated	Total Shareholders'
	Shares	Amount	Shares	Amount	Capital	Income	Deficit	Deficit
Balance as of December 31, 2019	52,063,647	$ 175,844	27,930,741	$ 80	$ 31,835	$ 35	$ (65,384)	$ (33,434)
Issuance of ordinary shares upon exercise of share options	—	—	243,210	(*)	396	—	—	396
Issuance of ordinary shares related to business combination	—	—	102,692	(*)	(*)	—	—	—
Share-based compensation expense	—	—	—	—	1,956	—	—	1,956
Other comprehensive income, net of tax	—	—	—	—	—	86	—	86
Net loss	—	—	—	—	—	—	(2,125)	(2,125)
Balance as of March 31, 2020	52,063,647	$ 175,844	28,276,643	$ 80	$ 34,187	$ 121	$ (67,509)	$ (33,121)

(*) Amount less than $1.

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

JFROG LTD.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Three Months Ended March 31,	
	2021	2020
Cash flows from operating activities:		
Net loss	$ (7,895)	$ (2,125)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Depreciation and amortization	1,006	859
Share-based compensation expense	11,750	1,956
Non-cash operating lease expense	1,278	—
Net amortization of premium or discount on investments	1,343	268
Changes in operating assets and liabilities:		
Accounts receivable	(14,375)	2,357
Prepaid expenses and other assets	(2,386)	(2,944)
Deferred contract acquisition costs	(1,384)	(161)
Accounts payable	(954)	1,201
Accrued expenses and other liabilities	3,658	1,083
Operating lease liabilities	(1,367)	—
Deferred revenue	18,137	(3,743)
Net cash provided by (used in) operating activities	8,811	(1,249)
Cash flows from investing activities:		
Purchases of short-term investments	(88,580)	(40,778)
Maturities of short-term investments	61,825	34,040
Purchases of property and equipment	(1,135)	(1,149)
Net cash used in investing activities	(27,890)	(7,887)
Cash flows from financing activities:		
Payments of deferred offering costs	—	(862)
Proceeds from exercise of share options	2,290	396
Payments to tax authorities from employee equity transactions, net	(1,008)	—
Net cash provided by (used in) financing activities	1,282	(466)
Net decrease in cash, cash equivalents, and restricted cash	(17,797)	(9,602)
Cash, cash equivalents, and restricted cash—beginning of period	164,739	40,943
Cash, cash equivalents, and restricted cash—end of period	$ 146,942	$ 31,341
Reconciliation of cash, cash equivalents, and restricted cash within the Condensed Consolidated Balance Sheets to the amounts shown in the Condensed Consolidated Statements of Cash Flows above:		
Cash and cash equivalents	$ 146,676	$ 31,062
Restricted cash included in prepaid expenses and other current assets	14	14
Restricted cash included in other assets, noncurrent	252	265
Total cash, cash equivalents, and restricted cash	$ 146,942	$ 31,341

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

1. Organization and Description of Business

JFrog Ltd. (together with its subsidiaries, “JFrog”, or the “Company”) was incorporated under the laws of the State of Israel in 2008. JFrog provides an end-to-end, hybrid, universal DevOps Platform for Continuous Software Release Management enabling organizations to continuously deliver software updates across any system. JFrog’s platform is the critical bridge between software development and deployment of that software, paving the way for the modern DevOps paradigm. The Company enables organizations to build and release software faster and more securely while empowering developers to be more efficient. The Company’s solutions are designed to run on-premise, in public or private clouds, or in hybrid environments.

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”), and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting, and include the accounts of JFrog Ltd. and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2020 was derived from the audited consolidated financial statements as of that date, but does not include all of the disclosures, including certain notes required by GAAP on an annual reporting basis. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and the related notes thereto as of and for the year ended December 31, 2020, included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2020 filed with the SEC on February 12, 2021.

In management’s opinion, the unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and reflect all adjustments, which include only normal recurring adjustments necessary for the fair presentation of the Company’s financial position as of March 31, 2021 and the Company’s consolidated results of operations, convertible preferred shares and shareholders’ equity (deficit), and cash flows for the three months ended March 31, 2021 and 2020. The results for the three months ended March 31, 2021 are not necessarily indicative of the results to be expected for the full year ending December 31, 2021 or any other future interim or annual period.

Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting periods and accompanying notes. Significant items subject to such estimates and assumptions include, but are not limited to, the allocation of transaction price among various performance obligations, the estimated customer life on deferred contract acquisition costs, the allowance for doubtful accounts, the fair value of financial assets and liabilities, including accounting and fair value of derivatives, the fair value of acquired intangible assets and goodwill, the useful lives of acquired intangible assets and property and equipment, the incremental borrowing rate for operating leases, share-based compensation including the determination of the fair value of the Company’s share-based awards, and the valuation of deferred tax assets and uncertain tax positions. 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. Actual results could differ from those estimates.

The novel coronavirus (“COVID-19”) pandemic has created, and may continue to create, significant uncertainty in macroeconomic conditions, and the extent of its impact on the Company’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak and the impact on the Company’s customers and its sales cycles. The Company considered the impact of COVID-19 on the estimates and assumptions and determined that there were no material adverse impacts on the condensed consolidated financial statements for the period ended March 31, 2021. As events continue to evolve and additional information becomes available, the Company’s estimates and assumptions may change materially in future periods.

Significant Accounting Policies

The Company's significant accounting policies are discussed in Note 2, *Summary of Significant Accounting Policies*, in the Company's Annual Report on Form 10-K for the year ended December 31, 2020. There have been no significant changes to these policies during the three months ended March 31, 2021, except as noted below.

Recently Adopted Accounting Pronouncements

As an "emerging growth company," the Jumpstart Our Business Startups Act ("JOBS Act") allows the Company to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. The Company has elected to use this extended transition period under the JOBS Act. The adoption dates discussed below reflect this election.

In February 2016, the Financial Accounting Standards ("FASB") issued ASU No. 2016-02, Leases (Topic 842), which would require lessees to put all leases on their balance sheets, whether operating or financing, while continuing to recognize the expenses on their income statements in a manner similar to the existing practice. The guidance states that a lessee would recognize a lease liability for the obligation to make lease payments and a right-of-use ("ROU") asset for the right to use the underlying asset for the lease term.

The Company adopted the guidance on January 1, 2021 using a modified retrospective transition approach. It applied Topic 842 to all leases as of January 1, 2021 without adjusting the comparative periods presented. The Company elected certain practical expedients permitted under the transition guidance within the new guidance and carried forward the historical accounting relating to lease identification and classification, remaining lease terms, and initial direct costs. Upon adoption, the Company recognized operating lease ROU assets of $21.9 million and operating lease liabilities of $22.1 million. Operating lease ROU assets included adjustments for prepayments and accrued lease payments. The adoption of Topic 842 did not have a material impact to the Company's results of operations or cash flows. See Note 9, *Leases*, for further information.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The new standard requires capitalized costs to be amortized on a straight-line basis generally over the term of the arrangement, and the financial statement presentation for these capitalized costs would be the same as that of the fees related to the hosting arrangements. The Company adopted this guidance prospectively on January 1, 2021, and the adoption did not have a material impact on its condensed consolidated financial statements.

Recently Issued Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the existing incurred loss impairment model with an expected credit loss model and requires a financial asset measured at amortized cost to be presented at the net amount expected to be collected. The guidance will be effective for the Company beginning January 1, 2023, and interim periods therein. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2016-13 will have on its condensed consolidated financial statements and related disclosures.

In December 2019, the FASB issued ASU No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes,* which simplifies the accounting for income taxes by removing a variety of exceptions within the framework of ASC 740. These exceptions include the exception to the incremental approach for intra-period tax allocation in the event of a loss from continuing operations and income or a gain from other items (such as other comprehensive income), and the exception to using general methodology for the interim period tax accounting for year-to-date losses that exceed anticipated losses. The guidance will be effective for the Company beginning January 1, 2022, and interim periods in fiscal years beginning January 1, 2023. Early adoption is permitted. The Company is currently evaluating the effect that ASU 2019-12 will have on its condensed consolidated financial statements and related disclosures.

3. Revenue Recognition

Disaggregation of Revenue

The following table presents revenue by category:

	Three Months Ended March 31, 2021 Amount	2021 Percentage of Revenue	2020 Amount	2020 Percentage of Revenue
	(in thousands, except percentages)			
Self-managed subscription	$ 34,823	77 %	$ 26,473	81 %
Subscription	31,074	69	23,949	73
License	3,749	8	2,524	8
SaaS	10,264	23	6,348	19
Total subscription revenue	$ 45,087	100 %	$ 32,821	100 %

The following table summarizes revenue by region based on the shipping address of customers:

	Three Months Ended March 31, 2021 Amount	2021 Percentage of Revenue	2020 Amount	2020 Percentage of Revenue
	(in thousands, except percentages)			
United States	$ 28,292	63 %	$ 20,952	64 %
Israel	893	2	633	2
Rest of world	15,902	35	11,236	34
Total subscription revenue	$ 45,087	100 %	$ 32,821	100 %

Contract Balances

Of the $102.8 million and $82.3 million of deferred revenue recorded as of December 31, 2020 and 2019, respectively, the Company recognized $32.9 million and $26.6 million as revenue during the three months ended March 31, 2021 and 2020, respectively.

Remaining Performance Obligation

The Company’s remaining performance obligations are comprised of product and service revenue not yet delivered. As of March 31, 2021, the aggregate amount of the transaction price allocated to remaining performance obligations was $129.2 million, which consists of billed considerations of $121.0 million and unbilled considerations of $8.2 million, respectively, that the Company expects to recognize as revenue. As of March 31, 2021, the Company expects to recognize 82% of its remaining performance obligations as revenue over the next 12 months, and the remainder thereafter.

Cost to Obtain a Contract

The following table represents a rollforward of deferred contract acquisition costs:

	Three Months Ended March 31, 2021	2020
	(in thousands)	
Beginning balance	$ 8,196	$ 5,989
Additions to deferred contract acquisition costs	2,362	821
Amortization of deferred contract acquisition costs	(978)	(660)
Ending balance	$ 9,580	$ 6,150
Deferred contract acquisition costs (to be recognized in next 12 months)	$ 3,655	$ 2,501
Deferred contract acquisition costs, noncurrent	5,925	3,649
Total deferred contract acquisition costs	$ 9,580	$ 6,150

4. Short-Term Investments

Short-term investments consisted of the following:

	March 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Bank deposits	$ 133,878	$ —	$ —	$ 133,878
Certificates of deposit	6,884	5	—	6,889
Commercial paper	41,403	7	(9)	41,401
Corporate debt securities	158,654	11	(104)	158,561
Municipal securities	55,374	7	(6)	55,375
Government and agency debt	62,883	6	(16)	62,873
Marketable securities	325,198	36	(135)	325,099
Total short-term investments	$ 459,076	$ 36	$ (135)	$ 458,977

	December 31, 2020			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
	(in thousands)			
Bank deposits	$ 133,386	$ —	$ —	$ 133,386
Certificates of deposit	10,802	20	(1)	10,821
Commercial paper	34,150	3	(2)	34,151
Corporate debt securities	128,694	11	(82)	128,623
Municipal securities	54,238	7	(12)	54,233
Government and agency debt	72,394	5	(18)	72,381
Marketable securities	300,278	46	(115)	300,209
Total short-term investments	$ 433,664	$ 46	(115)	$ 433,595

Based on the available evidence, the Company concluded that the gross unrealized losses on the marketable securities as of March 31, 2021 and December 31, 2020 are temporary in nature. See Note 12, *Accumulated Other Comprehensive Income (Loss)*, for the realized gains or losses from available-for-sale marketable securities that were reclassified out of accumulated other comprehensive income (loss) during the periods presented. As of March 31, 2021, the contractual maturities of the Company’s marketable securities were all less than one year.

5. Fair Value Measurements

The following table presents information about the Company's financial instruments that are measured at fair value on a recurring basis:

	March 31, 2021		
	Fair Value	Level 1	Level 2
	(in thousands)		
Financial Assets:			
Money market funds	$ 105,755	$ 105,755	$ —
Municipal securities	1,002	—	1,002
Cash equivalents	106,757	105,755	1,002
Bank deposits	133,878	—	133,878
Certificates of deposit	6,889	—	6,889
Commercial paper	41,401	—	41,401
Corporate debt securities	158,561	—	158,561
Municipal securities	55,375	—	55,375
Government and agency debt	62,873	—	62,873
Short-term investments	458,977	—	458,977
Foreign currency contracts designated as hedging instruments included in prepaid expenses and other current assets	64	—	64
Restricted bank deposits included in prepaid expenses and other current assets	14	—	14
Restricted bank deposits included in other assets, noncurrent	252	—	252
Total financial assets	$ 566,064	$ 105,755	$ 460,309
Financial Liabilities:			
Foreign currency contracts designated as hedging instruments included in accrued expenses and other current liabilities	$ 213	$ —	$ 213
Foreign currency contracts not designated as hedging instruments included in accrued expenses and other current liabilities	7	—	7
Total financial liabilities	$ 220	$ —	$ 220

	December 31, 2020		
	Fair Value	Level 1	Level 2
	(in thousands)		
Financial Assets:			
Money market funds	$ 111,080	$ 111,080	$ —
Certificates of deposit	274	—	274
Cash equivalents	111,354	111,080	274
Bank deposits	133,386	—	133,386
Certificates of deposit	10,821	—	10,821
Commercial paper	34,151	—	34,151
Corporate debt securities	128,623	—	128,623
Municipal securities	54,233	—	54,233
Government and agency debt	72,381	—	72,381
Short-term investments	433,595	—	433,595
Foreign currency contracts designated as hedging instruments included in prepaid expenses and other current assets	468	—	468
Foreign currency contracts not designated as hedging instruments included in prepaid expenses and other current assets	2	—	2
Restricted bank deposits included in prepaid expenses and other current assets	14	—	14
Restricted bank deposits included in other assets, noncurrent	264	—	264
Total financial assets	545,697	111,080	434,617
Financial Liabilities:			
Foreign currency contracts designated as hedging instruments included in accrued expenses and other current liabilities	$ 16	$ —	$ 16
Total financial liabilities	$ 16	$ —	$ 16

The Company classifies its money market fund within Level 1 of the fair value hierarchy because they are valued based on quoted market prices in active markets. The Company classifies its bank deposits, certificates of deposit, commercial paper, corporate debt securities, municipal securities, government and agency debt, and derivative financial instruments within Level 2 because they are valued using inputs other than quoted prices which are directly or indirectly observable in the market, including readily-available pricing sources for the identical underlying security which may not be actively traded. As of March 31, 2021 and December 31, 2020, the Company did not have any assets or liabilities valued based on Level 3 valuations.

6. Derivative Financial Instruments and Hedging

The Company enters into foreign currency forward and option contracts with financial institutions to protect against foreign exchange risks, mainly the exposure to changes in the exchange rate of the New Israeli Shekel ("NIS") against the U.S. dollar that are associated with forecasted future cash flows and certain existing assets and liabilities for up to twelve months. The Company's primary objective in entering into these contracts is to reduce the volatility of earnings and cash flows associated with changes in foreign currency exchange rates. The Company does not use derivative instruments for trading or speculative purposes.

Notional Amount of Foreign Currency Contracts

The notional amounts of outstanding foreign currency contracts in U.S. dollar as of the periods presented were as follows:

	March 31, 2021	December 31, 2020
	(in thousands)	
Derivatives Designated as Hedging Instruments:		
Foreign currency contracts	$ 20,345	$ 10,264
Derivatives Not Designated as Hedging Instruments:		
Foreign currency contracts	3,704	1,230
Total derivative instruments	$ 24,049	$ 11,494

Effect of Foreign Currency Contracts on the Condensed Consolidated Statements of Operations

The effect of foreign currency contracts on the condensed consolidated statements of operations during the periods presented were as follows:

	Derivatives Designated as Hedging Instruments		Derivatives Not Designated as Hedging Instruments	
	Three Months Ended March 31,		Three Months Ended March 31,	
	2021	2020	2021	2020
Condensed Statement of Operations Location:	(in thousands)			
Cost of revenue: subscription–self-managed and SaaS	$ 19	$ —	$ —	$ —
Research and development	120	—	—	—
Sales and marketing	36	—	—	—
General and administrative	43	—	—	—
Interest and other income, net	—	—	107	(36)
Total gains (losses) recognized in earnings	$ 218	$ —	$ 107	$ (36)

Effect of Foreign Currency Contracts on Accumulated Other Comprehensive Income (Loss)

The following table represents the net unrealized gains (losses) of foreign currency contracts designated as hedging instruments, net of tax, that were recorded in accumulated other comprehensive income (loss) as of March 31, 2021, and their effect on other comprehensive income (loss) for the three months ended March 31, 2021:

	Three Months Ended March 31, 2021
	(in thousands)
Balance as of December 31, 2020	$ 441
Amount of net losses recorded in other comprehensive income	(393)
Amount of net gains reclassified from other comprehensive income to earnings	(218)
Balance as of March 31, 2021	$ (170)

As of March 31, 2021, net deferred losses totaled $0.2 million and are expected to be recognized as operating expenses in the same financial statement line item in the Condensed Consolidated Statements of Operations to which the derivative relates over the next twelve months. See Note 12, *Accumulated Other Comprehensive Income (Loss)*, for the amounts recorded in each financial statement line item during the periods presented.

7. Condensed Consolidated Balance Sheet Components

Property and Equipment, Net

Property and equipment, net consisted of the following:

	March 31, 2021	December 31, 2020
	(in thousands)	
Computer and software	$ 4,638	$ 4,079
Furniture and office equipment	1,676	1,495
Leasehold improvements	4,284	3,761
Property and equipment, gross	10,598	9,335
Less: accumulated depreciation and amortization	(5,000)	(4,372)
Property and equipment, net	$ 5,598	$ 4,963

Accrued Expenses and Other Current Liabilities

Accrued expenses and other current liabilities consisted of the following:

	March 31, 2021	December 31, 2020
	(in thousands)	
Accrued compensation and benefits	$ 10,707	$ 8,799
Withholding tax from employee equity transactions to be remitted to tax authorities	8,171	9,186
Accrued expenses	4,899	3,054
Accrued expenses and other current liabilities	$ 23,777	$ 21,039

8. Intangible Assets, Net

Intangible assets consisted of the following as of March 31, 2021:

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted-Average Remaining Useful Life
		(in thousands)		(in years)
Developed technology	$ 4,856	$ (2,255)	$ 2,601	3.5
Customer relationships	1,200	(416)	784	3.9
Other intangible assets	1,586	(1,297)	289	0.5
Total	$ 7,642	$ (3,968)	$ 3,674	

Intangible assets consisted of the following as of December 31, 2020:

	Gross Fair Value	Accumulated Amortization	Net Book Value	Weighted-Average Remaining Useful Life
		(in thousands)		(in years)
Developed technology	$ 4,856	$ (2,064)	$ 2,792	3.7
Customer relationships	1,200	(367)	833	4.2
Other intangible assets	1,586	(1,164)	422	0.8
Total	$ 7,642	$ (3,595)	$ 4,047	

Amortization expenses for intangible assets were $0.4 million for the three months ended March 31, 2021 and 2020. Amortization of developed technology is included in cost of revenue: license—self-managed and amortization of customer relationships and other intangible assets are included in sales and marketing expense in the condensed consolidated statements of operations.

The expected future amortization expenses by year related to the intangible assets as of March 31, 2021 are as follows:

	March 31, 2021
	(in thousands)
Year Ending December 31,	
2021 (Remainder)	$ 1,009
2022	961
2023	887
2024	667
2025	150
Total	$ 3,674

9. Leases

The Company leases its office facilities under non-cancelable agreements that expire at various dates through July 2026.

The Company determines if an arrangement is a lease at inception. As discussed in Note 2, *Summary of Significant Accounting Policies*, operating lease ROU assets and liabilities are included on the Condensed Consolidated Balance Sheet beginning January 1, 2021. The Company currently does not have any finance leases.

Operating lease ROU assets and liabilities are recognized at the present value of the future lease payments at the lease commencement date. The Company combines its lease payments and fixed payments for non-lease components and account for them together as a single lease component. Operating lease ROU assets also include any prepaid lease payments and lease incentives. Certain lease agreements include rental payments adjusted periodically for the consumer price index ("CPI"). The ROU and lease liability were calculated using the initial CPI and will not be subsequently adjusted. Payments for variable lease costs are expensed as incurred and not included in the operating lease ROU assets and liabilities. For short-term leases with a term of 12 months or less, operating lease ROU assets and liabilities are not recognized and the Company records lease payments in the Condensed Consolidated Statements of Operations on a straight-line basis over the lease term.

The interest rate used to determine the present value of the future lease payments is the Company’s incremental borrowing rate, because the interest rate implicit in the Company’s leases is not readily determinable. The Company’s incremental borrowing rate is estimated to approximate the interest rate on a collateralized basis with similar terms and payments, and in economic environments where the leased asset is located. Many of the Company’s lease agreements provide one or more options to renew. When determining lease terms, the Company uses the non-cancellable period of the leases and do not assume renewals unless it is reasonably certain that the Company will exercise that option. Operating lease expense is recognized on a straight-line basis over the lease term.

Components of operating lease expense were as follows:

	Three Months Ended March 31, 2021
	(in thousands)
Operating lease cost	$ 1,348
Short-term lease cost	43
Variable lease cost	90
Total operating lease cost	$ 1,481

Rent expense under the previous lease accounting standard was $1.0 million during the three months ended March 31, 2020.

Supplementary cash flow information related to operating leases was as follows:

	Three Months Ended March 31, 2021
	(in thousands)
Cash paid for operating leases	$ 1,163

As of March 31, 2021, the weighted-average discount rate is 1.3% and the weighted-average remaining term is 4.3 years. Maturities of the Company's operating lease liabilities as of March 31, 2021 were as follows:

	March 31, 2021 (in thousands)
Year Ending December 31,	
2021 (Remainder)	$ 3,824
2022	5,118
2023	4,722
2024	3,885
2025	3,031
Thereafter	803
Total operating lease payments	21,383
Less: imputed interest	(610)
Total operating lease liabilities	$ 20,773

As of March 31, 2021, the Company had additional operating lease obligations of $2.6 million related to a facility lease commencing in July 2021 with the lease term ending June 2025.

As of December 31, 2020, the minimum lease payments under operating leases, including payments for leases which had not commenced, were as follows:

	December 31, 2020 (in thousands)
Year Ending December 31,	
2021	$ 5,475
2022	5,931
2023	5,429
2024	4,607
2025	3,389
Thereafter	803
Total	$ 25,634

10. Commitments and Contingencies

Non-cancelable Purchase Obligations

In the normal course of business, the Company enters into non-cancelable purchase commitments with various parties for mainly hosting services, as well as software products and services. As of March 31, 2021, the Company had outstanding non-cancelable purchase obligations with a term of 12 months or longer as follows:

	March 31, 2021 (in thousands)
Year Ending December 31,	
2021 (Remainder)	$ 6,814
2022	16,179
2023	13,488
2024	10,000
2025	31,000
Total	$ 77,481

Indemnifications and Contingencies

The Company enters into indemnification provisions under certain agreements with other parties in the ordinary course of business. In its customer agreements, the Company has agreed to indemnify, defend and hold harmless the indemnified party for third party claims and related losses suffered or incurred by the indemnified party from actual or threatened third-party intellectual property infringement claims. For certain large or strategic customers, the Company has agreed to indemnify, defend and hold harmless the indemnified party for non-compliance with certain additional representations and warranties made by the Company.

Grants from Israeli Innovation Authority

The Company has received in the past grants from the Israeli Innovation Authority ("IIA") and repaid them in full. Still, as any grant recipient, the Company is subject to the provisions of the Israeli Law for the Encouragement of Research, Development and Technological Innovation in the Industry and the regulations and guidelines thereunder (the "Innovation Law"). Pursuant to the Innovation Law, there are restrictions related to transferring intellectual property outside of Israel. Such transfer requires the approval from the IIA. The approval may be subject to a maximum additional payment amount of approximately $6.0 million. In the past, the Company received an approval from the IIA to perform a limited development of IIA funded know-how outside of Israel, subject to the terms specified in the IIA approval, including that all of its core R&D activities will remain in Israel.

Legal Proceedings

In the ordinary course of business, the Company may be subject from time to time to various proceedings, lawsuits, disputes, or claims. 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, financial position, results of operations, or cash flows.

11. Shareholders' Equity and Equity Incentive Plans

Equity Incentive Plans

On January 1, 2021, the number of ordinary shares authorized for issuance under the 2020 Equity Incentive Plan (the "2020 Plan") automatically increased by 5,307,818 shares pursuant to the terms of the 2020 Plan.

Share Options

A summary of share option activity under the Company's equity incentive plans and related information is as follows:

	Options Outstanding			
	Outstanding Share Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
	(in thousands, except share, life and per share data)			
Balance as of December 31, 2020	13,075,489	$ 6.50	6.8	$ 736,478
Granted	30,000	$ 65.96		
Exercised	(1,305,571)	$ 1.75		$ 75,439
Forfeited	(80,960)	$ 13.74		
Balance as of March 31, 2021	11,718,958	$ 7.14	6.8	$ 436,988
Exercisable as of March 31, 2021	5,206,706	$ 2.10	5.0	$ 220,111

The weighted-average grant date fair value of options granted during the three months ended March 31, 2021 and 2020 was $42.00 and $9.95, respectively. The total intrinsic value of option exercised during the three months ended March 31, 2020 was $3.3 million.

Restricted Share Units

A summary of restricted share unit (“RSU”) activity and related information under the Company's equity incentive plan and a stand-alone RSU award to the Company's Chief Executive Officer in August 2020 is as follows:

	RSUs		
	Unvested RSUs		Weighted-Average Grant Date Fair Value Per Share
Unvested as of December 31, 2020	818,945	$	48.38
Granted	697,450	$	64.33
Canceled/forfeited	(41,700)	$	65.84
Unvested as of March 31, 2021	1,474,695	$	55.43

Employee Share Purchase Plan

On January 1, 2021, the number of ordinary shares authorized for issuance under the 2020 Employee Share Purchase Plan (“ESPP”) automatically increased by 922,570 shares pursuant to the terms of ESPP. There were no share purchases during the three months ended March 31, 2021.

Shares Reserved for Future Issuance

The Company has the following ordinary shares reserved for future issuance:

	March 31, 2021
Outstanding share options	11,718,958
Outstanding RSUs	1,474,695
Issuable ordinary shares related to business combinations	99,649
Shares available for future issuance under the 2020 Plan	14,667,334
Shares available for future issuance under ESPP	3,022,570
Total ordinary shares reserved	30,983,206

Share-Based Compensation

The share-based compensation expense by line item in the accompanying condensed consolidated statements of operations is summarized as follows:

	Three Months Ended March 31,			
	2021		2020	
	(in thousands)			
Cost of revenue: subscription–self-managed and SaaS	$	762	$	140
Research and development		1,829		766
Sales and marketing		2,723		673
General and administrative		6,436		377
Total share-based compensation expense	$	11,750	$	1,956

As of March 31, 2021, unrecognized share-based compensation cost related to unvested share-based compensation awards was $121.7 million, which is expected to be recognized over a weighted-average period of 3.2 years.

12. Accumulated Other Comprehensive Income (Loss)

The following table summarizes the changes in accumulated other comprehensive income (loss) by component, net of tax, during the periods presented:

	Net Unrealized Losses on Available-for-Sale Marketable Securities	Net Unrealized Gains (losses) on Derivatives Designated as Hedging Instruments	Total
		(in thousands)	
Balance as of December 31, 2020	$ (69)	$ 441	$ 372
Other comprehensive loss before reclassifications	(30)	(393)	(423)
Net realized gains reclassified from accumulated other comprehensive income (loss)	—	(218)	(218)
Other comprehensive loss	(30)	(611)	(641)
Balance as of March 31, 2021	$ (99)	$ (170)	$ (269)

	Net Unrealized Gains (losses) on Available-for-Sale Marketable Securities	Net Unrealized Gains on Derivatives Designated as Hedging Instruments	Total
		(in thousands)	
Balance as of December 31, 2019	$ 35	$ —	$ 35
Other comprehensive income (loss) before reclassifications	(54)	137	83
Net realized losses reclassified from accumulated other comprehensive income	3	—	3
Other comprehensive income (loss)	(51)	137	86
Balance as of March 31, 2020	$ (16)	$ 137	$ 121

13. Income Taxes

The Company's quarterly tax provision, and estimates of its annual effective tax rate, is subject to variation due to several factors, including variability in pre-tax income (or loss), the mix of jurisdictions to which such income relates, tax law developments, as well as non-deductible expenses, such as share-based compensation, and changes in its valuation allowance. Income tax benefit was $2.4 million for the three months ended March 31, 2021 and income tax expense was $0.6 million for the three months ended March 31, 2020, consisted primarily of income taxes related to the U.S.

A valuation allowance is provided when it is more likely than not that the deferred tax assets will not be realized. Based on the available objective evidence during the three months ended March 31, 2021, the Company believes it is more likely than not that the tax benefits of the Company's losses incurred in Israel may not be realized.

As of March 31, 2021, the Company is under examination of its income tax returns by the Israeli Tax Authorities for the years from 2015 through 2018. The Company does not believe the resolution of the examination will have a material impact on the Company's consolidated financial statements.

Our gross unrecognized tax benefits were $3.1 million and $2.7 million as of March 31, 2021 and December 31, 2020, respectively. The net increase to our gross unrecognized tax benefit is primarily the result of $0.4 million increase in current year tax positions. As of March 31, 2021, the Company does not expect its unrecognized tax benefits to change significantly within the next twelve months.

14. 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 for the periods presented:

	Three Months Ended March 31,	
	2021	2020
	(in thousands, except share and per share data)	
Numerator:		
Net loss	$ (7,895)	$ (2,125)
Denominator:		
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	92,679,756	28,154,185
Net loss per share attributable to ordinary shareholders, basic and diluted	$ (0.09)	$ (0.08)

The potential shares of ordinary shares that were excluded from the computation of diluted net loss per share attributable to ordinary shareholders for the periods presented because including them would have been anti-dilutive are as follows:

	Three Months Ended March 31,	
	2021	2020
Convertible preferred shares	—	52,063,647
Outstanding share options	12,504,417	13,095,644
Unvested RSUs	1,164,446	—
Share purchase rights under the ESPP	23,652	—
Issuable ordinary shares related to business combination	132,311	269,099
Total	13,824,826	65,428,390

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 the related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2020, filed with the SEC on February 12, 2020, or our Annual Report. 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 differences 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 and under Part I, Item IA in our Annual Report.

Overview

JFrog's vision is to power a world of continuously updated, version-less software—we call this Liquid Software.

We provide an end-to-end, hybrid, universal DevOps Platform to achieve Continuous Software Release Management, or CSRM. Our leading CSRM platform enables organizations to continuously deliver software updates across any system. Our platform is the critical bridge between software development and deployment of that software, paving the way for the modern DevOps paradigm. We enable organizations to build and release software faster and more securely while empowering developers to be more efficient.

We have designed our subscription structure and go-to-market strategy to align our growth with the success of our customers. Our business model benefits from our ability to serve the needs of all customers, from individual software developers and IT operators to the largest organizations, in a value-oriented manner. All references to our customers included in this Quarterly Report on Form 10-Q refer to paying customers.

We generate revenue from the sale of subscriptions to customers. All of our subscription tiers are available for self-managed deployments, where our customers deploy and manage our products across their public cloud, on-premise, private cloud, or hybrid environments, as well as JFrog-managed public cloud deployments, which we refer to as our SaaS subscriptions. Due to ease of use, none of our subscriptions require the use of professional services. For the three months ended March 31, 2021, 23% of our revenue came from SaaS subscriptions, compared to 19% for the three months ended March 31, 2020.

Our self-managed subscriptions are offered on an annual and multi-year basis, and our SaaS subscriptions are offered on an annual and on a monthly basis. For the three months ended March 31, 2021, approximately 91% of our revenue came from subscriptions that provide our customers with access to multiple products, compared to approximately 85% for the three months ended March 31, 2020. For the three months ended March 31, 2021, approximately 29% of our revenue came from Enterprise Plus subscription, compared to approximately 16% for the three months ended March 31, 2020. The growth in revenue from our Enterprise Plus subscription, which was first launched in 2018 for self-managed deployments and during 2020 for SaaS deployment, demonstrates the increased demand for our end-to-end solutions for customers' entire CSRM workflows.

We have an unwavering commitment to the software developer and IT operator communities, and show this commitment by offering varying forms of free access to our products in addition to the paid subscriptions described above. This free access takes the form of free trials, freemium offerings, and open source software, and helps generate demand for our paid offerings within the software developer and IT operator communities.

We had $605.7 million of cash, cash equivalents, and short-term investments as of March 31, 2021. We generated revenue of $45.1 million and $32.8 million for the three months ended March 31, 2021 and 2020, respectively, representing a growth rate of 37%. Our net loss was $7.9 million and $2.1 million for the three months ended March 31, 2021 and 2020, respectively. We generated operating cash flow of $8.8 million during the three months ended March 31, 2021 and used $1.2 million cash in operating activities during the three months ended March 31, 2020.

COVID-19 Update

The COVID-19 pandemic has resulted in travel restrictions, prohibitions of non-essential activities, disruption and shutdown of certain businesses, and greater uncertainty in global financial markets. Such conditions are creating disruption in global supply chains, increasing rates of unemployment, and adversely impacting many industries. The outbreak could have a continued adverse impact on economic and market conditions and trigger a global economic slowdown.

As of the date of this Quarterly Report on Form 10-Q, the full impact of the COVID-19 pandemic on the global economy and the extent to which the COVID-19 pandemic may impact our financial condition or results of operations remain uncertain. Furthermore, because of our subscription-based business model, the effect of the COVID-19 pandemic may not be fully reflected in our results of operations and overall financial condition until future periods, if at all.

We have experienced slowed growth during the COVID-19 pandemic. We expect to experience slowed growth and lower orders from our existing customers for upgrades within our platform. We have experienced and expect to continue to experience an increase in the average length of sales cycles and delays in new projects, both of which have adversely affected and could materially adversely impact our business, results of operations, and overall financial condition in future periods. The extent and continued impact of the COVID-19 pandemic on our operational and financial condition will depend on certain developments, including: the duration and spread of the outbreak; government responses to the pandemic; the efficacy of COVID-19 vaccines; its impact on the health and welfare of our employees and their families; its impact on our customers and our sales cycles; its impact on customer, industry, or technology-based community events; delays in onboarding new employees; and effects on our partners, some of which are uncertain, difficult to predict, and not within our control. General economic conditions and disruptions in global markets due to the COVID-19 pandemic and other global events may also affect our future performance.

In response to the COVID-19 pandemic, in the first quarter of 2020, we temporarily closed all of our offices, enabled our entire work force to work remotely and implemented travel restrictions for non-essential business. Since the second quarter of 2020, we intermittently and partially reopened our offices to the extent permitted by local government restrictions. In April 2021, we fully reopened our offices in Israel. The impact, if any, of these and any additional operational changes we may implement are uncertain. The changes we have implemented to date have not affected and are not expected to materially affect our ability to maintain operations, including financial reporting systems, internal control over financial reporting, and disclosure controls and procedures.

Factors Affecting Our Performance

We believe that our future performance will depend on many factors, including the following:

Extending Our Technology Leadership

We intend to continue to enhance our platform by developing new products and expanding the functionality of existing products to maintain our technology leadership. Since our initial launch of JFrog Artifactory, we have released several additional products that together create a unified platform for CSRM.

We invest heavily in integrating our products with the major package technologies so that our products can be easily adopted in any development environment. We believe that these integrations increase the value of our platform to our customers, as they provide freedom of choice for software developers and IT operators and help avoid vendor lock-in. We intend to expend additional resources in the future to continue introducing new products, features, and functionality.

Expanding Usage by Existing Customers

We believe that there is a significant opportunity for growth with many of our existing customers. Many customers purchase our products through self-service channels and often materially expand their usage over time. Increased engagement with our products provides our support and customer success teams opportunities to work directly with customers and introduce them to additional products and features, as well as drive usage of our products across large teams and more broadly across organizations. In order for us to continue to expand usage within our existing customers we will need to maintain engineering-level customer support, and continue to introduce new products and features that are responsive to our customers' needs.

We quantify our expansion across existing customers through our net dollar retention rate. Our net dollar retention rate compares our annual recurring revenue ("ARR") from the same set of customers across comparable periods. We define ARR as the annualized revenue run-rate of subscription agreements from all customers as of the last month of the quarter. The ARR includes monthly subscription customers so long as we generate revenue from these customers. We annualize our monthly subscriptions by taking the revenue we would contractually expect to receive from such customers in a given month and multiplying it by 12. We calculate net dollar retention rate by first identifying customers (the "Base Customers"), which were customers in the last month of a particular quarter (the “Base Quarter”). We then calculate the contracted ARR from these Base Customers in the last month of the same quarter of the subsequent year (the “Comparison Quarter”). This calculation captures upsells, contraction, and attrition since the Base Quarter. We then divide total Comparison Quarter ARR by total Base Quarter ARR for Base Customers. Our net dollar retention rate in a particular quarter is obtained by averaging the result from that particular quarter with the corresponding results from each of the prior three quarters. Our net dollar retention rate may fluctuate as a result of a number of factors, including the level of penetration within our customer base, expansion of products and features, and our ability to retain our customers. As of March 31, 2021 and 2020, our net dollar retention rate was 130% and 142%, respectively.

We focus on growing the number of large customers as a measure of our ability to scale with our customers and attract larger organizations to adopt our products. As of March 31, 2021, 395 of our customers had ARR of $100,000 or more, increasing from 352 customers as of December 31, 2020. We had ten customers with ARR of at least $1.0 million as of March 31, 2021 and December 31, 2020.

Acquiring New Customers

We believe there is a significant opportunity to grow the number of customers that use our platform. Our results of operations and growth prospects will depend in part on our ability to attract new customers. To date, we have relied on our self-service and inbound sales model to attract new customers. Prospective customers can evaluate and adopt our products through our free trials, freemium offerings, and open source software options. The costs associated with providing these free trials, freemium offerings, and open source software options are included in sales and marketing. While we believe we have a significant market opportunity that our platform addresses, we will need to continue to invest in customer support, sales and marketing, and research and development in order to address this opportunity.

Additionally, we believe our products address the software release needs of customers worldwide, and we see international expansion as a major opportunity. We have been operating and selling our products in international markets since our inception. While we believe global demand for our products will continue to increase as international market awareness of our brand grows, our ability to conduct our operations internationally will require considerable management attention and resources and is subject to the particular challenges of supporting a rapidly growing business in an environment of multiple languages, cultures, customs, legal and regulatory systems, alternative dispute systems, and commercial markets.

Non-GAAP Financial Measures

In addition to our results determined in accordance with GAAP, we believe that free cash flow, a non-GAAP financial measure, is useful in evaluating the performance of our business.

Free Cash Flow

Free cash flow is a non-GAAP financial measure that we calculate as net cash provided by operating activities less purchases of property and equipment. We believe this is a useful indicator of liquidity that provides information to management and investors about the amount of cash generated from our core operations that, after the purchases of property and equipment, can be used for strategic initiatives, including investing in our business, making strategic acquisitions, and strengthening our balance sheet. Free cash flow has limitations as an analytical tool, and it should not be considered in isolation or as a substitute for analysis of other GAAP financial measures, such as net cash provided by operating activities. Some of the limitations of free cash flow are that this metric does not reflect our future contractual commitments and may be calculated differently by other companies in our industry, limiting its usefulness as a comparative measure. We expect our free cash flow to fluctuate in future periods as we invest in our business to support our plans for growth.

The following table summarizes our cash flows for the periods presented and provides a reconciliation of net cash from operating activities, the most directly comparable financial measure calculated in accordance with GAAP, to free cash flow, a non-GAAP financial measure, for each of the periods presented:

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net cash provided by (used in) operating activities	$ 8,811	$ (1,249)
Less: purchases of property and equipment	(1,135)	(1,149)
Free cash flow	$ 7,676	$ (2,398)
Net cash used in investing activities	$ (27,890)	$ (7,887)
Net cash provided by (used in) financing activities	$ 1,282	$ (466)

Components of Results of Operations

Revenue

Our revenues are comprised of revenue from self-managed subscriptions and SaaS subscriptions. Subscriptions to our self-managed software include license, support, and upgrades and updates on a when-and-if-available basis. Our SaaS subscriptions provide access to our latest managed version of our product hosted in a public cloud.

Subscription—Self-Managed and SaaS

Subscription—self-managed and SaaS revenue is generated from the sale of subscriptions for our self-managed software products and revenue from our SaaS subscriptions. For subscriptions to our self-managed software products, revenue is recognized ratably over the subscription term. For our SaaS subscriptions, revenue is recognized based on usage as the usage occurs over the contract period.

License—Self-Managed

The license component of our self-managed subscriptions reflects the revenue recognized by providing customers with access to proprietary software features. License revenue is recognized upfront when the software license is made available to our customer.

Cost of Revenue

Subscription—Self-Managed and SaaS

Cost of subscription—self-managed and SaaS revenue primarily consists of expenses related to providing support to our customers and cloud-related costs, such as hosting and managing costs. These costs primarily consist of personnel-related expenses of our services and customer support personnel, share-based compensation expenses, public cloud infrastructure costs, depreciation of property and equipment, and allocated overhead. We expect our cost of subscription and SaaS revenue to increase in absolute dollars as our subscription and SaaS revenue increases.

License—Self-Managed

Cost of license self-managed revenue consists of amortization associated with acquired intangible assets.

Operating Expenses

Research and Development

Research and development costs primarily consist of personnel-related expenses, share-based compensation expenses, associated with our engineering personnel responsible for the design, development, and testing of our products, cost of development environments and tools, and allocated overhead. We expect that our research and development expenses will continue to increase as we increase our research and development headcount to further strengthen and enhance our products and invest in the development of our software.

Sales and Marketing

Sales and marketing expenses primarily consist of personnel-related expenses, share-based compensation expenses, sales commissions directly associated with our sales and marketing organizations, public cloud infrastructure costs associated with our free trials, freemium offerings, and open source software options, and costs associated with marketing programs and user events. Marketing programs include advertising, promotional events, and brand-building activities. We plan to increase our investment in sales and marketing over the foreseeable future, as we continue to hire additional personnel and invest in sales and marketing programs.

General and Administrative

General and administrative expenses primarily consist of personnel-related expenses, share-based compensation expenses, associated primarily with our finance, legal, human resources and other operational and administrative functions, professional fees for external legal, accounting and other consulting services, directors and officer’s insurance expenses, and allocated overhead. We expect to increase the size of our general and administrative function to support the growth of our business. As a result, we expect our general and administrative expenses to increase for the foreseeable future.

Interest and Other Income, Net

Interest and other income, net primarily consists of income earned on our cash equivalents and short-term investments. Interest and other income, net also includes foreign exchange gains and losses.

Income Tax Expense (Benefit)

Income tax expense (benefit) consists primarily of income taxes related to the U.S. and other foreign jurisdictions in which we conduct business. We maintain a full valuation allowance on certain deferred tax assets in Israel as we have concluded that it is not more likely than not that the deferred tax assets will be realized. Our effective tax rate is affected by tax rates in foreign jurisdictions and the relative amounts of income we earn in those jurisdictions, as well as non-deductible expenses, such as share-based compensation, and changes in our valuation allowance.

Results of Operations

The following tables set forth selected condensed consolidated statements of operations data and such data as a percentage of total revenue for each of the periods indicated:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Revenue:		
Subscription—self-managed and SaaS	$ 41,338	$ 30,297
License—self-managed	3,749	2,524
Total subscription revenue	45,087	32,821
Cost of revenue:		
Subscription—self-managed and SaaS(1)	8,236	6,190
License—self-managed(2)	191	214
Total cost of revenue—subscription	8,427	6,404
Gross profit	36,660	26,417
Operating expenses:		
Research and development(1)(3)	13,836	9,295
Sales and marketing(1)(2)(3)	19,765	14,023
General and administrative(1)(3)	13,671	5,198
Total operating expenses	47,272	28,516
Operating loss	(10,612)	(2,099)
Interest and other income, net	360	564
Loss before income taxes	(10,252)	(1,535)
Income tax expense (benefit)	(2,357)	590
Net loss	$ (7,895)	$ (2,125)

(1) Includes share-based compensation expense as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Cost of revenue: subscription–self-managed and SaaS	$ 762	$ 140
Research and development	1,829	766
Sales and marketing	2,723	673
General and administrative	6,436	377
Total share-based compensation expense	$ 11,750	$ 1,956

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

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Cost of revenue: license—self-managed	$ 191	$ 214
Sales and marketing	182	182
Total amortization expense of acquired intangible assets	$ 373	$ 396

(3) Includes acquisition-related costs as follows:

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
	(in thousands)	
Research and development	$ 351	$ 347
Sales and marketing	—	114
Total acquisition-related costs	$ 351	$ 461

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue:		
Subscription—self-managed and SaaS	92 %	92 %
License—self-managed	8	8
Total subscription revenue	100	100
Cost of revenue:		
Subscription—self-managed and SaaS	18	19
License—self-managed	1	1
Total cost of revenue—subscription	19	20
Gross profit	81	80
Operating expenses:		
Research and development	31	28
Sales and marketing	44	42
General and administrative	30	16
Total operating expenses	105	86
Operating loss	(24)	(6)
Interest and other income, net	1	1
Loss before income taxes	(23)	(5)
Income tax expense (benefit)	(5)	1
Net loss	(18)%	(6)%

Comparison of the Three Months Ended March 31, 2021 and 2020

Revenue

	Three Months Ended March 31, 2021	2020	$ Change	% Change
		(in thousands)		
Subscription—self-managed and SaaS	$ 41,338	$ 30,297	$ 11,041	36 %
License—self-managed	3,749	2,524	1,225	49
Total subscription revenue	$ 45,087	$ 32,821	$ 12,266	37 %

Total subscription revenue increased $12.3 million, or 37%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. Approximately $10.0 million of the increase in revenue was attributable to the growth from existing customers, and the remaining increase in revenue was attributable to new customers.

Cost of Revenue and Gross Margin

	Three Months Ended March 31, 2021	2020	$ Change	% Change
		(in thousands)		
Subscription—self-managed and SaaS	$ 8,236	$ 6,190	$ 2,046	33 %
License—self-managed	191	214	(23)	(11)
Total cost of revenue—subscription	$ 8,427	$ 6,404	$ 2,023	32 %
Gross margin	81 %	80 %		

Total cost of revenue increased $2.0 million, or 32%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily attributable to an increase of $1.0 million in personnel-related expenses as a result of increased headcount and an increase of $0.6 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below.

Our gross margin remained relatively unchanged for the three months ended March 31, 2021 compared to the three months ended March 31, 2020.

Operating Expenses

Research and Development

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
Research and development	$ 13,836	$ 9,295	$ 4,541	49 %

Research and development expense increased $4.5 million, or 49%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily attributable to an increase of $3.1 million in personnel-related expenses as a result of increased headcount and an increase of $1.1 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below.

Sales and Marketing

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
Sales and marketing	$ 19,765	$ 14,023	$ 5,742	41 %

Sales and marketing expense increased $5.7 million, or 41%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily attributable to an increase of $2.7 million in personnel-related expenses as a result of increased headcount, an increase of $2.1 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, and an increase of $1.1 million in hosting costs primarily related to our freemium offerings and trials.

General and Administrative

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
General and administrative	$ 13,671	$ 5,198	$ 8,473	163 %

General and administrative expense increased $8.5 million, or 163%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020. The increase was primarily attributable to an increase of $6.1 million in share-based compensation expense as discussed in the section titled "*Share-Based Compensation Expense*" below, an increase of $1.0 million in officer and director insurance premium, an increase of $0.8 million in professional fees for legal, accounting, recruiting and other consulting services, and an increase of $0.7 million in personnel-related expenses as a result of increased headcount.

Share-based Compensation Expense

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
Cost of revenue: subscription–self-managed and SaaS	$ 762	$ 140	$ 622	444 %
Research and development	1,829	766	1,063	139
Sales and marketing	2,723	673	2,050	305
General and administrative	6,436	377	6,059	1,607
Total share-based compensation expense	$ 11,750	$ 1,956	$ 9,794	501 %

Share-based compensation expenses increased $9.8 million, or 501%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, due to $5.1 million share-based compensation expense related to RSUs granted to CEO in August 2020 and $4.7 million share-based compensation expense related to grants to new and existing employees.

Interest and Other Income, Net

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
Interest and other income, net	$ 360	$ 564	$ (204)	(36)%

Interest and other income, net decreased $0.2 million, or 36%, for the three months ended March 31, 2021 compared to the three months ended March 31, 2020, primarily due to lower interest income on deposits and marketable investments as a result of lower interest rates during the period.

Income Tax Expense (Benefit)

	Three Months Ended March 31,			
	2021	2020	$ Change	% Change
		(in thousands)		
Income tax expense (benefit)	$ (2,357)	$ 590	$ (2,947)	(499)%
Effective income tax rate	23 %	(38)%		

We recorded income tax benefit of $2.4 million and income tax expense of $0.6 million for the three months ended March 31, 2021 and 2020, respectively. This change was primarily due to $2.3 million income tax benefit in the U.S. Our effective tax rate was 23% and (38)% of our loss before income taxes for the three months ended March 31, 2021 and 2020, respectively. Our effective tax rate is mainly affected by tax rates in foreign jurisdictions and the relative income we earn in those jurisdictions, non-deductible expenses such as share-based compensation expense, and change in our valuation allowance.

Liquidity and Capital Resources

Since our inception, we have financed our operations primarily through sales of equity securities and cash generated from operations. Our principal uses of cash in recent periods have been funding our operations, investing in capital expenditures, and various business and asset acquisitions.

As of March 31, 2021, our principal sources of liquidity were cash, cash equivalents, and short-term investments of $605.7 million, which were held for working capital purposes. Cash and cash equivalents primarily consist of cash in banks and money market funds. Short-term investments generally consist of bank deposits, certificates of deposit, commercial paper, corporate debt securities, municipal securities, and government and agency debt. We believe our existing cash, cash equivalents, and short-term investments, together with cash provided by operations, will be sufficient to meet our needs for at least the next 12 months. Our future capital requirements will depend on many factors including our revenue growth rate, subscription renewal activity, billing frequency, the timing, and extent of spending to support further sales and marketing and research and development efforts, the continuing market acceptance of our products and services, as well as expenses associated with our international expansion, the timing, and extent of additional capital expenditures to invest in existing and new office spaces. We may in the future enter into arrangements to acquire or invest in complementary businesses, services, and technologies, including intellectual property rights. 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, our business, results of operations, and financial condition would be materially and adversely affected.

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

	Three Months Ended March 31,	
	2021	2020
	(in thousands)	
Net cash provided by (used in) operating activities	$ 8,811	$ (1,249)
Net cash used in investing activities	$ (27,890)	$ (7,887)
Net cash provided by (used in) financing activities	$ 1,282	$ (466)

Operating Activities

Net cash provided by operating activities of $8.8 million for the three months ended March 31, 2021 was primarily related to our net loss of $7.9 million adjusted by non-cash charges including share-based compensation expense of $11.8 million, and an increase of $18.1 million in deferred revenue, partially offset by an increase of $14.4 million in accounts receivable. The increases in deferred revenue and accounts receivable were driven by higher sales.

Net cash used in operating activities of $1.2 million for the three months ended March 31, 2020 was primarily related to our net loss of $2.1 million, a decrease in deferred revenue of $3.7 million, and an increase in prepaid expenses and other current assets of $2.9 million. These cash outflows were partially offset by non-cash charges consisting primarily of share-based compensation of $2.0 million and depreciation and amortization of $0.9 million, a decrease in accounts receivable of $2.4 million due to timing of collection and an increase in accounts payable and accrued expenses and other liabilities of $2.3 million.

Investing Activities

Net cash used in investing activities of $27.9 million for the three months ended March 31, 2021 was the result of net purchases of short-term investments of $26.8 million and capital expenditure of $1.1 million .

Net cash used in investing activities of $7.9 million for the three months ended March 31, 2020 was the result of net purchases of short-term investments of $6.7 million and capital expenditures of $1.1 million.

Financing Activities

Net cash provided by financing activities of $1.3 million for the three months ended March 31, 2021 was related to proceeds from exercise of share options of $2.3 million, partially offset by net payments of $1.0 million to tax authorities associated with our employee equity transactions.

Net cash used in financing activities of $0.5 million for the three months ended March 31, 2020 was related to payments of deferred offering costs of $0.9 million, partially offset by proceeds from exercise of share options of $0.4 million.

Commitments and Contractual Obligations

There were no material changes to our commitments and contractual obligations during the three months ended March 31, 2021 from the commitments and contractual obligations disclosed in our Annual Report. Refer to Note 9 and Note 10 to the condensed consolidated financial statements contained within this Quarterly Report on Form 10-Q for further details.

Off-Balance Sheet Arrangements

Through March 31, 2021, we did not have any relationships with unconsolidated organizations or financial partnerships, such as structured finance or special purpose entities that would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

Critical Accounting Policies and Estimates

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, as well as related disclosures. We evaluate our estimates and assumptions on an ongoing basis. Our estimates are based on historical experience and various other assumptions that we believe to be reasonable under the circumstances, including the anticipated impact of COVID-19. As events continue to evolve and additional information becomes available, our estimates and assumptions may change materially in future periods.

Our critical accounting policies and estimates were disclosed in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report. There have been no significant changes to these policies and estimates during the three months ended March 31, 2021.

Recent Accounting Pronouncements

See the section titled “*Summary of Significant Accounting Policies*” in Note 2 of the notes to our condensed consolidated financial statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 3. QUALITATIVE AND QUANTITATIVE DISCLOSURES ABOUT MARKET RISK

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

Foreign Currency Exchange Risk

Our revenue and expenses are primarily denominated in U.S. dollars. Our functional currency is the U.S. dollar. Substantially all of our sales are denominated in U.S. dollars, and therefore our revenue is not subject to significant foreign currency risk. However, a significant portion of our operating costs in Israel, consisting principally of salaries and related personnel expenses, and operating lease and facility expenses are denominated in NIS. This foreign currency exposure gives rise to market risk associated with exchange rate movements of the U.S. dollar against the NIS. Furthermore, we anticipate that a material portion of our expenses will continue to be denominated in NIS.

To reduce the impact of foreign exchange risks associated with forecasted future cash flows and certain existing assets and liabilities and the volatility in our Condensed Consolidated Statements of Operations, we have established a hedging program. Foreign currency contracts are generally utilized in this hedging program. Our foreign currency contracts are generally short-term in duration. We do not enter into derivative instruments for trading or speculative purposes. We account for our derivative instruments as either assets or liabilities and carry them at fair value in the Condensed Consolidated Balance Sheets. The accounting for changes in the fair value of the derivative depends on the intended use of the derivative and the resulting designation. Our hedging program reduces but does not eliminate the impact of currency exchange rate movements. The effect of a hypothetical 10% change in foreign currency exchange rates applicable to our business, after considering cash flow hedges, would have had an impact on our results of operations of $0.9 million for the three ended March 31, 2021.

Our derivatives expose us to credit risk to the extent that the counterparties may be unable to meet the terms of the agreement. We seek to mitigate such risk by limiting our counterparties to major financial institutions and by spreading the risk across a number of major financial institutions. However, failure of one or more of these financial institutions is possible and could result in incurred losses.

As of March 31, 2021, our cash, cash equivalents, restricted cash, and short-term investments were primarily denominated in U.S. dollars. A 10% increase or decrease in current exchange rates would not materially affect our cash, cash equivalents, restricted cash, and short-term investment balances as of March 31, 2021.

Interest Rate Risk

As of March 31, 2021, we had cash and cash equivalents of $146.7 million, and short-term investments of $459.0 million. Cash and cash equivalents primarily consist of cash in banks and money market funds. Short-term investments generally consist of bank deposits, certificates of deposit, commercial paper, corporate debt securities, municipal securities, and government and agency debt. Our cash, cash equivalents, and short-term investments are held for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. The primary objectives of our investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash. We do not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, a hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our condensed consolidated financial statements for the three months ended March 31, 2021.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to ensure that information we are required to disclose in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information 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.

Our management, with the participation and supervision of our Chief Executive Officer and our Chief Financial Officer, have 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 such date, our disclosure controls and procedures were, in design and operation, effective at a reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

The effectiveness of any system of internal control over financial reporting, including ours, is subject to inherent limitations, including the exercise of judgment in designing, implementing, operating, and evaluating the controls and procedures, and the inability to eliminate misconduct completely. Accordingly, in designing and evaluating the disclosure controls and procedures, management recognizes that any system of internal control over financial reporting, including ours, no matter how well designed and operated, can only provide reasonable, not absolute, assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply their judgment in evaluating the benefits of possible controls and procedures relative to their costs. Moreover, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. We intend to continue to monitor and upgrade our internal controls as necessary or appropriate for our business but cannot assure you that such improvements will be sufficient to provide us with effective internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In the ordinary course of business, the Company may be subject from time to time to various proceedings, lawsuits, disputes, or claims. 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, financial position, results of operations, or cash flows.

ITEM 1A. RISK FACTORS

A description of the risks associated with our business, financial condition, and results of operations is set forth in Part I, Item 1A, of our Annual Report. There have been no material changes from the risk factors previously disclosed in our Annual Report, except for the following risk factors. The risk factors below should be read in conjunction with the risk factors and other information disclosed in our Annual Report.

Risks Related to Our Business and Industry

Our business is subject to a wide range of labor and employment laws and regulations, many of which are evolving, and failure to comply with such laws and regulations could harm our business, financial condition, and results of operations.

We endeavor to comply with all applicable employment laws. However, the scope and interpretation of these laws are often uncertain and may be conflicting, including varying standards and interpretations between state and federal law, between individual states, and even at the city and municipality level. As a result, their application in practice may change or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal, state, and local administrative agencies. For example, California law requires employers to pay employees a minimum salary of at least twice the applicable state minimum wage, and to meet other duties-related requirements, in order to classify employees as exempt from applicable overtime pay and other rules. Minimum salary and other duties requirements impact the way we classify certain employees in the United States as exempt or non-exempt from overtime requirements. Any such classification decisions and adherence to applicable labor laws may increase our wage payment obligations and overall salary structure, and as such these requirements may have a material effect on our business, financial condition and results of operations. We are analyzing areas of U.S. employment law, specifically as it pertains to the classification of certain U.S. employment positions as exempt versus non-exempt. Any non-compliance with laws and regulations regarding employee classification could subject the company to federal and state claims and civil penalties and, thereby, could also have a material adverse effect on our business, financial condition, and results of operation.

Risks Related to Privacy, Data Protection and Cyber security

We are subject to stringent and changing laws, regulations, standards, and contractual obligations related to privacy, data protection, and data security. Our actual or perceived failure to comply with such obligations could harm our business.

We receive, collect, store, process, transfer, and use personal information and other data relating to users of our products, our employees and contractors, and other persons. We have legal and contractual obligations regarding the protection of confidentiality and appropriate use of certain data, including personal information. We are subject to numerous federal, state, local, and international laws, directives, and regulations regarding privacy, data protection, and data security and the collection, storing, sharing, use, processing, transfer, disclosure, and protection of personal information and other data, the scope of which are changing, subject to differing interpretations, and may be inconsistent among jurisdictions or conflict with other legal and regulatory requirements. We are also subject to certain contractual obligations to third parties related to privacy, data protection and data security. We strive to comply with our applicable policies and applicable laws, regulations, contractual obligations, and other legal obligations relating to privacy, data protection, and data security to the extent possible. However, the regulatory framework for privacy, data protection and data security worldwide is, and is likely to remain for the foreseeable future, uncertain and complex, and it is possible that these or other actual or alleged obligations may be interpreted and applied in a manner that we do not anticipate or that is inconsistent from one jurisdiction to another and may conflict with other legal obligations or our practices. Any perception of privacy, data security, or data protection concerns or an inability to comply with applicable laws, regulations, policies, industry standards, contractual obligations, or other legal obligations, even if unfounded, may result in additional cost and liability to us, harm our reputation and inhibit adoption of our products by current and future customers, and adversely affect our business, financial condition, and results of operations. Further, any significant change to applicable laws, regulations or industry practices regarding the collection, use, retention, security or disclosure of data, or their interpretation, or any changes regarding the manner in which the consent of users or other data subjects for the collection, use, retention or disclosure of such data must be obtained, could increase our costs and require us to modify our services and features, possibly in a material manner, which we may be unable to complete, and may limit our ability to store and process user data or develop new services and features.

If we were found in violation of any applicable laws or regulations relating to privacy, data protection, or security, in addition to any regulatory fines, penalties, or litigation costs, our business may be materially and adversely affected and we would likely have to change our business practices and potentially the services and features available through our platform. In addition, these laws and regulations could constrain our ability to use and process data in manners that may be commercially desirable. In addition, if a breach of data security were to occur or to be alleged to have occurred, if any violation of laws and regulations relating to privacy, data protection or data security were to be alleged, or if we had any actual or alleged defect in our safeguards or practices relating to privacy, data protection, or data security, our solutions may be perceived as less desirable and our business, prospects, financial condition, and results of operations could be materially and adversely affected.

Various United States, or U.S. privacy laws are potentially relevant to our business, including the Federal Trade Commission Act, Controlling the Assault of Non-Solicited Pornography and Marketing Act, and the Telephone Consumer Protection Act. Any actual or perceived failure to comply with these laws could result in a costly investigation or litigation resulting in potentially significant liability, loss of trust by our users, and a material and adverse impact on our reputation and business.

In June 2018, California passed the California Consumer Privacy Act (“CCPA”), which provides new data privacy rights for California consumers and new operational requirements for covered companies. The CCPA, among other things, provides that covered companies must provide new disclosures to California consumers and afford such consumers new data privacy rights that include the right to request a copy from a covered company of the personal information collected about them, the right to request deletion of such personal information, and the right to request to opt-out of certain sales of such personal information. The CCPA became operative on January 1, 2020. The California Attorney General can enforce the CCPA, including seeking an injunction and civil penalties for violations. The CCPA provides a private right of action for certain data breaches that is expected to increase data breach litigation. The CCPA has required us to modify our data practices and policies and to incur certain costs and expenses in an effort to comply. Additionally, a new privacy law, the California Privacy Rights Act (“CPRA”), was approved by California voters in November 2020. The CPRA creates obligations relating to consumer data beginning on January 1, 2022, with implementing regulations expected on or before July 1, 2022, and enforcement beginning July 1, 2023. The CPRA will significantly modify the CCPA, potentially resulting in further uncertainty and requiring us to incur additional costs and expenses in an effort to comply. More generally, some observers have noted the CCPA could mark the beginning of a trend toward more stringent privacy legislation in the United States, as observed with the recent Virginia Consumer Data Protection Act, enacted March 2021. These new state laws could increase our potential liability and adversely affect our business.

Internationally, we also expect that there will continue to be new laws, regulations, and industry standards concerning privacy, data protection, and information security proposed and enacted in various jurisdictions. For example, the data protection landscape in the European Union (“EU”) continues to evolve, resulting in possible significant operational costs for internal compliance and risks to our business. The EU adopted the General Data Protection Regulation (“GDPR”), which became effective in May 2018, and contains numerous requirements and changes from previously existing EU laws, including more robust obligations on data processors and heavier documentation requirements for data protection compliance programs by companies. Among other requirements, the GDPR regulates the transfer of personal data subject to the GDPR to third countries that have not been found to provide adequate protection to such personal data, including the U.S. Failure to comply with the GDPR could result in penalties for noncompliance (including possible fines of up to the greater of €20 million and 4% of our global annual turnover for the preceding financial year for the most serious violations, as well as the right to compensation for financial or non-financial damages claimed by individuals under Article 82 of the GDPR). Despite our efforts to attempt to comply with the GDPR, a regulator may determine that we have not done so and subject us to fines and public censure, which could harm our company.

Among other requirements, the GDPR regulates transfers of personal data outside of the European Economic Area, or EEA, to third countries that have not been found to provide adequate protection to such personal data, including the U.S. With regard to transfers to the U.S. of personal data from our employees and European customers and users, we rely upon the SCCs. The “Schrems II” decision issued by the Court of Justice of the European Union, or CJEU, on July 16, 2020, invalidated the EU-U.S. Privacy Shield Framework as a mechanism to transfer personal data from the EEA to the U.S. In the same decision, the CJEU confirmed the validity of the SCCs, but advised that the SCCs must be considered on a case-by-case basis, in conjunction with an assessment as to whether national security laws conflict with the guarantees provided by the data importer under the SCCs. Although we believe we continue to satisfy regulatory requirements through our use of SCCs, these latest developments represent a milestone in the regulation of cross-border data transfers, and require major changes to our data transfer policy, including the need to conduct legal, technical, and security assessments for each data transfer from the EEA to a country outside of the EEA. This means that we may be unsuccessful in maintaining legitimate means for our transfer and receipt of personal data from the EEA. We may, in addition to other impacts, experience additional costs associated with increased compliance burdens, and we and our customers face the potential for regulators in the EEA to apply different standards to the transfer of personal data from the EEA to the U.S., and to block, or require ad hoc verification of measures taken with respect to, certain data flows from the EEA to the U.S. We also may be required to engage in new contract negotiations with third parties that aid in processing data on our behalf. We may experience reluctance or refusal by current or prospective European customers to use our products, and we may find it necessary or desirable to make further changes to our handling of personal data of EEA residents.

The regulatory environment applicable to the handling of EEA residents' personal data, and our actions taken in response, may cause us to assume additional liabilities or incur additional costs and could result in our business, operating results, and financial condition being harmed. We and our customers may face a risk of enforcement actions by data protection authorities in the EEA relating to personal data transfers to us and by us from the EEA. Any such enforcement actions could result in substantial costs and diversion of resources, distract management and technical personnel and negatively affect our business, operating results and financial condition.

In addition to the GDPR, the European Commission has another draft regulation in the approval process that focuses on a person’s right to conduct a private life. The proposed legislation, known as the Regulation of Privacy and Electronic Communications (“ePrivacy Regulation”), would replace the current ePrivacy Directive. Originally planned to be adopted and implemented at the same time as the GDPR, the ePrivacy Regulation is still being negotiated. Most recently, on February 10, 2021, the Council of the EU agreed on its version of the draft ePrivacy Regulation. If adopted, the earliest date for entry into force is in 2023, with broad potential impacts on the use of internet-based services and tracking technologies, such as cookies. Aspects of the ePrivacy Regulation remain for negotiation between the European Commission and the Council. We expect to incur additional costs to comply with the requirements of the ePrivacy Regulation as it is finalized for implementation.

Further on January 31, 2020, the United Kingdom (“U.K.”) left the EU (commonly referred to as “Brexit”). The U.K. enacted legislation substantially implementing the GDPR, with penalties for noncompliance of up to the greater of £17.5 million or four percent of worldwide revenues. Aspects of U.K. data protection regulation remain unclear in the medium to longer term, however, including with regard to regulation of data transfers to and from the U.K. For example, the European Commission and the U.K. government announced a EU-U.K. Trade Cooperation Agreement on December 24, 2020 Pursuant to that agreement, the European Commission will continue to treat the U.K. as if it remained a member state of the EU in relation to transfers of personal data from the EEA to the U.K., meaning such transfers may be made without a need for additional safeguards, for four months from January 1, 2021, with a potential additional two-month extension. This “transition” period, however, will end if and when the European Commission adopts an adequacy decision in respect of the U.K. or the U.K. amends certain U.K. data protection laws, or relevant aspects thereof, in certain manners without the EU’s consent. If the European Commission does not adopt an adequacy decision with regard to personal data transfers to the U.K. before the expiration of the transition period, the U.K. will be considered a “third country” under the GDPR and such transfers will need to be made subject to GDPR-compliant safeguards (for example, the Standard Contractual Clauses). With substantial uncertainty over the interpretation and application of how the U.K. will approach and address the GDPR following the transition period, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so.

Other countries also are considering or have enacted legislation that could impact our compliance obligations, expose us to liability, and increase the cost and complexity of delivering our services. For example, failure to comply with the Israeli Privacy Protection Law 5741-1981, and its regulations as well as the guidelines of the Israeli Privacy Protection Authority, may expose us to administrative fines, civil claims (including class actions) and in certain cases criminal liability. We are also monitoring recent or pending legislation in India, China and Japan, among others, for further impacts on our compliance obligations, including requirements for local storage and processing of data that could increase the cost and complexity of delivering our services. Such current or pending legislation may also result in changes to current enforcement measures and sanctions.

In addition to government regulation, privacy advocates and industry groups may propose new and different self-regulatory standards that may legally or contractually apply to us. One example of such a self-regulatory standard is the Payment Card Industry Data Security Standard, or PCI DSS, which relates to the processing of payment card information. In the event we fail to comply with the PCI DSS, fines and other penalties could result, and we may suffer reputational harm and damage to our business. We may also be bound by and agree to contractual obligations to comply with other obligations relating to privacy, data security, or data protection, such as particular standards for information security measures.

We also expect that there will continue to be changes in interpretations of existing laws and regulations, or new proposed laws and regulations concerning privacy, data security, and data protection. We cannot yet determine the impact these laws and regulations or changed interpretations may have on our business, but we anticipate that they could impair our or our customers' ability to collect, use or disclose information relating to consumers, which could decrease demand for our platform, increase our costs and impair our ability to maintain and grow our customer base and increase our revenue. Moreover, because the interpretation and application of many laws and regulations relating to privacy, security, and data protection, along with mandatory industry standards, are uncertain, it is possible that these laws, regulations and standards, or contractual obligations to which we are or may become subject, may be interpreted and applied in a manner that is inconsistent with our existing or future data management practices or features of our platform and products. Any failure or perceived failure by us to comply with our posted privacy policies, our privacy-related obligations to users or other third parties, or any other legal obligations or regulatory requirements relating to privacy, data protection, or data security, may result in governmental investigations or enforcement actions, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Furthermore, the costs of compliance with, and other burdens imposed by, the laws, regulations, other obligations, and policies that are applicable to the businesses of our users may limit the adoption and use of, and reduce the overall demand for, our platform. Additionally, if third parties we work with violate applicable laws, regulations or contractual obligations, such violations may put our users' data at risk, could result in governmental investigations or enforcement actions, fines, litigation, claims, or public statements against us by consumer advocacy groups or others and could result in significant liability, cause our users to lose trust in us, and otherwise materially and adversely affect our reputation and business. Further, public scrutiny of, or complaints about, technology companies or their data handling or data protection practices, even if unrelated to our business, industry or operations, may lead to increased scrutiny of technology companies, including us, and may cause government agencies to enact additional regulatory requirements, or to modify their enforcement or investigation activities, which may increase our costs and risks.

A breach of our security measures or unauthorized access to proprietary and confidential data, or a perception that any security breach or other incident has occurred, may result in our platform or products being perceived as not secure, lower customer use or stoppage of use of our products, and significant liabilities.

Although our products do not involve the processing of large amounts of personal data, our platform and products support customers' software, which may involve the processing of large amounts of personal data and sensitive and proprietary information. Recent data security incidents affecting widely trusted data security architecture (such as the incident affecting SolarWinds Orion, the incident involving Accellion FTA, and the incident affecting Microsoft Exchange) may increase customer expectations regarding the security, testing, and compliance documentation of our platform and products for secure software development operations, management, automation and releases. In addition, these or other incidents may trigger new laws and regulations that increase our compliance burdens, add reporting obligations, or otherwise increase costs for oversight and monitoring of our platform, products, and supply chain.

We do collect and store certain sensitive and proprietary information, and to a lesser degree, personal data and personal information, in the operation of our business. This information includes trade secrets, intellectual property, employee data, and other confidential data. We have taken measures to protect our own proprietary and confidential information, as well as the personal data and proprietary and confidential information that we otherwise obtain, including from our customers. However, we may in the future experience, security breaches, including breaches resulting from a cybersecurity attack, phishing attack, or other means, including unauthorized access, unauthorized usage, viruses or similar breaches or disruptions. These attacks may come from individual hackers, criminal groups, and state-sponsored organizations. Security breaches and other security incidents may result from employee or contractor error or negligence or those of vendors, service providers, and strategic partners on which we rely. We may be more susceptible to security breaches and other security incidents while social distancing measures restricting the ability of our employees to work at our offices are in place to combat the COVID-19 pandemic because we have less capability to implement, monitor and enforce our information security and data protection policies. Based on the examples set in other recent incidents, the more widespread our platform and products become, the more they may be viewed by malicious cyber threat actors as an attractive target for such an attack.

Any compromise of our security or any unauthorized access to or breaches of the security of our or our service providers' systems or data processing tools or processes, or of our platform and product offerings, as a result of third-party action, employee error, defects or bugs, malfeasance, or otherwise, which results in someone obtaining unauthorized access to our proprietary and confidential information, personal information or other private or proprietary data, or any such information or data of our customers, could result in the loss or corruption of any such information or data, or unauthorized access to or acquisition of, such information or data, or a risk to the security of our or our customers' systems. Any potential security breaches could result in reputational damage, litigation, regulatory investigations and orders, loss of business, indemnity obligations, damages for contract breach, penalties for violation of applicable laws, regulations, or contractual obligations, and significant costs, fees and other monetary payments for remediation, including in connection with costly and burdensome breach notification requirements.

Further, any belief by customers or others that a security breach or other incident has affected us or any of our vendors or service providers, even if a security breach or other incident has not affected us or any of our vendors or service providers or has not actually occurred, could have any or all of the foregoing impacts on us, including damage to our reputation. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers.

We incur significant costs in an effort to detect and prevent security breaches and other security-related incidents, and we expect our costs will increase as we make improvements to our systems and processes to prevent future breaches and incidents. In the event of a future breach or incident, we could be required to expend additional significant capital and other resources in an effort to prevent further breaches or incidents. Moreover, we could be required to expend significant capital and other resources to address the incident and any future data security incident or breach.

We engage third-party vendors and service providers to store and otherwise process some of our and our customers' data, including sensitive and personal information. Our vendors and service providers have been and, in the future may be, the targets of cyberattacks, malicious software, phishing schemes, fraud, and other risks to the confidentiality, security, and integrity of their systems and the data they process for us. Our ability to monitor our vendors and service providers' data security is limited, and, in any event, third parties may be able to circumvent those security measures, resulting in the unauthorized access to, misuse, disclosure, loss or destruction of our and our customers' data, including sensitive and personal information. There have been and may continue to be significant supply chain attacks, and we cannot guarantee that our or our third-party providers' systems and networks have not been breached or that they do not contain exploitable 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.

Techniques used to sabotage or obtain unauthorized access to systems or networks are constantly evolving and, in some instances, are not identified until launched against a target. We and our service providers may be unable to anticipate these techniques, react, remediate or otherwise address any security breach or other security incident in a timely manner, or implement adequate preventative measures. In addition, laws, regulations, government guidance, and industry standards and practices in the United States and elsewhere are rapidly evolving to combat these 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.

Further, any provisions in our customer and user agreements, contracts with third-party vendors and service providers or other contracts relating to limitations of liability may not be enforceable or adequate or otherwise protect us from any liabilities or damages with respect to any particular claim relating to a security breach or other security-related matter. While our insurance policies include liability coverage for certain of these matters, subject to applicable deductibles, if we experienced a widespread security breach or other incident that impacted a significant number of our customers, we could be subject to indemnity claims or other damages that exceed our insurance coverage. If such a breach or incident occurred, our insurance coverage might not be adequate for data handling or data security liabilities actually incurred, such insurance may not continue to be available to us in the future on economically reasonable terms, or at all, and insurers may deny us coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on our business, including our financial condition, operating results, and reputation.

Risks Related to Foreign Operations

As we conduct operations in China, risks associated with economic, political and social events in China could negatively affect our business and results of operations.

We are currently expanding operations in China and may continue to increase our presence in China. Our operations in China are subject to a number of risks relating to China's economic and political systems, including:

- A government-controlled foreign exchange rate and limitations on the convertibility of the Chinese Renminbi;
- Uncertainty regarding the validity, enforceability and scope of protection for intellectual property rights and the practical difficulties of enforcing such rights;

- Ability to secure our business proprietary information located in China from unauthorized acquisition;
- Extensive government regulation;
- Changing governmental policies relating to tax benefits available to foreign-owned businesses;
- A relatively uncertain legal system; and
- Instability related to continued economic, political and social reform.

Any actions and policies adopted by the government of the People’s Republic of China, particularly with regard to intellectual property rights, any slowdown in China’s economy, or increased restrictions related to the transfer of data pursuant to the Chinese Cyber Security Law could have an adverse effect on our business, results of operations and financial condition.

Further, at various times during recent years, the United States and China have had disagreements over political and economic issues. Controversies may arise in the future between these two countries. Any political or trade controversy between the United States and China could adversely affect the U.S. and European economies and materially and adversely affect the market price of our ordinary shares, our business, financial position and financial performance.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Unregistered Sale of Equity Securities

In February 2021, we issued an aggregate of 49,823 ordinary shares in connection with our acquisition of a privately-held company and as consideration to individuals and entities who were former service providers and/or shareholders of such company.

None of the foregoing transactions involved any underwriters, underwriting discounts or commissions, or any public offering. We believe the offers, sales, and issuances of the above securities were exempt from registration under the Securities Act (or Regulation D or Regulation S promulgated thereunder) by virtue of Section 4(a)(2) of the Securities Act because the issuance of securities to the recipients did not involve a public offering, or in reliance on Rule 701 because the transactions were pursuant to compensatory benefit plans or contracts relating to compensation as provided under such rule. The recipients of the securities in each of these transactions represented their intentions to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof, and appropriate legends were placed upon the stock certificates issued in these transactions. All recipients had adequate access, through their relationships with us, to information about us. The sales of these securities were made without any general solicitation or advertising.

Use of Proceeds

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

Not applicable.

Table of Contents

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).

EXHIBIT INDEX

Exhibit Number	Description	Form	File No.	Exhibit	Filing Date
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.				
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.				
32.1*	Certification of Principal Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.				
32.2*	Certification of Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002.				
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.				
101 SCH	Inline XBRL Taxonomy Extension Schema Document.				
101 CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.				
101 DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.				
101 LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.				
101 PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.				
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).				

* 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 or the Securities Exchange Act of 1934, as amended, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date:	May 7, 2021	By:		/s/ Shlomi Ben Haim
			Name:	Shlomi Ben Haim
			Title:	Chief Executive Officer
				(*Principal Executive Officer*)
Date:	May 7, 2021	By:		/s/ Jacob Shulman
			Name:	Jacob Shulman
			Title:	Chief Financial Officer
				(*Principal Financial Officer & Principal Accounting Officer*)

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF
THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES OXLEY ACT OF 2002**

I, Shlomi Ben Haim, certify that:

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

JFROG LTD.

Date: May 7, 2021

/s/ Shlomi Ben Haim

Shlomi Ben Haim
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION PURSUANT TO RULE 13a-14(a) OR 15d-14a OF
THE SECURITIES EXCHANGE ACT OF 1934
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES OXLEY ACT OF 2002**

I, Jacob Shulman, certify that:

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

JFROG LTD.

Date: May 7, 2021

/s/ Jacob Shulman

Jacob Shulman
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

I, Shlomi Ben Haim, 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 JFrog Ltd. for the fiscal quarter ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of JFrog Ltd.

JFROG LTD.

Date: May 7, 2021

/s/ Shlomi Ben Haim
Shlomi Ben Haim
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

I, Jacob Shulman, 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 JFrog Ltd. for the fiscal quarter ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of JFrog Ltd.

JFROG LTD.

Date: May 7, 2021

/s/ Jacob Shulman
Jacob Shulman
Chief Financial Officer
(Principal Financial Officer)