Elastic N.V.

Dutch Statutory Board Report and Financial Statements
April 30, 2023
Amsterdam

Page

DUTCH STATUTORY REPORT

INTRODUCTION

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

Preparation

This report (the “Report”) has been prepared by Elastic’s management and has been approved by Elastic’s board of directors (the “Board” or the “board of directors”) pursuant to Section 2:391 of the Dutch Civil Code (“DCC”). It contains (i) Elastic’s Dutch statutory annual accounts as defined in Section 2:361(1) DCC and (ii) the information to be added pursuant to Section 2:392 DCC (to the extent relevant). The financial statements included in this Report have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Commission (“EU IFRS”). The report of Elastic’s independent auditor, PricewaterhouseCoopers Accountants N.V., is included in section “Other Information”.

Forward-Looking Statements

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

- our business strategy and our plan to build our business;
- the impact of macroeconomic conditions, including declining rates of economic growth, supply chain disruptions, inflationary pressures, increased interest rates, and other conditions discussed in this report, on information technology spending, sales cycles, and other factors affecting the demand for our offerings and our results of operations;
- our future financial performance, including our expectations regarding our revenue, cost of revenue, gross profit or gross margin, operating expenses (which include changes in sales and marketing, research and development and general and administrative expenses), and our ability to achieve and maintain future profitability;
- our ability to continue to deliver and improve our offerings and successfully develop new offerings;
- customer acceptance and purchase of our existing offerings and new offerings, including the expansion and adoption of our cloud-based offerings;
- the impact of actions that we are taking to reduce our costs and rebalance investments;
- the impact of Russia’s invasion of Ukraine on our business and on the businesses of our customers and partners, including their spending priorities;
- the effects of the coronavirus disease 2019 (“COVID-19”), on our business and financial results;
- the impact that increased adoption of consumption-based arrangements could have on our revenue or operating results;
- the impact of changes to our licensing of our products, particularly Elasticsearch and Kibana;
- our assessments of the strength of our solutions and products;
- our service performance and security, including the resources and costs required to prevent, detect and remediate potential security breaches or incidents, including by threat actors;
- our ability to maintain and expand our user and customer base;
- continued development of the market for our products;
- competition from other products and companies with more resources, recognition and presence in our industry;
- the impact of foreign currency exchange rate and interest rate fluctuations on our results;
- the pace of change and innovation in the markets in which we operate and the competitive nature of those markets;
- our ability to effectively manage our growth, including any changes to our pace of hiring;
- our international expansion strategy;
- our strategy of acquiring complementary businesses and our ability to successfully integrate acquired businesses and technologies;
- the impact of acquisitions on our future product offerings;
- our beliefs and objectives for future operations;
- our relationships with and reliance on third parties, including partners;
- our ability to protect our intellectual property rights;
- our ability to develop our brands;
- the impact of expensing stock options and other equity awards;

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

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

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

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

COMPANY AND BUSINESS OVERVIEW

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

As digital transformation drives mission critical business functions to the cloud, we believe that every company will need to build around a search-based relevance engine to find the answers that matter, from all of their data, in real-time, and at scale.

Our platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. At the core of the Elastic Stack is Elasticsearch - a highly scalable document store and search engine, and the unified data store for all of our solutions and use cases. Another component of the Elastic Stack is Kibana, which delivers a common user interface across all of our solutions, with powerful drag-and-drop visual analytics, and centralized management of the platform. Our platform also includes the Elasticsearch Relevance Engine™ (“ESRE”), which combines advanced AI with Elastic’s text search to give developers a full suite of sophisticated retrieval algorithms and the ability to integrate with large language models. Our out-of-the-box solutions deliver fast time to value for common use cases and, paired with our developer-centric platform which is extensible and customizable, allow us to innovate fast and differentiate our offerings at every level.

We make our platform available as a hosted, managed service across major cloud providers (Amazon Web Services (“AWS”), Google Cloud Platform (“GCP”), and Microsoft Azure) in more than 50 public cloud regions globally. Customers can also deploy our platform across hybrid clouds, public or private clouds, and multi-cloud environments.

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

Our customers often significantly expand their usage of our products and services over time. Expansion includes increasing the number of developers and practitioners using our products, increasing the utilization of our products for a particular use case, and utilizing our products to address new use cases. We focus some of our direct sales efforts on encouraging this type of expansion within our customer base, both within as well as across solutions. Because our business model provides access to all solutions with resource-based pricing, we make it easy for customers to expand across use cases.

Our business has experienced rapid growth around the world. As of April 30, 2023, we had approximately 20,200 customers compared to over 18,600 customers and over 15,000 customers as of April 30, 2022 and 2021, respectively. Our total revenue was $1.1 billion, $862.4 million and $608.5 million for the years ended April 30, 2023 ("fiscal 2023"), 2022 ("fiscal 2022") and 2021 ("fiscal 2021"), respectively, representing year-over-year growth of 24% for each of the years ended April 30, 2023 and 2022. Subscriptions accounted for 92%, 93% and 93% of our total revenue in the years ended April 30, 2023, 2022 and 2021, respectively. Revenue from outside the Netherlands accounted for 96.91% of our total revenue for the year ended April 30, 2023 and 96.7% for the years ended 2022 and 2021 respectively.

In the years ended April 30, 2023, 2022 and 2021, we incurred net losses of $276.1 million, $272.4 million and $170.1 million, respectively. We expect we will continue to incur net losses for the foreseeable future. Our net cash provided by operating activities was $30.9 million, $15.8 million and $30.9 million for the years ended April 30, 2023, 2022, and 2021 respectively.

Our Products

Our products enable our customers and users to nearly instantly find relevant information and insights in large amounts of data across a broad range of business and consumer use cases.

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

The Elastic Stack

The Elastic Stack is primarily composed of the following products:

- **Elasticsearch.** Elasticsearch is the heart of the Elastic Stack. It is a distributed, real-time search and analytics engine and data store for all types of data, including textual, numerical, geospatial, structured, and unstructured.
- **Kibana.** Kibana is the user interface for the Elastic Stack. It is the visualization layer for data stored in Elasticsearch. It is also the management and configuration interface for all parts of the Elastic Stack.

Elastic has spent years infusing both Elasticsearch and Kibana with a foundation of AI and machine learning built on ESRE, from support for external machine learning models to native vector search capabilities, supervised and unsupervised machine learning, and solution capabilities that improve search relevance and identify anomalies. Elastic enables organizations to integrate generative AI and large language models by building key capabilities into its products.

The Elastic Stack also supports data ingest with a number of products

- **Elastic Agent.** Elastic Agent is a single, unified way to add monitoring for logs, metrics, and other types of data to each host. Elastic Agent includes integrated host protection and central management.
- **Beats.** Beats is the family of lightweight, single-purpose data shippers for sending data from edge machines to Elasticsearch or Logstash.
- **Logstash.** Logstash is the dynamic data processing pipeline for ingesting data into Elasticsearch or other storage systems from a multitude of sources simultaneously.

Paid proprietary features in the Elastic Stack enable capabilities such as automating anomaly detection on time series data at scale through machine learning, facilitating compliance with data security and privacy regulations, supporting search across low cost cold and frozen data tiers, and allowing real-time notifications and alerts. The source code of features in the Elastic Stack is generally visible to the public in the form of "open code."

Our Solutions

We have built a number of solutions into the Elastic Stack to make it easier for organizations to use our software for common use cases. Our solutions include:

- **Search.** Our Search solution provides powerful search for documents and results living in applications, websites, and workplaces. Key use cases for Search include: search applications, a foundation for building search experiences to support websites and portals, e-commerce, mobile app search, and customer support; and workplace search, an out-of-the-box search solution for the workplace that seamlessly connects to the most widely used enterprise systems and tools.
- **Observability.** Our Observability solution enables unified analysis across the IT ecosystem of applications, networks, and infrastructure. Observability includes: Logs, to search and analyze petabytes of structured and unstructured logs; Metrics, to search and analyze numeric and time series data; Application Performance Monitoring ("APM"), to deliver insight into application performance and health metrics and provide developers with confidence in their code; and Synthetic Monitoring, to proactively monitor the availability and functionality of user journeys.
- **Security.** Our Security solution provides unified protection to prevent, detect, and respond to threats. Security includes: Security Information and Event Management ("SIEM"), with integrations to network, host, user, and cloud data sources, as well as workflow and operations, shareable analytics, incident management, and investigations; Endpoint Security, for prevention, detection and response with a single, stack-integrated agent; Extended Detection and Response ("XDR"), providing protection across infrastructure from SIEM to Endpoint; and Cloud Security, providing cloud posture assessment, vulnerability management, and cloud workload protection with one integrated solution.

Our Deployment Options

The Elastic Stack and our solutions can be deployed in public or private clouds, in hybrid environments, or in multi-cloud environments, to satisfy various user and customer needs. Elastic Cloud, our family of cloud-based offerings, is hosted on major public cloud providers. We also partner with other cloud providers who offer our software to users on their cloud platform as a hosted offering.

Users can also download and manage their own deployments of the Elastic Stack and our solutions. To help with more complex deployment scenarios, we offer paid proprietary products to deliver centralized provisioning, management, and monitoring across multiple deployments.

Strengths of our Products

The strengths of our products include the following:

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

Our Growth Strategies

We pursue the following growth strategies:

- **Increase usage of Elastic Cloud.** As users and customers increasingly want to consume highly-scalable cloud solutions, we believe that Elastic Cloud represents a significant growth opportunity. We plan to continue to invest resources in driving further innovation and increasing the adoption of Elastic Cloud.
- **Increase product adoption by improving ease of use and growing our user community.** With our engineering efforts focused on the user experience, we will continue to develop software that makes our products easier to use and adopt for both developers and non-developers. We will continue to engage with developers globally through a wide range of touch points such as community meetups, global community groups, hackathons, our global events, our user conferences, which we call ElasticON, and engagement on our website, user forums, and code repositories, to grow our user community.
- **Expand our customer base by acquiring new customers.** Through Elastic Cloud, we provide the fastest and easiest way to get started with a free trial. However, there is no free subscription tier in Elastic Cloud. Self-managed users can easily download our software directly from our website and access many features free of charge, which also facilitates adoption. Our sales and marketing team conducts campaigns to drive further awareness and adoption within the user community. As a result, many of our sales prospects are already familiar with our technology prior to entering into a commercial relationship with us. Additionally, we leverage our network of partners to drive awareness and expand our sales and marketing reach to target new customers. We will continue to engage our community and our partners to drive awareness and to invest in our sales and marketing team to grow our customer base.

- **Expand within our existing customer base through new use cases and larger deployments.** We view initial success with our products as a path to drive expansion to new use cases and projects and larger deployments within organizations. We often enter an organization through a single developer or a small team for an initial project or use case with an objective to quickly solve a technical challenge or business problem. Because of the rapid success with our products, knowledge of Elastic often spreads within an organization to new teams of developers, architects, IT operations personnel, security personnel, and senior executives. We will continue to invest in helping users and customers be successful with our products.
- **Extend our product leadership through continued investment in our technology.** We will continue to invest in our products and services to extend into new use cases, industries, geographies, and customers. We regularly deliver new and enhanced capabilities to our customers through regular releases, to which everyone has access based on our subscription model. Our technology investments within the Elastic Stack include foundational capabilities as well as solution enhancements for our target use cases.
- **Expand our strategic and regional partnerships.** Our partners assist us in driving awareness of Elastic and our products, using the Elastic Stack to solve customer pain points, and extending our reach in geographic areas and verticals where we do not have a formal sales presence. We have a diverse range of partners and we will continue to pursue partnerships to further the development of the Elastic Stack and our customer reach.
- **Selectively pursue strategic acquisitions.** Since inception, we have selectively pursued strategic acquisitions to drive product and market expansion. The focus of our most recent acquisitions has been to enhance the technology underlying our Security and Observability offerings. We intend to continue to pursue acquisitions selectively.

Customers

Organizations of all sizes, across many industries, including enterprises, educational institutions and government entities, purchase our products for a variety of use cases. As of April 30, 2023, we had approximately 20,200 customers compared to over 18,600 customers and over 15,000 customers as of April 30, 2022 and 2021, respectively. One customer, a channel partner, accounted for 12% of net accounts receivable as of April 30, 2023. No customer represented 10% or more of net accounts receivable as of April 30, 2022 and 2021.

Seasonality

We have experienced quarterly fluctuations and seasonality in our sales and results of operations based on our entry into agreements with new and existing customers and the mix between annual and monthly contracts entered into in each reporting period. Seasonality in our sales cycle generally reflects a trend toward greater sales in our second and fourth fiscal quarters and lower sales in our first and third fiscal quarters. We believe this seasonality might become more pronounced as we continue to target large enterprise customers.

Engineering

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

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

We intend to continue to invest in our research and development capabilities to extend our products. Research and development expense totaled $323.1 million, $300.7 million and $212.5 million for the years ended April 30, 2023, 2022 and 2021, respectively. We plan to continue to devote significant resources to research and development.

Sales and Marketing

We make it easy for users to begin using our products in order to drive rapid adoption. Users can either sign up for a free trial on Elastic Cloud or download our software directly from our website without any sales interaction, and immediately begin using the full set of features. Users can also sign up for Elastic Cloud through public cloud marketplaces.

With our business model, where users can download and use many of our features for free, our sales prospects are often already familiar with or using our platform. We conduct low-touch campaigns to keep users and customers engaged once they have begun using Elastic Cloud or have downloaded our software. This process includes providing high-quality content, documentation, webinars, videos, and blogs through our website. We also drive high-touch engagement with qualified prospects and customers to drive further awareness, adoption, and expansion of our products with paid subscriptions. The majority of our new customers use Elastic Cloud. Many of these customers start with limited initial spending, but can significantly grow their spending.

Our sales teams are organized primarily by geography and secondarily by customer segments. We rely on inside sales development representatives to qualify leads based on the likelihood they will result in a purchase. We pursue sales opportunities both through our direct sales force and as assisted by our partners, including through cloud marketplaces. Our relationships within customer organizations often extend beyond the initial users of the technology and include technology and business decision-makers at various levels. We also engage with our customers on an ongoing basis through a customer success team, to ensure customer satisfaction and expand their usage of our technology.

Partners

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

- **Cloud providers.** We work with many of the major cloud providers to increase awareness of our products and make it easy to access our software. We partner with Amazon, Google, and Microsoft to offer Elastic Cloud on AWS, GCP, and Microsoft Azure, through direct purchase from us or their respective marketplaces. We also partner with other cloud providers to offer our free and paid proprietary features to users on their cloud platforms.
- **Systems integrators, channel partners, and referral partners.** We have a global network of systems integrators, channel partners, and referral partner relationships that help deliver our products to various business and government customers around the world.
- **OEM and MSP partners.** Our original equipment manufacturing (“OEM”) and managed service provider (“MSP”) partners embed an Elastic subscription into the products or services they offer to their customers. OEM or MSP partners are able to include Elastic’s proprietary features in their product, receive ongoing support from Elastic for product development, and receive support for end customer issues related to Elastic.
- **Technology partners.** Our technology partners collaborate with Elastic to create a standardized solution for end users that includes technology from both Elastic and the partner. Technology partners represent a deeper collaboration than community contributions and are distinct from distribution-oriented relationships like OEMs and MSP partners.

Services

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

Customer Support

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

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

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

Our Technology

Our platform consists of the Elastic Stack, our solutions, and software that supports our various deployment alternatives. Because our solutions are built into the Elastic Stack, innovations and new capabilities in the

Elastic Stack may benefit many of our solutions. Our customers can customize and extend our solutions to fit their needs by leveraging the power of the Elastic Stack and our developer capabilities.

Technology Features of the Elastic Stack

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

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

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

- **Explore and visualize data stored in Elasticsearch.** Kibana provides interactive data views, visualizations, and dashboards powered by structured filtering and unstructured search to enable users to get to answers more quickly. A variety of data visualization types, such as simple line and bar charts, purpose-built geospatial and time series visualizations, tree diagrams, network diagrams, heatmaps, scatter plots, and histograms, support diverse user needs.

- **Incorporate advanced analytics and machine learning from Elasticsearch.** Kibana's query, filtering, and data summarization capabilities reflect Elasticsearch's powerful query domain specific language and aggregation framework while making it interactive.
- **Manage the Elastic Stack.** Kibana presents a broad user interface showing the health of Elastic Stack components and provides cluster alerts to notify administrators of problems. Its central management user interfaces ("UI") make it easier to operate the Elastic Stack at scale.
- **Home for Solutions.** Kibana is where our users and customers access the user interfaces for our Search, Observability, and Security solutions. Kibana provides core services, like security, alerting, and data visualization components. This makes it easy for users to discover all of the capabilities our solutions provide, and enables solution users to benefit from Kibana's core capabilities.
- **Application framework.** Kibana is designed to be extensible. Users interested in a highly specialized visualization type not distributed with Kibana by default can customize experiences through a Kibana plugin and make the plugin available to the community. Dozens of Kibana plugins have been shared by the community via Elastic documentation and code sharing platforms such as GitHub.

Elastic Agent, Beats, and Logstash are data ingestion tools that enable users to collect and enrich any kind of data from any source for storage in Elasticsearch. Beats and Logstash have an extensible modular architecture. Elastic Agent is a single, unified way to add monitoring for logs, metrics, and other types of data to each host, and also includes integrated host protection and central management. Beats are lightweight agents purpose-built for collecting data on devices, servers, and inside containers. Key features include the following:

- **Data shippers.** Elastic Agent introduces a new single agent architecture across hosts that simplifies management and deployment. Elastic Agent is based on the architecture of Beats, lightweight agents built for the purposes of efficient data collection at the edge for specific types of data, such as Filebeat for the collection of logging data, Metricbeat for the collection of system or service metric data, Auditbeat for the collection of security data, Packetbeat for the collection of network data, and Heartbeat for the collection of availability data. Dozens of community Beats enable the collection of data from specialized sources.
- **Extensibility and community Beats.** The Beats platform enables rapid creation of custom Beats that can be run on a variety of edge technologies for data collection. Over 90 Beats have been shared by the community via Elastic documentation and many more are available through code sharing platforms such as GitHub.
- **Host protection.** Specifically with Elastic Agent, we extend protection to hosts in addition to data transfer. Elastic Agent stops malware and ransomware and enables environment-wide visibility and advanced threat detection.

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

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

Technology Features of our Solutions

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

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

- **Search applications.** Customers can bring the focused power of Elasticsearch to their company website, ecommerce site, or applications with a refined set of APIs and intuitive dashboards. Elastic delivers seamless scalability, tunable relevance controls, thorough documentation, well-maintained clients, and robust analytics to build a leading search experience. Customers can build rich applications directly on top of Elasticsearch, or they can use our Application Search framework to rapidly build and customize search applications.
- **Workplace search.** Customers can deploy internal workplace search to bring modern search to collaborative decisions and experiences. Elastic seamlessly connects to some of the world's most widely adopted productivity tools, customer relationship management platforms, cloud storage platforms, collaboration tools, operation management platforms, and content management systems. Custom sources provide an elegant set of APIs that let customers and users ingest any type of content from even more sources while preserving access control information.

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

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

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

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

- **Cloud Security.** Cloud Security protects cloud deployments with rich visibility into cloud posture paired with runtime protection for cloud workloads with prevention, detection, and response capabilities, all in one integrated solution.

Community

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

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

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

Competition

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

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

The principal competitive factors for companies in our industry are:

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

- low total cost of ownership.

We believe that we compare favorably on the basis of the factors listed above. However, many of our competitors have substantially greater financial, technical and other resources, greater brand recognition, larger sales forces and marketing budgets, broader distribution networks and presence, more established relationships with current or potential customers and partners, more diverse product and services offerings, and larger and more mature intellectual property portfolios. They may be able to leverage these resources to gain business in a manner that discourages customers from purchasing our offerings.

We expect that our industry will continue to attract new companies, including smaller emerging companies, which could introduce new offerings. We may also expand into new markets and encounter additional competitors in such markets.

While our products and solutions have various competitors across different use cases, such as search applications and workplace search, logging, metrics, APM, business analytics and security analytics, we believe that few competitors currently have the capabilities to address our entire range of use cases. We believe our industry requires constant change and innovation, and we plan to continue to evolve search as a foundational technology to solve the problems of today and new emerging problems in the future.

Intellectual Property

We rely on a combination of patents, patent applications, registered and unregistered trademarks, copyrights, trade secrets, license agreements, confidentiality procedures, non-disclosure agreements with third parties, and other contractual measures to safeguard our core technology and other intellectual property assets. In addition, we maintain a policy requiring our employees, contractors, and consultants to enter into confidentiality and invention assignment agreements. As of April 30, 2023 , we had a number of active patents, issued in both the United States and outside of the United States, with expirations ranging from 2031 to 2041. In addition, as of April 30, 2023 , we had numerous U.S. and international trademark registrations.

The laws, procedures and restrictions on which we rely may provide only limited protection, and any of our intellectual property rights may be challenged, invalidated, circumvented, infringed or misappropriated. In addition, the laws of certain countries do not protect proprietary rights to the same extent as the laws of the United States or other jurisdictions, and we therefore may be unable to protect our proprietary technology in certain jurisdictions.

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

For additional information about risks relating to our intellectual property, see the section titled “Risk Factors—Risks Related to our Business and Industry.”

Environmental, Social and Governance Matters

In June 2023, we released our 2022 environmental, social, and governance (“ESG”) report. Our ESG report is available on our website. The report details the ways in which we are addressing today's challenges with transparency and accountability to enhance the lives of our employees, customers, and society at large, and it also reviews our progress against the Sustainability Accounting Standards Board (SASB) standards for the Software and IT Services industry. We also align with select United Nations Sustainable Development Goals (UN SDGs), where we believe we can have the greatest impact. We rally around four core ESG pillars: social impact, governance, environmental impact, and our products' societal impact. We believe that operating Elastic in an environmentally and socially responsible manner, while employing principled, effective and transparent governance practices, will help drive long-term value for all of our stakeholders, including our shareholders, employees, customers, creditors and communities.

ESG Oversight

The Nominating and Corporate Governance Committee of the Board oversees our ESG activities, programs, and public disclosure. Additionally, we established an ESG steering committee consisting of our Chief Financial Officer and Chief Operating Officer; Senior Vice President, Global Human Resources; Chief Legal Officer; and Chief Marketing Officer. The ESG steering committee’s responsibility is to provide applicable approvals and strategic direction to our cross-functional ESG working group, which implements ESG initiatives throughout Elastic and contributes to developing ESG disclosures. The ESG steering committee also provides updates to the Nominating and Corporate Governance Committee and the Board.

Environment

We believe that environmentally responsible operating practices are important to generating value for our stakeholders, being a good partner to our customers, and being a good employer to our employees.

As a company distributed by design we have a distributed workforce, which helps reduce our environmental footprint by decreasing long commutes and the corresponding environmental impact, energy usage and waste that can come with operating numerous large physical offices that would typically be needed to house a traditional in-office workforce. While we do have physical office spaces throughout the world, the space is limited (as shown by our in-office people-to-desk ratio of 3:1) and we strive to limit the amount of space used to what is necessary to support our operations globally, and as noted previously, we support a distributed workforce by providing reimbursements for home office equipment. Additionally, our workplace team runs several in-office initiatives to positively impact our environmental efforts on a daily basis, including plastic water bottle removal, packaging reduction, in-office recycling, bio-waste reduction and water management.

Human Capital Management

Our employees (whom we call “Elasticians”) and our culture are vital to Elastic’s long-term success. Our human capital management efforts are focused on:

- Attracting, engaging and retaining talent
- Maintaining our strong company culture
- Enhancing our diversity, equity and inclusion (“DEI”)
- Continuing strong employee engagement
- Facilitating continuous employee learning and development
- Offering effective total rewards, including employee well-being

Our management regularly updates our board of directors and its committees on human capital trends and employee-focused activities and initiatives.

As of April 30, 2023, we had a total of 2,886 employees in over 40 countries globally. Over 30% of our workforce consists of women and employees who self-identify as non-binary. None of our employees are represented by a labor union. In certain countries in which we operate, such as France and Spain, we are subject to local labor law requirements that may automatically make our employees subject to industry-wide collective bargaining agreements. We have not experienced any work stoppages.

Distributed Workforce

Elastic originated as a distributed company and continues to be distributed by design. We have designed our processes, systems, and teams so that employees can generally perform their jobs without needing to be physically present in the same room or even in the same time zone. Just as distributed systems are more resilient, we believe that being distributed helps build a strong company that can scale and adapt as new challenges arise. Having a distributed workforce gives us a global candidate pool, which provides us the opportunity to cast a wider recruiting net, a critical aspect of helping open our pipelines to a broader set of diverse talent.

Diversity, Equity and Inclusion

Our focus on DEI is critical to how we develop, strengthen and sustain a sense of belonging and inclusion among all Elasticians.

- *Balanced Teams.* We strive to be an employer of choice for a diverse and inclusive workforce through our talent brand, talent attraction, development, and retention efforts. Our recruiting approach is underpinned by the desire to create balanced teams at Elastic, which includes considering broad aspects of diversity from race and gender mix as well as diversity of thought, experience and tenure when recruiting new team members. The created-by-women-for-women workplace review site, Fairygodboss, recognized Elastic as one of the best workplaces for women in three categories: Best Technology Company for Women, Best Company for Women, and Best Company Where CEOs Support Gender Diversity.

- *Elastician Resource Groups.* We strive to embed DEI deep within our culture through various initiatives, projects and programs, the centerpiece of which is the Elastician Resource Groups (“ERG”), which are organizationally sponsored, self-organized, Elastician-run groups. Aligned to specific shared identities, interests, affinity or allyship, such as Latinx, parent(s), disability or accessibility, Black, LGBTQ+ and others; each group identifies goals and objectives with executive sponsorship to ensure that they provide tangible benefits and result in all Elasticians feeling a sense of belonging.

- *Fair Pay.* We pursue fair and consistent compensation practices through our use of local third-party market data specific to each country, where available, so that we understand local compensation and cost of labor levels. We retain external experts to review our compensation outcomes on an ongoing basis in seeking to ensure they are bias-free and fairly reward employee performance and contributions. We take great pride in our focus on fair pay and the positive results we've established.

- *Code of Conduct*. All of our employees must adhere to a Code of Business Conduct and Ethics (the "Code of Conduct") that sets standards for appropriate behavior and are required to complete annual training on the Code of Conduct and training to help prevent, identify and report any type of discrimination and harassment.

Employee Engagement

We are committed to ensuring that Elasticians have a voice in how we can collectively make Elastic a better place to work.

- *New Employee Onboarding.* Our new employee onboarding experience is centered around attending "X-School", our extensive new-hire orientation program, which enables new Elasticians to meet and collaborate with other new Elasticians from around the globe and to learn about our products and solutions.
- *Engagement Surveys.* We monitor employee morale and attitudes through two primary feedback mechanisms – an annual employee engagement survey and a mid-year pulse survey check-in. The results of these surveys are reviewed at the company, functional, team and manager level, and are used to develop action plans put in place annually. Elasticians were highly engaged in providing feedback in fiscal years 2023, 2022 and 2021, with high participation rates for the mid-year and annual surveys as well as high engagement scores across a spectrum of questions.

Learning and Development

Our Learning & Organizational Development team's mission is to enable Elasticians to pursue their purpose, in work and life. To that end, we have a variety of ways in which we support the continuous learning and development of all Elasticians, including access to on-demand video based learning.

We also conduct specific programs to develop managers and leaders at Elastic, including our flagship leadership development program - Leading Strategically, an externally-led program focused on high-performing leaders who possess the potential to have a significant strategic impact on the achievement of our long-term objectives.

Total Rewards

- *Compensation, Benefits and Well-being*. We provide market competitive compensation which typically includes cash compensation as well as equity awards. Reflecting our interest in the whole person, we provide programs designed to enable Elasticians to meet their well-being goals, from starting a family to being at their physical and emotional best. These programs include market competitive medical and dental programs, in addition to a focus on mental health and holistic well-being. We provide market competitive paid time off programs, which feature 16 weeks of paid leave to all new parents, life-planning benefits and other travel reimbursements for certain healthcare services. In addition, we also provide retirement and income protection plans, which include a 401k plan with a dollar-for-dollar match by Elastic up to 6% of eligible earnings up to a plan-limit maximum for U.S.-based Elasticians as well as similar competitive plans outside of the United States.
- *Flexible Work Environment*. Since inception, we have provided most Elasticians with the ability to work from anywhere, as often as they would like. We also know that being face-to-face is important too, and we have physical offices around the world to provide a space for employees to work from if they wish to do so.
- *Community Involvement.* Through our Elastic Cares program, employees can support the charitable organizations that matter the most to them on a local and global level. This program encompasses donation matching, our nonprofit organization program which provides our technology for free to certain nonprofit organizations, and our volunteer time off initiative. Employees are encouraged to volunteer for these organizations throughout the year using our volunteer time off program which provides our employees with 40 hours of volunteer time each year.

Government Regulations

Our worldwide business activities are subject to various laws, rules, and regulations. Our compliance with existing or future governmental regulations, including, but not limited to, those pertaining to global trade, business acquisitions, consumer and data protection, and taxes, could have material impacts on our business. See section Risk Management and Risk Factors for a discussion of these potential impacts.

Governance

Our board of directors sets high standards for itself and the officers and employees of the Company. Implicit in this philosophy is the importance of sound corporate governance. We believe it is the duty of the board of directors to serve our shareholders and our other stakeholders, and to oversee the management of the Company's business. To fulfill its responsibilities, the board of directors follows the procedures and standards set forth in our corporate governance guidelines, board rules, Code of Conduct and other governance policies. To further promote better governance and a higher standard of ethical and professional conduct across the entire company, we have mandatory trainings and policy acknowledgments for employees with respect to our Code of Conduct and other significant compliance policies. We also maintain an ethics hotline where employees and third parties can confidentially report any concerns about possible violations of our Code of Conduct and compliance policies. We investigate any compliance-related reports we receive through the hotline or other reporting channels and take appropriate remedial action when warranted. You can find certain of our governance documents and compliance policies on our website at www.elastic.co.

We believe that good corporate governance provides a strong foundation for operating our business in a manner that is fair, ethical and responsible and is therefore essential to the long-term success of our company. Our board of directors and its committees participate in setting the tone for our company in this regard, as they regularly review and, as appropriate, update various corporate governance and other key policy documents in light of current regulations and best practices, and monitor and strive to ensure compliance with such corporate governance and key policy documents.

We recognize the importance of diversity within our board of directors and we believe that our business benefits from a board of directors with a wide range of skills and a variety of different backgrounds and that a diverse composition contributes to a well-balanced decision-making process by the board of directors. As such, we have a diversity policy that identifies the importance of considering potential director candidates' diversity, including nationality, age, gender, race, ethnicity, education and experience. Currently, 33.3% of our directors are female and 33.3% of our directors self-identify as being racially, ethnically, or nationally diverse.

We believe that our efforts for effective corporate governance are illustrated by, among others, the following practices:

- Seven out of nine continuing directors and director nominees standing for appointment at the Annual Meeting are independent under the rules of the NYSE.
- The Chairperson of our board of directors is independent.
- Our board of directors has both a Lead Independent Director and a Vice-Chairperson, both of whom are independent.
- All of our board committees are composed solely of independent directors.
- The functioning of our board of directors and board committees is evaluated at least annually.
- The leadership structure of our board of directors is reviewed regularly.
- Our key corporate governance and compliance policies are reviewed regularly.
- Our board of directors and its committees may hire outside advisors independently of management.
- Our insider trading policy contains anti-hedging and anti-pledging provisions.

Global Data Privacy

We are committed to the highest ethical standards and dedicated to complying with all applicable laws and safeguarding all data entrusted to us. Working to maintain the trust and confidence of our customers is at the center of our global privacy and information security program. Elastic's data protection program and policies (including our global privacy statement) leverage technology and robust governance practices in an effort to protect data. We have dedicated teams that include privacy and compliance counsel, our chief information security officer, our European data protection officer, and experienced security operations teams working to protect data. We invest in technical, organizational, and administrative measures throughout our infrastructure, including our cloud offerings. Elastic's program includes transparency, physical and logical controls, vulnerability monitoring, data availability, supply-chain risk management and a legal compliance framework designed to address applicable laws and regulations relating to privacy and information security.

Vendor Code of Conduct

We also recognize the foundational value that promoting an ethical business environment brings to all market participants and strive to support a business environment that allows us and our suppliers to flourish. We have adopted and make publicly available a global vendor code of conduct and are working to develop programs using several industry standards such as, among others, International Standards Organization and Organization for Economic Cooperation and Development (OECD) Guidelines for Multinational Enterprises.

Shareholder Engagement

We are proud of our shareholder engagement efforts and are committed to maintaining outreach to our shareholders. Our relationship with our shareholders is an important part of our Company's success. In fiscal year 2023, we participated in several shareholder conversations on matters of importance to our shareholders and expect to maintain such engagement efforts. Our management team regularly updates our board of directors and committees on our engagement efforts, providing summaries and analyses of our shareholders' feedback. We believe that our approach to engaging directly and openly with our investors drives increased corporate accountability, improves decision making, and ultimately creates long-term value.

Product Societal Impact

Elastic is committed to building products that create a positive societal impact. The Elastic Search Platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. The company's open-source roots allow Elastic to provide its solutions to a large community of users for free. This encourages innovation and efficiency to operate at scale for both non-profit organizations and for-profit customers. Elastic's solutions have allowed our customers to positively impact society in various ways, including but not limited to enabling human security and combating trafficking, reducing carbon footprint, and providing energy-savings through efficient and reduced power consumption.

Elastic Community Engagement

At Elastic, community matters. We recognize that our team extends beyond our employees to our community of users, which includes all the users who download our software. Our users interact with us on our website and forums and on Twitter, GitHub, Stack Overflow, Quora, Facebook, and more. In order to build products that best meet our users' needs, we focus on, and invest in, continuing to build a strong community. Each download of the Elastic Stack is a new opportunity to educate our next contributor, hear about a new use case, explore the need for a new feature, or meet a future member of the team. Community is more than code and it is core to our identity, binding our products closely together with our users.

To recognize the contributions of our community members, we have an Elastic Contributor Program to recognize the hard work of our valued contributors, encourage knowledge sharing within the Elastic community and to build friendly competition around contributions. Further, we created the Elastic Excellence Awards program, which celebrates philanthropic, innovative and transformative projects and the people behind them. Through our engagement with our community through programs such as the Elastic Contributor Program and Elastic Excellence Awards, we aim to acknowledge and recognize our valued community members who have brought us to where we are now.

Legal Proceedings

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

Corporate Information

We were incorporated in the Netherlands as a private company with limited liability (*besloten vennootschap met beperkte aansprakelijkheid*) on February 9, 2012 as SearchWorkings Global B.V. On June 19, 2012, we changed our name to elasticsearch global B.V., on December 11, 2013, we changed our name to Elasticsearch Global B.V., and on May 29, 2018, we changed our name to Elastic B.V. Immediately prior to the completion of our initial public offering ("IPO") on October 10, 2018, we converted into a public company with limited liability (*naamloze vennootschap*) under Dutch law and changed our name to Elastic N.V.

We are a distributed company, which means our workforce is distributed globally. Accordingly, we do not have a principal executive office. We are registered with the trade register of the Dutch Chamber of Commerce under number 54655870. Our registered office is at Keizersgracht 281, 1016 ED Amsterdam, the Netherlands.

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

Our website address is www.elastic.co. Information contained on, or that can be accessed through, our website does not constitute part of this Report and references to our website address in this Report are inactive textual references only.

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

MANAGEMENT’S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Report. As discussed in the section titled “Forward-Looking Statements,” the following discussion and analysis contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed below. Factors that could cause or contribute to such difference include, but are not limited to, those identified below and those discussed in the section titled “Risk Management and Risk Factors” included elsewhere in this Report. Our fiscal year end is April 30.

Overview

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

Our platform is built on the Elastic Stack, a powerful set of software products that ingest data from any source, in any format, and perform search, analysis, and visualization of that data. At the core of the Elastic Stack is Elasticsearch - a highly scalable document store and search engine, and the unified data store for all of our solutions and use cases. Another component of the Elastic Stack is Kibana, which delivers a common user interface across all of our solutions, with powerful drag-and-drop visual analytics, and centralized management of the platform. Our platform also includes the Elasticsearch Relevance Engine™ (“ESRE”), which combines advanced AI with Elastic’s text search to give developers a full suite of sophisticated retrieval algorithms and the ability to integrate with large language models. Our out-of-the-box solutions deliver fast time to value for common use cases and, paired with our developer-centric platform which is extensible and customizable, allow us to innovate fast and differentiate our offerings at every level. The Elastic Stack can be used by developers to power a variety of use cases. It is a distributed, real-time search and analytics engine and data store for all types of data including textual, numerical, geospatial, structured, and unstructured.

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

We generate revenue primarily from sales of subscriptions to our platform. We offer various paid subscription tiers that provide different levels of rights to use proprietary features and access to support. We do not sell support separately. Our subscription agreements typically range from one to three years and are usually billed annually in advance. Our subscription agreements are both term-based and consumption-based, with the vast majority of Elastic Cloud subscriptions being consumption-based. We sell subscriptions in various currencies, with the majority of our subscriptions contracted in US dollars, and a smaller portion contracted in Euro, British Pound Sterling, and other currencies. Elastic Cloud customers may also purchase subscriptions on a month-to-month basis without a commitment, with usage billed at the end of each month. Subscriptions accounted for 92%, 93%, and 93% of total revenue for the years ended April 30, 2023, 2022, and 2021, respectively. We also generate revenue from consulting and training services.

We make it easy for users to begin using our products in order to drive rapid adoption. Users can either sign up for a free trial on Elastic Cloud or download our software directly from our website without any sales interaction, and immediately begin using the full set of features. Users can also sign up for Elastic Cloud through public cloud marketplaces. We make it easy for users to begin using our products in order to drive rapid adoption. Users can either sign up for a free trial on Elastic Cloud or download our software directly from our website without any sales interaction, and immediately begin using the full set of features. Users can also sign up for Elastic Cloud through public cloud marketplaces. As of April 30, 2023, we had approximately 20,200 customers compared to over 18,600 customers and over 15,000 customers as of April 30, 2022 and 2021, respectively. The majority of our new customers use Elastic Cloud. We define a customer as an entity that generated revenue in the quarter ending on the measurement date from an annual or month-to-month subscription. Affiliated entities are typically counted as a single customer.

Many of these customers start with limited initial spending, but can significantly grow their spending. We drive high-touch engagement with qualified prospects and customers to drive further awareness, adoption, and expansion of our products with paid subscriptions. Expansion includes increasing the number of developers and practitioners using our products, increasing the utilization of our products for a particular use case, and applying our products to new use cases. The number of customers who represented greater than $100,000 in annual contract value (“ACV”) was over 1,160, over 960, and over 730 as of April 30, 2023, 2022 and 2021, respectively. The ACV of a customer’s commitments is calculated based on the terms of that customer’s subscriptions, and represents the total committed annual subscription amount as of the measurement date. Month-to-month subscriptions are not included in the calculation of ACV.

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

We have experienced significant growth, with revenue increasing to $1.1 billion for the year ended April 30, 2023 from $862.4 million for the year ended April 30, 2022 and $608.5 million for the year ended April 30, 2021, representing year-over-year growth of 24% for April 30, 2023 and 42% for the year ended April 30, 2022. For the year ended April 30, 2023, revenue from outside the Netherlands accounted for 96.91% of our total revenue. For our non-U.S. operations, the majority of our revenue and expenses are denominated in currencies such as the Euro and British pound. No customer accounted for more than 10% of our total revenue for the years ended April 30, 2023, 2022, and 2021. We have not been profitable to date. For the years ended April 30, 2023, 2022, and 2021, we incurred net losses of $276.1 million, $272.4 million and $170.1 million, respectively. Our net cash provided by operating activities was $30.9 million and $15.8 million for the years ended April 30, 2023 and 2022, respectively. We have experienced losses in each year since our incorporation and as of April 30, 2023, had an accumulated deficit of $1,206.0 million. We expect we will continue to incur net losses for the foreseeable future. There can be no assurance whether, or when, we may become profitable.

We continue to make substantial investments in developing the Elastic Stack and our solutions and expanding our global sales and marketing footprint. With a distributed team spanning over 40 countries, we are able to recruit, hire, and retain high-quality, experienced technical and sales personnel and operate at a rapid pace to drive product releases, fix bugs, and create and market new products. We had 2,886 employees as of April 30, 2023.

Current Economic Conditions

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

Restructuring

To navigate the current economic environment, we have realigned our resources internally to drive greater efficiencies and rebalance investments across all functions of the organization and reinvest some savings in key priority areas to drive growth. On November 30, 2022, we announced and began implementing a plan to align our investments more closely with our strategic priorities by reducing our workforce by approximately 13% and implementing certain facilities-related cost optimization actions. We incurred $31.8 in restructuring and other related charges during the year ended April 30, 2023. We expect that the implementation of the workforce reductions and facilities cost optimization will be substantially completed by the end of the first quarter of fiscal 2024.

See Note 17 "Restructuring and other related charges" for additional information about this plan. We will continue to adjust, monitor, and curtail spending when and where needed to adapt to the current macroeconomic landscape and will reinvest some of the savings selectively in areas that we believe best drive us to drive profitable growth. See "Risk Management and Risk Factors" included in this Report for a discussion of additional risks.

Key Factors Affecting Our Performance

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

Increasing adoption of Elastic Cloud. Elastic Cloud, our family of cloud-based offerings, is an important growth opportunity for our business. Organizations are increasingly looking for hosted deployment alternatives with reduced administrative burdens. In some cases, users of our source available software that have been self-managing deployments of the Elastic Stack subsequently become paying subscribers of Elastic Cloud. For the years ended April 30, 2023, 2022, and 2021, Elastic Cloud contributed 40%, 35%, and 27% of our total revenue, respectively. We believe that offering Elastic Cloud is important for achieving our long-term growth potential, and we expect Elastic Cloud's contribution to our subscription revenue to continue to increase over time. However, we expect that an increase in the relative contribution of Elastic Cloud to our business will have a modest adverse impact on our gross margin as a result of the associated third-party hosting costs.

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

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

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

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

We believe that a useful indication of how our customer relationships have expanded over time is through our Net Expansion Rate, which is based upon trends in the rate at which customers increase their spend with us. To calculate an expansion rate as of the end of a given month, we start with the annualized spend from all such customers as of twelve months prior to that month end, or Prior Period Value. A customer's annualized spend is measured as its ACV, or in the case of customers charged on usage-based arrangements, by annualizing the usage for that month. We then calculate the annualized spend from these same customers as of the given month end, or Current Period Value, which includes any growth in the value of their subscriptions or usage and is net of contraction or attrition over the prior twelve months. We then divide the Current Period Value by the Prior Period Value to arrive at an expansion rate. The Net Expansion Rate at the end of any period is the weighted average of the expansion rates as of the end of each of the trailing twelve months. The Net Expansion Rate includes the dollar-weighted value of our subscriptions or usage that expand, renew, contract, or attrit. For instance, if each customer had a one-year subscription and renewed its subscription for the exact same amount, then the Net Expansion Rate would be 100%. Customers who reduced their annual subscription dollar value (contraction) or did not renew their annual subscription (attrition) would adversely affect the Net Expansion Rate. Our Net Expansion Rate was approximately 117% as of April 30, 2023.

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

Financial Results

Revenue

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

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

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

Cost of Revenue

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

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

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

Operating Costs

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

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

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

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

Other Income. Primarily consist of sublease income and other non-operating gains.

Finance Income and Finance Costs

Finance Income primarily comprises interest income on our cash, cash equivalents and certain marketable securities that is recognized using the effective interest method.

Finance costs primarily consist of interest expense on our 4.125% Senior Notes due 2029 and foreign exchange gains and losses.

Income Tax Expense

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

Comparison of Fiscal Years Ended April 30, 2023 and 2022

Revenue

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Revenue				
Subscription	$ 984,762	$ 798,770	$ 185,992	23%
Services	84,227	63,604	20,623	32%
Total revenue	**$ 1,068,989**	**$ 862,374**	**$ 206,615**	24%

Subscription revenue increased by $186.0 million, or 23%, for the year ended April 30, 2023 compared to the prior year. This increase was primarily driven by continued adoption of Elastic Cloud which grew 42% over the same period and increased to 40% of total revenue for the year ended April 30, 2023 from 35% for the year ended April 30, 2022.

Services revenue increased by $20.6 million, or 32%, for the year ended April 30, 2023 compared to the prior year. The increase in services revenue was attributable to increased adoption of our services offerings.

Cost of Revenue and Gross Margin

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Cost of Revenue				
Subscription	$ 219,495	$ 179,008	$ 40,487	23%
Services	79,741	55,581	24,160	43%
Total cost of revenue	**$ 299,236**	**$ 234,589**	**$ 64,647**	28%
Gross profit	**$ 769,753**	**$ 627,785**	**$ 141,968**	23%
Gross margin - Subscription	**78%**	**78%**		
Gross margin - Services	**5%**	**13%**		

Cost of subscription revenue increased by $40.5 million, or 23%, for the year ended April 30, 2023 compared to the prior year. This increase was primarily due to an increase of $38.3 million in cloud infrastructure costs due to increased Elastic Cloud subscription revenue. Additionally, intangible asset amortization increased by $1.3 million due to a full year of amortization on the intangibles acquired during the year ended April 30, 2022.

Cost of services revenue increased by $24.2 million, or 43%, for the year ended April 30, 2023 compared to the prior year. This increase was primarily due to an increase of $16.3 million in personnel and related costs, including increases of $10.5 million in salaries and related taxes, $3.8 million in stock-based compensation, and $1.7 million in employee benefits expense driven by an increase in headcount in our services organization. In addition, subcontractor costs increased by $6.2 million and travel costs increased by $0.8 million.

Gross margin for professional services revenue was 5% for the year ended April 30, 2023 compared to 13% for the prior year. The decrease in margin was primarily due to the cost of services, including personnel and related costs and subcontractor costs, growing at a higher rate than services revenue. We continue to make investments in our services organization that we believe will be needed as we continue to grow. Our gross margin for services may fluctuate or decline in the near-term as we seek to expand our services business.

Operating Costs

Research and development

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Research and development	$ 323,141	$ 300,701	$ 22,440	7%

Research and development expense increased by $22.4 million, or 7%, for the year ended April 30, 2023 compared to the prior year as we continued to invest in the development of new and existing offerings. Personnel and related costs increased by $11.3 million as a result of growth in headcount. In addition, travel costs increased by $4.6 million, cloud infrastructure costs related to our research and development activities increased by $3.0 million, and consulting costs increased by $1.5 million. The increase in personnel and related costs includes an increase of $1.9 million in stock-based compensation, an increase of $6.9 million in salaries and related taxes, and an increase of $2.8 million in employee benefits expense.

Sales and marketing

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Sales and marketing	$ 508,661	$ 427,317	$ 81,344	19%

Sales and marketing expense increased by $81.3 million, or 19%, for the year ended April 30, 2023 compared to the prior year. This increase was primarily due to an increase of $68.2 million in personnel and related costs and a $2.8 million increase in software and equipment charges due to growth in headcount. In addition, travel expenses increased by $6.2 million and marketing expense increased by $4.8 million. The increase in personnel and related costs included an increase of $37.9 million in salaries and related taxes, an increase of $7.7 million in stock-based compensation, an increase of $10.7 million in commission expense, and an increase of $8.2 million in employee benefits expense.

General and administrative

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
General and administrative	$ 165,610	$ 142,310	$ 23,300	16%

General and administrative expense increased by $23.3 million, or 16%, for the year ended April 30, 2023 compared to the prior year. This increase was primarily due to an increase of $30.8 million in personnel and related costs and a $0.8 million increase in software and equipment charges due to headcount growth. In addition, travel costs increased by $0.7 million. These increases were partially offset by a $9.2 million decrease in legal and professional fees and a $0.8 million decrease in consulting expense. The increase in personnel and related costs includes an increase of $19.6 million in stock-based compensation expense, an increase of $9.1 million in salaries and related taxes, and an increase of $2.1 million in employee benefits expense.

Restructuring and other related charges

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Restructuring and other related charges	$ 31,789	$ —	$ 31,789	100%

For the year ended April 30, 2023, we recorded restructuring and other related charges comprising employee-related severance and other termination benefits of approximately $23.3 million, facilities-related charges of approximately $6.2 million, and $1.8 million of other restructuring-related charges while we had no such charges in the prior year.

Other income

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Other income	$ (13,739)	$ (1,937)	$ (11,802)	609%

Other income was $13.7 million for the year ended April 30, 2023 compared to $1.9 million in the prior year. This increase was primarily due to an increase in sublease income by $1.5 million and $10.4 million of proceeds from a legal settlement.

Finance Income and Costs

	Year Ended April 30,		Change	
	2023	2022	$	%
Finance costs	$ 27,952	$ 25,954	$ 1,998	8 %
Finance income	$ (18,778)	$ (250)	$ (18,528)	7411 %

Finance costs increased by $2.0 million, or 8%, for the year ended April 30, 2023 compared to the prior year. This increase was primarily due to interest expense associated with the 4.125% Senior Notes due 2029, which we issued in July 2021 in a private placement, as well as a full year of amortization of the related debt discount and issuance costs. Finance income increased by $18.5 million for the year ended April 30, 2023 compared to the prior year. This change was primarily due to an increase in interest income of $17.4 million as a result of higher interest earned on our investments and $1.1 million of miscellaneous other income. In addition, we recognized a foreign currency transaction loss of $0.8 million in the current fiscal year compared to a foreign currency transaction loss of $3.6 million in the prior year.

Income Tax Expense

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Income tax expense	$ (21,170)	$ (6,058)	$ (15,112)	249%

Income tax expense increased $15.1 million, or 249%, for the year ended April 30, 2023 compared to the prior year. Our effective tax rate was (8.31)%% and (2.27)%% of our net loss before taxes for the years ended April 30, 2023 and 2022, respectively. Our effective tax rate is affected by recurring items, such as tax rates in jurisdictions outside the Netherlands and the relative amounts of income we earn in those jurisdictions and non-deductible stock-based compensation as well as one-time tax benefits or charges. The increase in tax expense is driven primarily by growth in business operations in jurisdictions where we generate taxable income and do not have any available tax credits or net operating losses to offset that income, and a one-time charge of $2.8 million related to the completion of acquisition-related integration, reduced by a one-time benefit of $1.2 million related to our restructuring plan.

Liquidity and Capital Resources

As of April 30, 2023, our principal sources of liquidity were cash, cash equivalents, and marketable securities totaling $915.2 million. Our cash and cash equivalents and marketable securities consist of highly liquid investment-grade fixed-income securities. We believe that the credit quality of the securities portfolio is strong and diversified among industries and individual issuers.

We have generated significant operating losses from our operations as reflected in our accumulated deficit of $1.1 billion as of April 30, 2023. We have historically incurred, and expect to continue to incur, operating losses and may generate negative cash flows from operations on an annual basis for the foreseeable future due to the investments we intend to make as described above, and as a result, we may require additional capital resources to execute on our strategic initiatives to grow our business.

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

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

	Year Ended April 30,		Change	
	2023	2022	$	%
		(in thousands)		
Net cash provided by operating activities	$ 30,925	$ 15,841	$ 15,084	95%
Net cash used in investing activities	$ (255,065)	$ (127,133)	$ (127,932)	101%
Net cash provided by financing activities	$ 4,536	$ 592,026	$ (587,490)	(99)%

Net cash provided by operating activities

Net cash provided by operating activities during the year ended April 30, 2023 was $30.9 million, which resulted from a net loss of $276.1 million adjusted for non-cash charges of $369.8 million, a net cash outflow of $51.2 million from changes in operating assets and liabilities, and cash paid for income taxes of 11.6 million. Non-cash charges consisted of $242.3 million for stock-based compensation expense, $68.9 million for amortization of deferred contract acquisition costs, $12.1 million of amortization of right-of-use assets, $21.5 million of depreciation and intangible asset amortization expense, $6.7 million of asset impairment charges, an increase of $17.7 million in income tax liability, and $0.6 million of miscellaneous other items. The net cash outflow from changes in operating assets and liabilities was the result of an increase in deferred contract acquisition costs of $102.0 million as our sales commissions increased due to increased business volume, an increase of $43.7 million in trade and other receivables, an increase in prepayments of $11.5 million and an increase in deposits of $0.3 million. These outflows were partially offset by a $95.6 million increase in deferred revenue, and a net increase of $10.7 million in trade and other payables.

Net cash provided by operating activities during the year ended April 30, 2022 was $15.8 million, which resulted from a net loss of $272.4 million adjusted for non-cash charges of $310.4 million, net cash outflow of $18.2 million from changes in operating assets and liabilities, and cash paid for income taxes of $4.0 million. Non-cash charges consisted of $208.3 million for stock-based compensation expense, $60.7 million for amortization of deferred contract acquisition costs, $19.9 million of depreciation and intangible asset amortization expense, $10.6 in amortization of operating lease right-of-use (“ROU”) asset, net foreign currency transaction loss of $2.0 million, an increase of $7.0 million in income tax expenses and $2.0 million of miscellaneous other items. The net cash outflow from changes in operating assets and liabilities was the result of an increase of $62.4 million in accounts receivable due to higher billings and timing of collections from our customers, an increase in deferred contract acquisition costs of $96.8 million as our sales commissions increased due to increased business volume, an increase of $2.1 million in prepayments and an increase of $0.7 million in deposits. These outflows were partially offset by an $83.8 million increase in deferred revenue due to higher billings, a net increase of $59.9 million in trade and other payables due to growth in our business and higher headcount.

Net cash used in investing activities

Net cash used in investing activities of $255.1 million during the year ended April 30, 2023 was primarily due to the purchase of marketable securities of $270.3 million. In addition, we incurred $2.7 million of capital expenditures during the year. These expenditures were offset by interest received of $17.7 million and an increase in restricted cash of $0.2 million.

Net cash used in investing activities of $127.1 million during the year ended April 30, 2022 was primarily due to cash used in acquisitions of $119.9 million, $5.3 million of capitalization of internal-use software and $2.5 million of capital expenditures during the period, partially offset by cash provided by other investing activities of $0.5 million.

Net cash provided by financing activities

Net cash provided by financing activities of $4.5 million during the year ended April 30, 2023 was due to the proceeds from stock option exercises of 17.5 million offset by payment of lease liabilities of $12.9 million.

Net cash provided by financing activities of $592.0 million during the year ended April 30, 2022 was due to the proceeds of $575.0 million from the issuance of our Senior Notes and $36.4 million of proceeds from stock option exercises, offset by $9.3 million payments of debt issuance costs, payment of lease liabilities of $10.1 million.

Off Balance Sheet Arrangements

We did not have, during the periods presented, nor do we currently have any off balance sheet financing arrangements or any relationships with any unconsolidated entities or financial partnerships, including entities referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off balance sheet arrangements or other contractually narrow or limited purposes.

Events After The Balance Sheet Date

On June 14, 2023, Jonathan Chadwick notified the BoD of the Company that he will not be standing for re-election as a non-executive director following the expiration of his term at the annual general shareholders meeting in October 2023 (the “2023 AGM”).

On June 14, 2023, the BoD nominated Paul Auvil to stand for election to the Company's Board as a non-executive director at the 2023 AGM. Pursuant to Dutch law, Mr. Auvil’s election to the Board is subject to a shareholder vote, to be held at the 2023 AGM. Subject to his election to the Board, Mr. Auvil also will be appointed to serve as the Chair of the Company’s Audit Committee and as a member of the Company’s Compensation Committee.

Up until the day of authorization for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as of April 30, 2023.

RISK MANAGEMENT AND RISK FACTORS

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

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

- If we do not appropriately manage our future growth or are unable to improve our systems and processes, our business and results of operations will be adversely affected.
- We have a history of losses and may not be able to achieve profitability on a consistent basis or at all or positive operating cash flow on a consistent basis.
- Our ability to grow our business will suffer if we do not expand and increase adoption of our Elastic Cloud offerings.
- Information technology spending, sales cycles, and other factors affecting the demand for our offerings and our results of operations have been, and may continue to be, negatively impacted by current macroeconomic conditions, including declining rates of economic growth, supply chain disruptions, inflationary pressures, increased interest rates, and other conditions discussed in this report, and by Russia's invasion of Ukraine and the resulting international political crisis and associated impacts.
- Our future growth, business and results of operations will be harmed if we are not able to keep pace with technological and competitive developments, increase sales of our subscriptions to new and existing customers, renew existing customers' subscriptions, increase adoption of our cloud-based offerings, respond effectively to evolving markets or offer high quality support services.
- Any actual or perceived failure by us to comply with regulations or any other obligations relating to privacy, data protection or information security could adversely affect our business.
- We and our third-party vendors and service providers are vulnerable to a risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches from nation-state and affiliated actors.
- Our operating results may fluctuate from quarter to quarter.
- Actions that we are taking to reduce costs and rebalance investments under a plan we announced in November 2022 may not result in anticipated savings or operational efficiencies, could result in total costs and expenses that are greater than expected and could disrupt our business.
- Our decision to no longer offer Elasticsearch and Kibana under an open source license may harm the adoption of those products.
- We could be negatively impacted if the Elastic License or the Server Side Public License under which some of our software is licensed is not enforceable.
- Limited technological barriers to entry into the markets in which we compete may facilitate entry by other enterprises into our markets to compete with us.
- We may not be able to effectively develop and expand our sales, marketing and customer support capabilities.
- Because we recognize the vast majority of our revenue from subscriptions, either based on actual consumption, monthly, or ratably, over the term of the relevant subscription period, downturns or upturns in sales are not immediately reflected in full in our results of operations.
- Our limited history with consumption-based arrangements for our Elastic Cloud offerings is not adequate to enable us to predict accurately the long-term rate of customer adoption or renewal, or the impact those arrangements will have on our near-term or long-term revenue or operating results.

- A real or perceived defect, security vulnerability, error, or performance failure in our software could cause us to lose revenue, damage our reputation, and expose us to liability.
- Incorrect implementation or use of our software could negatively affect our business, operations, financial results, and growth prospects.
- Our reputation could be harmed if third parties offer inadequate or defective implementations of software that we have previously made available under an open source license.
- Interruptions or performance problems, and our reliance on technologies from third parties, may adversely affect our business operations and financial results.
- If our partners, including cloud providers, systems integrators, channel partners, referral partners, OEM and MSP partners, and technology partners, fail to perform or we are unable to maintain successful relationships with them, our ability to market, sell and distribute our solution will be more limited.
- Failure to protect our proprietary technology and intellectual property rights could substantially harm our business and results of operations.
- We could incur substantial costs as a result of any claim of infringement, misappropriation or violation of another party's intellectual property rights, including as a result of the indemnity provisions in various agreements.
- Our use of third-party open source software within our products could negatively affect our ability to sell our products and subject us to possible litigation.
- We may not be able to realize the benefits of our marketing strategies to offer some of our product features for free and to provide free trials to some of our paid features.
- Our international business exposes us to a variety of risks, and if we are not successful in sustaining and expanding our international business, we may incur additional losses and our revenue growth could be harmed.
- We are subject to risks associated with our receipt of revenue from sales to government entities.
- Our business is subject to a variety of government and industry regulations, as well as other obligations, including compliance with export control, trade sanctions, anti-bribery, anti-corruption, and anti-money laundering laws.
- An investment in our company is subject to tax risks based on our status as a non-U.S. corporation.
- The market price for our ordinary shares has been and is likely to continue to be volatile.
- The concentration of our share ownership with insiders will likely limit your ability to influence corporate matters.
- Dutch law and our articles of association include anti-takeover provisions, which may impact the value of our ordinary shares.
- Claims of U.S. civil liabilities may not be enforceable against us.
- We have a substantial amount of indebtedness and may not be able to generate sufficient cash to service all of our indebtedness.
- If industry or financial analysts do not publish research or reports about our business, or if they issue inaccurate or unfavorable research regarding our ordinary shares, our share price and trading volume could decline.
- We may fail to maintain an effective system of disclosure controls and internal control over financial reporting.

Risks Related to our Business and Industry

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

We have experienced rapid growth and increased demand for our offerings. Our employee headcount and number of customers have increased significantly. For example, our total number of customers has grown from over 2,800 as of April 30, 2017 to approximately 20,200 as of April 30, 2023. Further, although we implemented a workforce reduction in November 2022 and may modify our hiring to align with our evolving growth plans, our employee headcount generally has increased as we have expanded our business. The growth and expansion of our business and offerings place a continuous and significant strain on our management, operational, and financial resources. In addition, as customers adopt our technology for an increasing number of use cases, we have had to support more complex commercial relationships. We may not be able to leverage, develop and retain qualified employees effectively enough to maintain our growth plans. We must continue to improve our information technology and financial infrastructure, our operating and administrative systems, our relationships with various partners and other third parties, and our ability to manage headcount and processes in an efficient manner to manage our growth effectively. Our failure to do so could result in increased costs, negatively affect our customers' satisfaction with our offerings, and harm our results of operations.

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

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

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

We have incurred losses in all years since our inception. We incurred a net loss of $276.1 million, $272.4 million and $170.1 million for the years ended April 30, 2023, 2022 and 2021, respectively. As a result we had an accumulated loss of 1,206.0 million as of April 30,2023. We anticipate that our operating expenses will continue to increase substantially in the foreseeable future as we continue to enhance our offerings, broaden our customer base and pursue larger transactions, expand our sales and marketing activities, expand our operations, hire additional employees, and continue to develop our technology. These efforts may prove more expensive than we currently anticipate, and we may not succeed in increasing our revenue sufficiently, or at all, to offset these higher expenses. Revenue growth may slow or revenue may decline for a number of reasons, including slowing demand for our offerings, increasing competition, or economic downturns, including as a result of rising rates of inflation and other macroeconomic events. You should not consider our revenue growth in prior periods as indicative of our future performance. Any failure to increase our revenue or grow our business could prevent us from achieving profitability at all or on a consistent basis, which would cause our business, financial condition, and results of operations to suffer. Additionally, although we generated positive operating cash flow in fiscal 2023, any failure to grow our business could prevent us from achieving positive operating cash flow on a consistent basis, which would cause our business, financial condition, and results of operations to suffer.

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

We believe our future success will depend significantly on the growth in the adoption of Elastic Cloud, our family of cloud-based offerings. We have incurred and will continue to incur substantial costs to develop, sell and support our Elastic Cloud offerings. We have also entered into non-cancelable multi-year cloud hosting capacity commitments with certain third-party cloud providers, which require us to pay for such capacity irrespective of actual usage. We believe that we must offer a family of cloud-based products to address the market segment that prefers a cloud-based solution to a self-managed solution and that there will be increasing demand for cloud-based offerings of our products. For the years ended April 30, 2023, 2022, and 2021, Elastic Cloud contributed 40%, 35%, and 27% of our total revenue, respectively. However, as the use of cloud-based computing solutions is rapidly evolving, it is difficult to predict the potential growth, if any, of general market adoption, customer adoption, and retention rates of our cloud-based offerings. There could be decreased demand for our cloud-based offerings due to reasons within or outside of our control, including, among other things, lack of customer acceptance, technological challenges with bringing cloud offerings to market and maintaining those offerings, information security, data protection, or privacy concerns, our inability to properly manage and support our cloud-based offerings, competing technologies and products, weakening economic conditions, and decreases in corporate spending. If we are not able to develop, market, or deliver cloud-based offerings that satisfy customer requirements technically or commercially, if our investments in cloud-based offerings do not yield the expected return, or if we are unable to decrease the cost of providing our cloud-based offerings, our business, competitive position, financial condition and results of operations may be harmed.

Unfavorable or uncertain conditions in our industry or the global economy or reductions in information technology spending, including as a result of adverse macroeconomic conditions, or

Russia's invasion of Ukraine, could limit our ability to grow our business and negatively affect our results of operations.

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

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

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

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

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

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

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

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

If we are not able to keep pace with technological and competitive developments

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

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

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

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

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

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

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

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

In the United States, the following states have enacted such legislation: California (California Consumer Privacy Act and the California Privacy Rights Act), Colorado (Colorado Privacy Act), Connecticut (An Act Concerning Personal Data Privacy and Online Monitoring), Utah (Utah Consumer Privacy Act) and Virginia (Virginia Consumer Data Protection Act). These laws and regulations may include a private right of action for certain data breaches or noncompliance with privacy obligations, may provide for penalties and other remedies, and may require us to incur substantial costs and expenses and liabilities in connection with our compliance. Other U.S. states and the U.S. federal government are considering or have enacted similar privacy legislation. Many obligations under these laws and legislative proposals remain uncertain, and we cannot fully predict their impact on our business. Failure to comply with these varying laws and standards may subject us to investigations, enforcement actions, civil litigation, fines and other penalties, all of which may generate negative publicity and have a negative impact on our business.

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

On June 4, 2021, the European Commission issued new Standard Contractual Clauses (“SCC”) applicable to cross-border data transfers of personal data for people located in the EEA. On February 2, 2022, the United Kingdom’s Information Commissioner’s Office issued new standard contractual clauses to support personal data transfers out of the United Kingdom (“UK SCC”), which went into effect on March 21, 2022. In light of these and other ongoing developments relating to cross-border data transfer, we may experience additional costs associated with increased compliance burdens, and this regulation may impact our ability to transfer personal data across our organization, to customers, or to third parties.

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

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

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

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

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

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

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

Cyber threats are constantly evolving and becoming increasingly sophisticated and complex, increasing the difficulty of detecting and successfully defending against them. The use of AI by threat actors may increase the velocity of such threats, magnifying the risks associated with these types of attacks. As a provider of security solutions, we have been and may continue to be specifically targeted by threat actors for attacks intended to circumvent our security capabilities as an entry point into customers' endpoints, networks, or systems. Our industry is experiencing an increase in phishing attacks and unauthorized scans of systems searching for vulnerabilities or misconfigurations to exploit. If our security measures are breached or otherwise compromised as a result of third-party action, employee or contractor error, defect, vulnerability, or bug in our products or products of third parties upon which we rely, malfeasance or otherwise, including any such breach or compromise resulting in someone obtaining unauthorized access to our confidential information, including personal data or the confidential information or personal data of our customers or others, or if any of these are perceived or reported to occur, we may suffer the loss, compromise, corruption, unavailability, or destruction of our or others' confidential information and personal data, we may face a loss in intellectual property protection, our reputation may be damaged, our business may suffer and we could be subject to claims, demands, regulatory investigations and other proceedings, indemnity obligations, and otherwise incur significant liability. Even the perception of inadequate security or an inability to maintain security certifications or to comply with our customer or user agreements, contracts with third-party vendors or service providers or other contracts may damage our reputation, cause a loss of confidence in our security solutions and negatively impact our ability to win new customers and retain existing customers. Further, we could be required to expend significant capital and other resources to address any security breach or incident, and we may face difficulties or delays in identifying and responding to any security breach or incident.

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

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

Techniques used to sabotage or obtain unauthorized access to systems or networks are constantly evolving and, in some instances, are not identified until launched against a target. We and our third-party vendors and service providers may be unable to anticipate these techniques, react in a timely manner, or implement adequate preventative measures. Security risks have also heightened as a result of the COVID-19 pandemic as more individuals are working remotely and utilizing home networks for transmitting information, and reported ransomware incidents with significant operational impacts also appear to be escalating in frequency and degree. Also, due to political uncertainty and military actions associated with Russia's invasion of Ukraine, we and our third-party vendors and service providers are vulnerable to a heightened risk of cybersecurity attacks, phishing attacks, viruses, malware, ransomware, hacking or similar breaches from nation-state and affiliated actors, including attacks that could materially disrupt our systems and operations, supply chain, and ability to produce, sell and distribute our products and services as well as retaliatory cybersecurity attacks from Russian and Russian-affiliated actors against companies with a U.S. presence. We may be at a heightened risk of such retaliatory attacks due to our decision to no longer sell our products to companies in Russia or Belarus until further notice, and to support Ukraine by, among other things, providing free access to Elastic Cloud solutions, including our platinum security capabilities, to organizations in Ukraine.

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

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

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

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

- our ability to attract new customers and retain existing customers;
- the loss of existing customers;
- customer renewal rates;
- our ability to successfully expand our business in the U.S. and internationally;
- general political, geopolitical, economic, industry and market conditions (including recessionary pressures or uncertainties in the global economy);

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

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

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

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

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

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

Furthermore, ongoing implementation of our plan may be disruptive to our operations. For example, our workforce reduction could result in attrition beyond planned staff reductions, increased difficulties in our day-to-day operations, and reduced employee morale. If employees who were not affected by the reduction in force seek alternative employment, we could incur unplanned additional expense to ensure adequate resourcing and fail to attract and retain qualified management, sales and marketing personnel who are critical to our business. Our failure to do so could harm our business and our future performance.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Subscription revenue accounts for the substantial majority of our revenue, comprising 92%, 93%, and 93% of total revenue for the years ended April 30, 2023, 2022 and 2021, respectively. The effect of significant downturns in new or renewed sales of our subscriptions is not reflected in full in our results of operations until future periods. We recognize the vast majority of our subscription revenue, either based on actual consumption, monthly, or ratably, over the term of the relevant time period. As a result, much of the subscription revenue we report each fiscal quarter represents the recognition of deferred revenue from subscription contracts entered into during previous fiscal quarters. Consequently, a decline in new or renewed subscriptions in any one fiscal quarter will not be fully or immediately reflected in revenue in that fiscal quarter and will negatively affect our revenue in future fiscal quarters.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

As of April 30, 2023, we had customers located in over 125 countries, and our strategy is to continue to expand internationally. In addition, as a result of our strategy of leveraging a distributed workforce, as of April 30, 2023, we had employees located in over 40 countries. Our current international operations involve and future initiatives may involve a variety of risks, including:

- political and economic instability related to international disputes, such as Russia’s invasion of Ukraine and the related impact on macroeconomic conditions as a result of such conflict, which may negatively impact our customers, partners, and vendors;
- unexpected changes in regulatory requirements, taxes, trade laws, tariffs, export quotas, custom duties or other trade restrictions;
- different labor regulations, especially in the European Union, where labor laws are generally more advantageous to employees as compared to the United States, including deemed hourly wage and overtime regulations in these locations;
- exposure to many stringent, particularly in the European Union, and potentially inconsistent laws and regulations relating to privacy, data protection and information security;
- changes in a specific country’s or region’s political or economic conditions;
- the evolving relations between the United States and China;
- changes in relations between the Netherlands and the United States;
- risks resulting from changes in currency exchange rates and inflationary pressures;
- risks resulting from the migration of invoicing from local billing entities to centralized regional billing entities;
- the impact of public health epidemics or pandemics on our employees, partners, and customers;
- challenges inherent to efficiently managing an increased number of employees over large geographic distances, including the need to implement appropriate systems, policies, benefits and compliance programs;
- risks relating to enforcement of U.S. export control laws and regulations including the Export Administration Regulations, and trade and economic sanctions, including restrictions promulgated

by the Office of Foreign Assets Control ("OFAC"), and other similar trade protection regulations and measures in the United States or in other jurisdictions;
- risks relating to our third-party vendors and service providers' storage and processing of some of our and our customers' data, including any supply chain cybersecurity attacks;
- reduced ability to timely collect amounts owed to us by our customers in countries where our recourse may be more limited;
- limitations on our ability to reinvest earnings from operations derived from one country to fund the capital needs of our operations in other countries;
- political, economic and trade uncertainties or instability related to the United Kingdom's withdrawal from the European Union (Brexit);
- limited or unfavorable intellectual property protection; and
- exposure to liabilities under anti-corruption and anti-money laundering laws, including the U.S. Foreign Corrupt Practices Act of 1977, as amended ("FCPA"), and similar applicable laws and regulations in other jurisdictions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to Regulatory Matters

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

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

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

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

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

Risks Related to Ownership of our Ordinary Shares

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

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

- actual or anticipated changes or fluctuations in our operating results;
- the financial forecasts we may provide to the public, any changes in these projections or our failure to meet these projections;
- announcements by us or our competitors of new offerings or new or terminated significant contracts, commercial relationships or capital commitments;
- industry or financial analyst or investor reaction to our press releases, other public announcements, and filings with the SEC;
- rumors and market speculation involving us or other companies in our industry;
- a gain or loss of investor confidence in the market for technology stocks or the stock market in general;
- future sales or expected future sales of our ordinary shares;
- investor perceptions of us, the benefits of our offerings and the industries in which we operate;
- price and volume fluctuations in the overall stock market from time to time;

- changes in operating performance and/or stock market valuations of other technology companies generally, or those in our industry in particular;
- failure of industry or financial analysts to maintain coverage of us, changes in financial estimates by any analysts who follow our company, or our failure to meet these estimates or the expectations of investors;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property rights or our solutions, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- breaches of, or failures relating to, privacy, data protection or information security;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- any major changes in our management or our board of directors;
- general economic conditions and slow or negative growth of our markets, including as a result of Russia's invasion of Ukraine, and the general inflation and interest rate environments; and
- other events or factors, including those resulting from war, incidents of terrorism or responses to these events.

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

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

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

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

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

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

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

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

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

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

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

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

Holders of an aggregate of 17,356,912 ordinary shares, based on shares outstanding as of April 30, 2023, are entitled to rights with respect to registration of these shares under the Securities Act pursuant to our amended and restated investors’ rights agreement, dated July 19, 2016. If these holders of our ordinary shares, by exercising their registration rights, sell a large number of shares, such sales could adversely affect the market price for our ordinary shares. We have also filed, and may file in the future, registration statements on Form S-8 under the Securities Act registering all ordinary shares that we may issue under our equity compensation plans, which may in turn be sold and may adversely affect the market price for our ordinary shares.

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

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

- the staggered three-year terms of the members of our board of directors, as a result of which only approximately one-third of the members of our board of directors may be subject to election in any one year;
- a provision that the members of our board of directors may only be removed by a General Meeting by a two-thirds majority of votes cast representing at least 50% of our issued share capital if such removal is not proposed by our board of directors;
- a provision that the members of our board of directors may only be appointed upon binding nomination of the board of directors, which can only be overruled with a two-thirds majority of votes cast representing at least 50% of our issued share capital;

- the inclusion of a class of preference shares in our authorized share capital that may be issued by our board of directors, in such a manner as to dilute the interest of shareholders, including any potential acquirer or activist shareholder, in order to delay or discourage any potential unsolicited offer or shareholder activism;
- requirements that certain matters, including an amendment of our articles of association, may only be brought to our shareholders for a vote upon a proposal by our board of directors; and
- minimum shareholding thresholds, based on nominal value, for shareholders to call General Meetings of our shareholders or to add items to the agenda for those meetings.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to our Outstanding Senior Notes

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

We have a substantial amount of indebtedness and we may incur additional indebtedness in the future. As of April 30, 2023, we had $575.0 million aggregate principal amount of Senior Notes outstanding. Our indebtedness could have important consequences, including:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

General Risk Factors

We may not benefit from our acquisition strategy.

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk Management and Control Systems

Elastic, similar to other technology companies, operates in a complex, competitive, and rapidly changing environment that involves many risks. In addition to general market, research and development, and economic risks, the Group faces potential risks related to its industry, information technology and cybersecurity, data privacy, financial controls and reporting, compliance with applicable laws and regulations, finances and taxation, global operations, environment and social responsibility, and product portfolio and commercialization, among others. As a company committed to operating ethically and with integrity, we proactively seek to manage and, where possible, mitigate risks to help ensure compliance with applicable rules and regulations, maintain integrity and continuity in our operations and business, and protect our assets. Risk management is an enterprise-wide objective subject to oversight by the Board and its committees.

It is the responsibility of Elastic's management and employees to implement and administer risk-management processes to identify material risks to our business. In addition, management must assess, manage and monitor those risks, all while maintaining flexibility in how we operate. To further embed risk management and compliance into our culture, Elastic implements relevant policies and procedures and trains employees on how to implement and comply with them. All of our committees have regular access to management and our Board and committees also schedule sessions without members of management present.

Elastic's Board, in turn, directly or through its committees, oversees management's implementation of risk management. We have approved our Code of Conduct and other related policies, and the Board and its committees rigorously review with management actual and potential significant risks, including any breaches of the Code Conduct, at least quarterly.

Based on its oversight activities, reports from management and third parties, and extensive discussions and analyses, the Board believes that (i) the Company's internal risk management and control systems provide reasonable assurance that the Company's financial reporting does not contain any errors of material importance, (ii) based on the current state of affairs, it is justified that the Company's financial reporting is prepared on a going concern basis and (iii) this report states material risks and uncertainties relevant to the expectation of the Company's continuity for the period of twelve months after the preparation of this report. The Board has no reason to believe that there are material shortcomings associated with the Company's internal risk management and control systems that would otherwise have to be disclosed in this report. Consequently, those systems have not been materially revised during the fiscal year to which this report pertains and no material improvements thereto are scheduled. The Company's internal risk management and control systems have been discussed with the audit committee and the non-executive directors.

Fraud Risk: Elastic uses COSO's Internal Control — Integrated Framework (2013) as a reference for its design, implementation, and evaluation of control activities as part of a system of internal control. Elastic has implemented internal risk management and control systems to manage the risks effectively and efficiently. An example is fraud risk prevention, which starts with the identification of potential internal and external fraud risk scenarios. Identification, analysis and determination of the internal and external fraud risks relevant to the Group is performed, followed by the nature and inherent size of these risks. Subsequently, the relevant controls that are in place are mapped to the risks. Finally, a conclusion of the overall residual risk and an assessment is made to what extent the remaining residual risk is within Elastic's risk appetite.

Elastic 's key internal fraud risk scenarios include the manipulation of financial results, the misuse of confidential information, and the misappropriation of assets. Elastic's key external fraud risk scenarios include customers providing Elastic with fraudulent documents, circumvention of Elastic's fraud prevention system through brute force or fraud rings, and customers initiating fraudulent transactions. Relevant mitigating controls mapped to these risks include both preventive and detective controls that sufficiently mitigate internal and external fraud risk scenarios.

Credit Risk: The nature of the Group's operations is such that its customer base is sufficiently diversified and generally financially secure and that, accordingly, credit risk is limited. In addition, management regularly reviews aging of accounts receivable and has implemented procedures to ensure that cash is collected on time.

Liquidity Risk: In the years ended April 30, 2023 and 2022, we generated cash from operations of $30.9 million and $15.8 million, respectively. For fiscal 2024, we expect to generate positive cash flows from operations. Management monitors rolling forecasts of the Group's cash and cash equivalents on the basis of expected cash flows. This is generally carried out at the Group level, taking into account the liquidity of the market in which Group's subsidiaries operate.

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

Risk Appetite

Our risk appetite is integrated into the business through our strategy, global policies, procedures, controls, and budgets. While the executive directors are responsible for overseeing and managing the Company's day-to-day risks and related control systems, the Board has broad oversight of the Company's risk profile and risk management. Our appetite for risk varies depending on the risk type. The Group measures risk by estimating the potential for loss of profit, staff turnover, and reputational damage. Our appetite for each risk is determined by considering key opportunities and potential threats to achieving our strategic objectives and can be categorized as follows:

Operational

Operational risks include unforeseen incidents that could result from failures in internal processes or systems, human error, forecasting, or adverse external events and could negatively impact the day-to-day operation of our business.

Risk appetite: Moderate

Operational risks are managed through management oversight, the ongoing budgeting, forecasting, and reporting process as well as training activities to constantly improve and update employees’ skills and knowledge. Infrastructural operational risks are managed by regular backups and increased use of the cloud.

The cost of these measures and control systems must be commensurate with the benefits achieved. Management generally considers the likelihood of risks in the operational and technology areas as moderate while evaluating the financial impact of each event depending on the specific risk field. Management’s risk appetite in this field is moderate and we seek to mitigate risks through contracts, service level agreements, insurance, and cooperation with established partners.

We strive to minimize the possibility of business disruptions and the related impact of operational failures. We constantly review and invest in our structure and processes to ensure they are fit for purpose and address any identified operational risk.

Strategic

Strategic risks originate from trends, developments, or events that could prevent us from executing and realizing our strategic objectives and include risks related to personnel, customer dependency, and the market.

Risk appetite: Moderate

As far as strategic risks are concerned, we try to mitigate personnel risk by providing an attractive remuneration package, a positive working environment, and structured individual development plans. We try to manage the dependency risk by building and maintaining customer relationships. We develop customer engagement strategies and regularly monitor progress for existing customers and identify and build relationships with new customers.

In general, management addresses market risks by actively monitoring the developments and evaluating the actual exposure to these risks. This includes hiring industry qualified executives and employees, participation in industry events, gaining information from analysts and research firms as well as creating business cases for new product developments. The Group does not pursue growth at all costs and expects sufficient margins. We will primarily pursue organic growth strategies to meet our growth objectives. We aim for sufficient operating margins while protecting the long-term viability of the Group.

Financial

Financial risks include uncertainty of financial returns on investments, reductions in liquidity, erosion of profits, potential financial losses due to financing policies, and other external factors such as the macroeconomic environment and geopolitical conditions, unreliability of suppliers, economic restrictions, and reduction of the customer base.

Risk appetite: Low

In the field of financial risks, management addresses the low profitability risk mainly through transparency and a permanent review process in connection with quarterly results, forecasting, and budgeting considering both internal factors and external factors such as macroeconomic and geopolitical conditions. In the event of merger and acquisition ("M&A") activity, a dedicated project management team is established for accelerating sustainable long-term value creation. Through a strong due diligence process and closely managed integration process, we seek to reduce the probability of M&A-related risk. Currency risks, on the other hand, can be minimized through natural hedging due to having revenue and costs for business conducts outside of the United States incurred in the local currency of the associated subsidiary, however, to date, we have not had a formal hedging program with respect to foreign currency, but we may adopt such a program in the future if our exposure to foreign currency should become more significant. Our revenue and expenses are primarily denominated in U.S. dollars, and to a lesser extent the Euro, British Pound Sterling, and other currencies. Although changes to exchange rates of foreign currencies have not had a material impact on our net operating results to date, we continue to reassess our foreign exchange exposure as we continue to grow our business globally. As far as political instability is concerned, the breadth of our offerings and geographical reach helps to mitigate our exposure to any particular localized risk. We monitor proposed changes in taxation legislation and new accounting standards to ensure these are taken into account when we consider our future business plans. We manage working capital risk by increasing and diversifying our customer base and carefully managing our costs. While the Group has sufficient cash to meet its future obligations, it may seek additional external funding in the future, and we consider the risk of not being able to secure additional funding as a risk that is not imminent. While Management's risk appetite for financial risk is low overall, management realizes that the expansion of the business does require some risk-taking and evaluates risk appetite for business expansion as medium.

Compliance

Compliance risks relate to unanticipated failures to comply with applicable laws and regulations as well as our own policies and procedures.

Risk appetite: Low

The Group is committed to complying with the laws and regulations of the countries in which we operate. However, as the Group is expanding its business in a complex and rapidly changing international environment, and is continuously improving its processes and procedures, regulatory violations may occur. We are well aware that legal and regulatory standards are constantly evolving, compliance obligations are increasing significantly, and financial penalties for non-compliance in certain areas relevant to the Group (such as privacy, international trade, or anti-corruption) could be very high. Management’s risk appetite is low and matters of substantial significance are reviewed with the Board or a committee of the Board. However, should the risk materialize, it could have a very high, potentially critical impact. We mitigate the risk by constantly enhancing our ethics and compliance program (including compliance policies, training, monitoring, internal reporting, etc.) and working with well-established external partners such as tax, legal, and audit advisors.

Tax Strategy of Elasticsearch Limited (“Elastic UK”)

This section outlines the approach adopted by Elastic UK in managing its tax obligations and activities. In making this tax strategy available, Elastic UK is fulfilling its responsibilities under paragraph 22(2) of Schedule 19 of the Finance Act 2016. It will be reviewed annually and updated as appropriate for legislative developments in the United Kingdom (“UK”).

Tax Governance and Risk Management

Elastic N.V., the parent entity of Elastic UK, employs an experienced global tax team, based in the United States (“U.S.”) and India under the Vice President of Tax and Treasury of Elastic and based in the UK, the Netherlands, the U.S., and Singapore under the Vice President, Assistant Controller of Elastic. Our global tax team is part of the accounting function reporting to the Chief Accounting Officer of Elastic.

The tax team is accountable for day-to-day management of tax matters. Any decisions to be made in respect of uncertain tax issues will be subject to diligent professional care and judgment by the tax team. Elastic UK uses external tax advisors to provide the expert guidance necessary to assess tax risks and to ensure its compliance with applicable tax laws and regulations.

The Audit Committee of the Board of Directors of Elastic receives updates as to material changes in tax legislation that may impact the organization as well as details of uncertain tax positions.

Tax Planning Considerations

At all times, Elastic UK aims to comply with applicable tax obligations and laws in all jurisdictions and to act in a way which upholds its reputation as a responsible corporate body.

All intra-group transactions are conducted on an arm's length basis and in accordance with the other guidelines laid down by the Organization for Economic Co-operation and Development and in line with other domestic legislation and documentation requirements.

We are committed to conducting our tax affairs to the highest standards and in line with the Elastic's code of conduct, while also complying with all applicable anti-bribery, money laundering, and anti-tax evasion legislation. We foster an open, honest, and constructive relationship with tax authorities whom we deal with. Our objective is to ensure that all filing positions are supported by strong technical grounds and, where clear, in the spirit of what the law is understood to have intended. Elastic does not engage in tax planning that lacks an independent business purpose. We will, however, claim properly available allowances, deductions, reliefs, credits, and incentives as appropriate.

Level of Acceptable Risk in Relation to UK Taxation

Elastic UK is not prescriptive about the level of tax risk which is acceptable for its business but is committed to paying the right amount of tax at the correct time. Elastic UK seeks to operate its tax affairs based on sound commercial principles and in accordance with relevant tax legislation. Elastic UK appropriately reviews and documents all of its material tax positions. Elastic UK believes that it does not pursue aggressive tax planning arrangements.

Relationship with HM Revenue & Customs ("HMRC")

Elastic UK engages with taxing authorities, including HMRC, in a cooperative and compliant manner. We seek to make full and accurate disclosures in tax returns and in all correspondence with HMRC. Elastic UK will seek to resolve any disputed matters through proactive and transparent discussion with HMRC.

CORPORATE GOVERNANCE

Dutch Corporate Governance Code

Elastic is committed to good corporate governance and has implemented a robust governance structure that the Board believes remains most appropriate for the Company. As Elastic's ordinary shares are traded on the NYSE, Elastic complies with the applicable listing standards of the NYSE in addition to U.S. securities laws.

Elastic complies with the relevant principles and best practice provisions of the DCGC (which are not binding, but apply on a "comply or explain" basis), except for the following:

Remuneration (best practice provisions under chapter 3)

Consistent with Elastic's historical practices and market practices in the U.S., the trading jurisdiction of our ordinary shares, and in order to further support Elastic's ability to attract and retain the right highly qualified candidates for a board position:

1. We have granted options and restricted stock units to non-executive directors and intend to continue to grant restricted stock units to non-executive directors. The options provide for vesting conditions which allow exercise of the options within the first three years of their grant date. Furthermore, the restricted stock units are not subject to a five-year holding period. Elastic's directors generally may sell their vested shares at any time, subject to company policy and applicable securities regulations. Such remuneration is in accordance with the NYSE corporate governance requirements and market practice among companies listed on the NYSE. We are in competition with other companies in this field, and we intend to maintain an attractive compensation package for our current and future board members so that we can remain competitive.
2. The agreements with our executive directors provide for (i) a severance payment in excess of one-year base salary in certain events and (ii) a severance payment if such agreement is terminated at the initiative of such executive director. We believe these severance provisions are consistent with U.S. market practice.

Majority requirements for dismissal and setting-aside binding nominations (best practice provision under chapter 4)

Pursuant to our articles of association, directors are appointed by the general meeting on a binding nomination by the Board. A resolution of the General Meeting to overrule such binding nomination requires at least two-thirds of the votes cast representing more than half of our issued share capital. Although in deviation from the suggested governance provision, this is in line with article 2:133 (2) of the Dutch Civil Code, which provides for the same majority and quorum requirements as included in our articles of association, and is considered to promote continuity within the Board. A two-thirds majority representing more than half of our issued share capital is also required for the dismissal of a director if such dismissal has not been proposed by the Board. Although in deviation from suggested corporate governance provisions, this is in line with article 2:134 (2) of the Dutch Civil Code.

Other Codes of Conduct or Corporate Governance Practices

In addition to the DCGC, Elastic is subject to and complies with our Code Conduct and Corporate Governance Guidelines. The texts of Elastic's Code of Conduct and Corporate Governance Guidelines are publicly available on the Corporate Governance page of our Investor Relations website: http://ir.elastic.co.

General Meeting of Shareholders

The General Meeting is held in the Netherlands at the place where we have our corporate seat (Amsterdam) at Haarlemmermeer (Schiphol Airport), Rotterdam, or The Hague (the Netherlands). The annual General Meeting is held no later than six months after the end of the financial year on the date and hour and at the place mentioned in the convening notice. Additional extraordinary General Meetings may also be held whenever considered appropriate by the Board. Pursuant to Dutch law, one or more shareholders and others entitled to attend a General Meeting, who jointly represent at least one-tenth of the issued share capital, may request the Board to convene a General Meeting. If the Board has not taken the steps necessary to ensure that a General Meeting is held within the relevant statutory period after the request, the requesting persons may, at his/her/their request, be authorized by a court in preliminary relief proceedings to convene a General Meeting.

General Meetings are convened by a notice, which includes an agenda stating the items to be discussed, including for the annual General Meeting, among other things, the discussion and adoption of the annual accounts, appropriation of our profits and proposals relating to the board of directors, including the filling of any vacancies in the Board. In addition, the agenda includes such items as have been included therein by the Board. One or more shareholders, alone or together, representing at least three percent of the issued share capital may also request to include items in the agenda of a General Meeting. Requests must be made in writing and received by the Board at least sixty days before the day of the meeting. No resolutions will be adopted on items other than those which have been included in the agenda. In accordance with the DCGC, a shareholder may request the inclusion of an item on the agenda only after consulting the Board in that respect. If one or more shareholders intends to request that an item be put on the agenda for a General Meeting that may result in a change in the company's strategy, pursuant to the DCGC the Board may invoke a response time of a maximum of one hundred and eighty days. Furthermore, with respect to certain shareholder proposals, the Board may invoke a response time of a maximum of two hundred and fifty days in accordance with article 2:114b of the Dutch Civil Code.

The General Meeting is presided over by the non-executive director designated as lead independent director, or the Lead Independent Director, or, if such director is absent, by the vice chairperson of the board of directors. Members of the Board may attend a General Meeting. In these meetings, they have an advisory vote. The chairperson of the meeting may decide at his or her discretion to admit other persons to the meeting.

The external auditor of the company may attend the annual General Meeting in which the annual accounts are discussed.

Board of Directors

The board of directors of the Company is responsible for establishing broad corporate policies and monitoring the overall performance of the Company. The board of directors selects the Company's senior management, delegates authority for the conduct of the Company's day-to-day operations to senior management, and monitors their performance. Members of the board of directors are kept informed of the Company's business by, among other things, participating in meetings of the board of directors and committees and by reviewing analyses and reports provided to them.

We have a one-tier board of directors, consisting of executive and non-executive directors. The board of directors determines the number of executive and non-executive directors.

The board of directors is currently composed of nine directors. We have two executive directors, our Chief Executive Officer and our Chief Technology Officer, and seven non-executive directors.

We have a classified board of directors in which directors serve for staggered terms. Under the Company's articles of association, each director may be appointed for a maximum term of three years, provided that the director's term will lapse immediately after the close of the first annual general meeting held after three years (or less if the term is shorter than three years) have lapsed since the director's appointment, or until the director's earlier death, resignation or removal. A director may be reappointed, and the three-year maximum term may be deviated from by resolution of the general meeting of shareholders upon a proposal of the board of directors.

As of August 21, 2023, the Board was composed as follows:

Name	Age	Position	Nationality	Self-Identified Ethnicity	Date of Appointment	Term expires (AGM held in)
Ashutosh Kulkarni	48	Executive Director and Chief Executive Officer ("CEO")	United States	Asian	March 2022	2025
Shay Banon	45	Executive Director, And Chief Technology Officer ("CTO")	Israel	Middle Eastern	July 2012	2024
Chetan Puttagunta (1)(3)	37	Non-executive Director Chairperson and Lead Independent Director	United States	Asian	January 2017	2024
Sohaib Abbasi (2)	67	Non-executive Director and Vice Chairperson	United States	Asian	July 2022	2025
Jonathan Chadwick (1)(2)(4)	57	Non-executive Director	United States	White	August 2018	2023
Alison Gleeson (2)	58	Non-executive Director	United States	White	January 2020	2023
Shelley Leibowitz (1)(3)	62	Non-executive Director	United States	White	October 2021	2024
Caryn Marooney (3)	56	Non-executive Director	United States	White	April 2019	2023
Steven Schuurman	47	Non-executive Director	Netherlands	White	July 2012	2025

(1) Member of the Audit Committee

(2) Member of the Compensation Committee

(3) Member of the Nominating and Corporate Governance Committee

(4) Mr. Chadwick has been a non-executive director during the full fiscal year to which this report pertains. On June 14, 2023, Mr. Chadwick chose not to stand for re-election to the board of directors at the Company's upcoming annual general meeting of shareholders. On June 14, 2023, Mr. Chadwick gave notice of his decision not to stand for re-election to the board of directors at the Company's upcoming annual general meeting of shareholders. On June 14, 2023, the Board nominated Paul Auvil to stand for election to the Board as a non-executive director at the 2023 annual general meeting of shareholders.

Executive Directors

Age: 48

Ashutosh Kulkarni (Chief Executive Officer)

Background and Experience

Ashutosh Kulkarni has served as our CEO since January 2022 and was elected to our board of directors in March 2022. Mr. Kulkarni previously served as our Chief Product Officer ("CPO") from January 2021 to January 2022.

- Prior to joining us, Mr. Kulkarni served as Executive Vice President and Chief Product Officer, Enterprise Business Group, at McAfee Corp., a digital provider of cyber security services, from October 2018 until December 2020.
- Prior to joining McAfee Corp., Mr. Kulkarni served as Senior Vice President and General Manager at Akamai Technologies, Inc., a content delivery network, cybersecurity, and cloud service company, in the Web Performance and Web Security division from August 2016 to October 2018 and in the Web Experience division from August 2015 to August 2016.
- Prior to that service, Mr. Kulkarni held various senior leadership, product management, product marketing and engineering roles at Akamai Technologies, Informatica and Sun Microsystems.

Education

Mr. Kulkarni earned an M.S. in computer engineering from the University of Texas at Austin, an M.B.A. degree from the University of California, Berkeley and a B.E. in engineering from the University of Mumbai.

Qualifications

The board of directors believes that Mr. Kulkarni is qualified to serve as a member of the Board because of the perspective he brings as our CEO, our former CPO, and his experience as an executive in the technology industry.

Age: 45

Shay Banon (Chief Technology Officer)

Background and Experience

Shay Banon co-founded our Company and has served as a member of our board of directors since July 2012 and as our CTO since January 2022. Mr. Banon served as our CEO from May 2017 to January 2022, and as our Chairperson and CEO from June 2018 to January 2022. He previously also served as our CTO from July 2012 to April 2017. Mr. Banon is the creator of our Elasticsearch product.

Education

Mr. Banon holds a B.Sc. in Computer Science from Technion, Israel Institute of Technology.

Qualifications

The board of directors believes that Mr. Banon is qualified to serve as a member of our board of directors because of the perspective and experience he brings as our CTO, our prior CEO and co-founder and his experience as an executive in the technology industry.

Non-executive Directors

Chetan Puttagunta (Chairperson and Lead Independent Director)

Age: 37

Nominating and Corporate Governance Committee (Chair)

Audit Committee

Background and Experience

Chetan Puttagunta has served as a member of our board of directors since January 2017, as our Chairperson since January 2022, and as our Lead Independent Director since June 2018. Mr. Puttagunta has served as General Partner of Benchmark Capital Partners, a venture capital firm, since July 2018.

- From October 2016 until July 2018, Mr. Puttagunta served as a General Partner of New Enterprise Associates, a venture capital firm he joined in April 2011.
- Mr. Puttagunta also serves on the boards of directors of various private companies.

Education

Mr. Puttagunta holds a B.S. in Electrical Engineering from Stanford University.

Qualifications

The board of directors believes that Mr. Puttagunta is qualified to serve as a member of our board of directors because of his extensive experience in the venture capital industry and his knowledge of the technology industry.

Sohaib Abbasi (Vice-Chairperson)

Age: 67

Compensation Committee

Background and Experience

Sohaib Abbasi has served as a member of our board of directors and as our Vice-Chairperson since July 2022. He has also served as a member of the Executive Council of Balderton Capital, a venture capital firm, since January 2018 and as a Senior Advisor of TPG Global LLC, a private equity firm, since July 2017.

- From July 2004 to August 2015, Mr. Abbasi served as the Chief Executive Officer of Informatica Corporation, a data integration company, where he also served as the Chair and a member of the board of directors from March 2004 to December 2015.
- Mr. Abbasi previously served in various executive roles at Oracle Corporation, a computer technology corporation, most recently as a member of Oracle's executive committee and as Senior Vice President of the Oracle Tools and Oracle Education divisions.
- He currently serves on the board of directors of Udemy, Inc., an online global learning platform company and previously served as a director of McAfee Corp., a computer security software company, from November 2018 to March 2022, New Relic, Inc., an enterprise software company, from May 2016 to September 2019, Nutanix, Inc., a cloud computing company, from March 2020 to December 2020, and Red Hat, Inc., a provider of enterprise open-source software solutions, from March 2011 to July 2019.
- He also currently serves on the boards of directors of several private companies

Education

Mr. Abbasi holds a B.S. and an M.S. in Computer Science from the University of Illinois at Urbana-Champaign.

Qualifications

The board of directors believes that Mr. Abbasi is qualified to serve as a member of our board of directors because of his prior experience as CEO of a public technology company and his current and prior executive and directorship experience for multiple large public and private technology companies.

Age: 56

Audit Committee (Chair)

Compensation Committee

Jonathan Chadwick

Background and Experience

Jonathan Chadwick has served as a member of our board of directors since August 2018. Mr. Chadwick has been a private investor since April 2016.

- From November 2012 to April 2016, Mr. Chadwick served as Chief Financial Officer ("CFO") and Executive Vice President of VMware, Inc., a virtualization and cloud infrastructure solutions company, and from August 2014 to April 2016, he also served as VMware's Chief Operating Officer ("COO").
- From March 2011 until November 2012, he served as the CFO of Skype Communication S.á.r.l., a voice over IP (VoIP) service, and as a corporate vice president of Microsoft Corporation after its acquisition of Skype in October 2011.
- From June 2010 until February 2011, Mr. Chadwick served as Executive Vice President and CFO of McAfee, Inc., a security software company, until its acquisition by Intel Corporation.
- From September 1997 until June 2010, Mr. Chadwick served in various executive roles at Cisco Systems, Inc., a multinational technology company ("Cisco").
- He also currently serves on the board of directors of Confluent, Inc., a data infrastructure company, Samsara Inc., an IT company, ServiceNow, Inc., a cloud computing company, Zoom Video Communications, Inc., a provider of remote conferencing services, and various private companies. He previously served on the board of directors of Cognizant Technology Solutions Corporation, an IT business services provider, from April 2016 to December 2019, and F5 Networks, Inc., an application networking delivery company, from August 2011 until March 2019.
- He also worked for Coopers & Lybrand in various roles in the U.S. and the U.K.

Mr. Chadwick decided not to stand for re-election at the upcoming annual general meeting of shareholders. As such, his term will end at conclusion of such meeting. Mr. Chadwick has served on our board of directors since August 2018, and we are grateful for his dedication and contributions to our company during this period.

Education

Mr. Chadwick qualified as a Chartered Accountant in England and holds a B.Sc. degree in Electrical and Electronic Engineering from the University of Bath, U.K.

Qualifications

We believe Mr. Chadwick is qualified to serve as a member of our board of directors because of his significant financial expertise as a CFO and service on the boards of directors of various public companies.

Age: 58

Compensation Committee (Chair)

Alison Gleeson

Background and Experience

Alison Gleeson has served as a member of our board of directors since January 2020. She has served as a sales strategic advisor to Verkada Inc., a professional monitoring and video verification threat detection company, since August 2021, and as Special Advisor and Operating Committee Member at Brighton Park Capital, an investment firm, since October 2019.

- From November 2018 to September 2019, Ms. Gleeson was a private investor.
- From January 1996 to October 2018, Ms. Gleeson served in various roles with Cisco Systems, Inc., a provider of software-defined networking, cloud and security solutions ("Cisco"), most recently as Senior Vice President, Americas from July 2014 to October 2018.
- Ms. Gleeson currently also serves on the boards of directors of 8x8, Inc., a cloud-based provider of voice over IP products, and ZoomInfo Technologies Inc., a comprehensive sales and marketing intelligence SaaS platform.

Education

Ms. Gleeson holds a B.A. in Marketing from Michigan State University.

Qualifications

The board of directors believes that Ms. Gleeson is qualified to serve as a member of our board of directors because of her prior executive and go-to-market experience for a large public company.

Age: 62

Audit Committee

Nominating and Corporate Governance Committee

Shelley Leibowitz

Background and Experience

Shelley Leibowitz has served as a member of our board of directors since October 2021. Ms. Leibowitz has served since January 2016 as President of SL Advisory, which provides advice and insights in innovation and digital transformation, information technology portfolio and risk management, digital trust, performance metrics, and effective governance.

- From 2009 through 2012, Ms. Leibowitz served as Chief Information Officer for the World Bank Group.
- Prior to that service, Ms. Leibowitz held Chief Information Officer positions at top-tier financial institutions, including Morgan Stanley, a global financial services firm, and Greenwich Capital Markets, a fixed income financial services firm.
- She currently serves as a director of Morgan Stanley. Previously she served as a director of Massachusetts Mutual Life Insurance Company, an insurance and financial services provider, from October 2019 to April 2021, E*Trade Financial Corporation, a financial services company, from December 2014 to October 2020, and AllianceBernstein Holding L.P., a global asset management firm, from November 2017 to June 2019.
- Ms. Leibowitz also serves on the boards of directors of private companies in the cybersecurity and risk arenas.

Education

Ms. Leibowitz holds a B.A. in Mathematics from Williams College.

Qualifications

The board of directors believes that Ms. Leibowitz is qualified to serve as a member of our board of directors because of her current and prior executive and directorship experience and extensive leadership and experience in technology services, digital transformation, and information security.

Age: 56

Nominating and Corporate Governance Committee

Caryn Marooney

Background and Experience

Caryn Marooney has served as a member of our board of directors since April 2019. She has served as a General Partner of Coatue Management, LLC, a technology-focused venture capital firm, since November 2019.

- From May 2011 to May 2019, Ms. Marooney served in various roles at Meta Platforms, Inc. (formerly Facebook, Inc.), a social networking and technology company, most recently serving as Vice President, Global Communications from March 2012 to May 2019.
- From June 1997 to March 2011, Ms. Marooney served in various roles, including President and CEO, with The OutCast Agency, a public relations firm.
- Ms. Marooney served as a member of the board of directors of Zendesk, Inc., a software development company that provides a software-as-a-service customer service platform, from January 2014 to May 2020.
- Ms. Marooney also serves on the boards of various private companies.

Education

Ms. Marooney holds a B.S. in Labor Relations from Cornell University.

Qualifications

The board of directors believes that Ms. Marooney is qualified to serve as a member of our board of directors because of her prior executive experience and her experience advising technology companies.

Age: 47

Steven Schuurman

Background and Experience

Steven Schuurman co-founded our Company and has served as a member of our board of directors since July 2012 and previously served as our CEO from July 2012 to May 2017. Mr. Schuurman serves on the boards of various private companies.

Education

Mr. Schuurman holds a B.Sc. in Electrical Engineering from TH Rijswijk, now known as The Hague University of Applied Sciences.

Qualifications

The board of directors believes that Mr. Schuurman is qualified to serve as a member of our board of directors because of his deep understanding of our business, operations and strategy due to his role as our co-founder and former CEO.

During the fiscal year ended April 30, 2023, our board of directors held four meetings (all of which were regularly scheduled meetings) which were attended by all our directors during the periods in which they served as directors. All committee meetings were attended by the relevant directors as well, provided that Ms. Leibowitz could not attend one audit committee meeting. Ms. Leibowitz attended seven committee meetings during the fiscal year, and Mr. Volpi attended five committee meetings during the fiscal year. During our fiscal year ended April 30, 2023, the board of directors also acted by written consent.

Although we do not have a formal policy regarding attendance by members of our board of directors at annual General Meetings of shareholders, we encourage, but do not require, our directors to attend. During the fiscal year ended April 30,2023, we held one annual General Meeting on October 6, 2022.

Activities of and evaluation by the non-executive directors

The non-executive directors have overseen management and the functioning of the Board, and provided advice to our executive directors and senior management, including overseeing the executive directors and senior management's execution of Elastic's strategy and monitoring the general affairs of the Company and business connected with it as described in the Company's relevant governance documents. The directors on the Board and its committees received extensive information and input from multiple layers of management and external advisors, engaged in detailed and robust discussion and analysis regarding matters brought before them (including in executive session) and consistently and actively engaged in the development and approval of significant corporate strategies.

All non-executive directors regularly attended board of directors meetings held during the fiscal year to which this report pertains.

The non-executive directors, assisted by the nominating and corporate governance committee, have discussed at least once during the fiscal year to which this report pertains (i) their own functioning, the functioning of the Board committees and the individual members thereof, and discussed the conclusions that may be drawn on the basis thereof, (ii) the desired profile, composition and competence of the Board, and (iii) the functioning of the Board and the performance by the individual directors of their duties, and discussed the conclusions that may be drawn on the basis thereof.

The non-executive directors also discussed the Company's strategy and the main risks associated with its business, the results of the evaluation by the Board of the design and effectiveness of the internal risk management and control systems, as well as any significant changes thereto.

The Board and each committee conduct an annual self-evaluation by their respective members. These evaluations are intended to facilitate an examination and discussion by the entire Board and each committee of its effectiveness as a group in fulfilling its charter requirements and other responsibilities, its performance, and areas for improvement. The nominating and corporate governance committee supervises the format for each annual self-evaluation and, as appropriate, may use evaluation results in assessing and recommending the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations with respect to assignments of its members to various committees.

The evaluation described above takes place based on the aforementioned self-evaluation.

The Board has discussed the conclusions from the evaluation described above. The main conclusion was that, overall, our directors are satisfied with the functioning of, and their respective memberships of, the Board and, where relevant, its committees. The evaluation included a review of charters of the standing Board committees and certain of our other governance-related documents.

The Board and/or individual members will participate from time to time in director educational seminars, conferences and other director education programs presented by external and internal resources, on matters that may relate to, among other topics, compensation, governance, risk oversight, business, industry, audit and accounting, credit and financial, regulatory and other current issues confronting boards of directors of public companies.

Committees of the Board

The Board has the authority to appoint committees to perform certain management and administrative functions. The Board has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which has the composition and responsibilities described below. Members will serve on these committees until their resignation or until otherwise determined by the Board. Executive directors may not be members of the audit committee, compensation committee or the nominating and corporate governance committee. The Board may from time to time establish ad hoc committees. Each committee operates under a written charter, a current copy of which, along with our articles of association, board rules and corporate governance guidelines, are available on the Corporate Governance page of our Investor Relations website: http://ir.elastic.co.

Audit Committee

Our audit committee is currently composed of Messrs. Chadwick and Puttagunta and Ms. Leibowitz, each of whom is a non-executive member of the Board. The audit committee may not be chaired by the Lead Independent Director or by a former executive director. Mr. Chadwick currently is the chair of our audit committee. The Board has determined that each member of our audit committee, including the chair of our audit committee, satisfy the requirements for independence and financial literacy under the rules and regulations of the NYSE and the SEC and the requirements for independence under the rules of the DCGC. The audit committee is responsible for, among other things:

- overseeing our accounting and financial reporting processes;
- the integrity and audits of our consolidated financial statements and financial reporting process;
- our systems of disclosure controls and procedures and internal control over financial reporting;
- our compliance with financial, legal and regulatory requirements related to our financial statements and other public disclosures, our compliance with our policies related thereto, and our policy in respect of tax planning;
- the engagement and retention of the registered independent public accounting firm to audit our financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the recommendation for nomination by the Board for the instruction (appointment) by our general meeting of an external auditor to audit the Dutch Statutory Annual Accounts and board report, and the evaluation of the qualifications, independence, and performance of the independent public accounting firm, including the provision of non-audit services;
- the application of information and communication technology;
- the role and performance of our internal audit function;
- reviewing significant cybersecurity matters and concerns, including information security, data protection, and related regulatory matters and compliance;
- overseeing significant tax and treasury matters, including, among others, tax planning and compliance, cash management, investing activities and currency exposures and approving policies related thereto;
- review of all related person transactions in accordance with our related person transactions policy;
- our overall risk profile; and
- attending to such other matters as are specifically delegated to our Audit Committee by the Board from time to time.

During the fiscal year ended April 30, 2023, the audit committee met five times. The audit committee discussed matters relating to the following topics, among others: the engagement, annual performance review and evaluation (appointment, compensation, retention, oversight and plan), independence determination, and nomination for appointment by our shareholders of the Company’s independent auditor, PricewaterhouseCoopers LLP and PricewaterhouseCoopers Accountants N.V.; Elastic’s quarterly financial reports on Form 10-Q; Elastic’s annual report on Form 10-K; Elastic’s Dutch statutory annual accounts and board report for the fiscal year ended April 30, 2022; Elastic’s accounting, financing, legal, and tax matters and tax strategy; Elastic’s internal audit function; Elastic’s assessment of its disclosure controls and procedures and internal controls; Elastic’s proxy statement for an annual General Meeting held on October 6, 2022 and the Audit Committee Report included therein; Elastic’s related person transactions policy; Elastic’s ethics and compliance program, whistleblower reports, litigation matters and investigations Elastic’s Directors & Officers liability insurance program; Elastic’s ‘corporate governance documents and policies and the audit committee charter; Elastic’s information technology and information security; the impacts to Elastic of the COVID-19 pandemic; Elastic’s export control processes; Elastic’s assessment of enterprise, financial and operational risks and associated initiatives; tax legislation; accounting organization and other accounting matters; hiring of former auditor personnel; evolving regulations applicable to Elastic; and risks associated with its business. The audit committee also acted by unanimous written consent during the fiscal year ended April 30, 2023.

Compensation Committee

Our compensation committee is currently composed of Ms. Gleeson and Messrs. Chadwick and Abbasi, each of whom is a non-executive member of the Board. The compensation committee may not be chaired by the Lead Independent Director or by a former executive director. Ms. Gleeson is the chair of our compensation committee. The Board has determined that each member of our compensation committee meets the requirements for independence under the rules of the DCGC, NYSE and the SEC. The compensation committee is responsible for, among other things:

- reviewing and approving the compensation, including equity compensation, change-in-control benefits and severance arrangements, of our executive officers (other than the executive directors) and overseeing their performance;

- reviewing and making recommendations to our board of directors with respect to the compensation of our directors;
- reviewing and making recommendations to our board of directors with respect to our executive compensation policies and plans;
- implementing and administering our incentive and equity-based compensation plans;
- determining or, with respect to our executive directors, recommending to the board of directors the number of shares underlying, and the terms of, restricted share awards and options to be granted to our directors, executive officers, and other employees pursuant to these plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements and evolving regulations related thereto;
- producing a report on executive compensation to be included in our annual proxy statement;
- assisting our board of directors in producing the compensation report to be included in our annual report filed in the Netherlands and to be posted on our website in accordance with best practice of the DCGC;
- reviewing and monitoring matters related to human capital management, including corporate culture, diversity, equity and inclusion, recruiting, retention, attrition, talent management, and career development and progression; and
- attending to such other matters as are specifically delegated to our Compensation Committee by our board of directors from time to time.

Our compensation committee held four meetings during our fiscal year ended April 30, 2023 and discussed matters relating to the following topics, among others: annual attrition, human capital disclosures, recommendation to the Board with respect to the executive directors' compensation; compensation of non-executive directors; compensation and other employment terms of the executive officers and other senior management; the Company's peer group of companies for conducting the Company's executive compensation assessments and directional plans; the Company's executive compensation program as compared to those of the Company's peers; executive job leveling, matters relating to the Company's cash and equity incentive plans; the "Remuneration" section of Elastic's Dutch board report; executive performance; and the Company's diversity initiatives, including the current diversity landscape; absence of conflicts of interest with the compensation consultant and legal counsel; the compensation committee charter; compensation risk assessment, compensation disclosure requirements including new and upcoming SEC and Dutch compensation disclosure rules, and shareholder votes required under U.S. federal securities laws; the compensation committee's self evaluation; the annual equity program spend, dilution analyses and burn rate, Say-on-Pay vote results, Equity Award Grant Policy amendments; and annual review of our executive directors; amendments to the Company's change in control and severance agreements with executives; the Company's leave of absence policy; adoption of the Company's employee stock purchase plan; the terms and design of a non-qualified deferred compensation plan; and a compensation claw back policy in accordance with SEC and NYSE rules. In addition, the compensation committee approved revised form grant agreements under the Option Plan, as well as equity grants to employees. The compensation committee also acted by unanimous written consent during the fiscal year ended April 30, 2023.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is currently composed of Mses. Leibowitz and Marooney and Mr. Puttagunta, each of whom is a non-executive member of the Board. Mr. Puttagunta is the chair of our nominating and corporate governance committee. The Board has determined that each member of our nominating and corporate governance committee meets the requirements for independence under the rules of the DCGC and the NYSE.

The nominating and corporate governance committee is responsible for, among other things:

- identifying, recruiting, and recommending to the Board qualified candidates for election as directors and recommending a slate of nominees for election as directors at our annual General Meeting of shareholders;
- developing and recommending to the Board corporate governance guidelines as set forth in our rules of the board of directors, including the Nominating and Corporate Governance Committee's selection criteria for director nominees, and implementing and monitoring such guidelines;
- overseeing compliance with legal and regulatory requirements applicable to us;
- reviewing and making recommendations on matters involving the general operation of the Board, including board size and composition, and committee composition and structure;
- recommending to the Board nominees for each committee of the Board;

- annually facilitating the assessment of the Board' performance as a whole and of the individual directors, and the performance of our committees of the board of directors as required by applicable law, regulations and the corporate governance listing standards;
- overseeing, and periodically reviewing, the Company's environmental, social and governance ("ESG") activities, programs and public disclosure, including in light of any feedback received from shareholders of the Company; and
- overseeing our board of directors' evaluation of executive officers.

The nominating and corporate governance committee met two times during our fiscal year ended April 30, 2023. The nominating and corporate governance committee discussed matters relating to the following topics, among others: Board composition and structure, functioning and size; director nomination and potential new director candidates; Board diversity requirements; selection criteria and appointment procedures for new Board members and senior executives; succession planning; annual Board and committee evaluations; induction program for Board members; ESG matters; recommendations to the Board regarding the following matters: annual assessments of the directors' independence, designations of Chairperson, Vice Chairperson, Lead Independent Director, confirmation of the appointment of committee members and chairpersons, determination of "audit committee financial experts, and confirmation of executive officers and Section 16 officers; nominations for director elections; review of corporate governance documents and policies; and the nominating and corporate governance committee charter; a defensive foundation; Elastic's proxy statement for an annual General Meeting held on October 6, 2022; Elastic's Dutch statutory annual accounts and board report for the fiscal year ended April 30, 2022; and new and upcoming regulations. The nominating and corporate governance committee also acted by unanimous written consent during the fiscal year ended April 30, 2023.

Diversity

In September 2018, the Board adopted a diversity, equity, and inclusion policy (last amended in June 2023) (the "DEI Policy") with respect to the composition of the Board and our senior management team, considering characteristics such as nationality, age, gender, race, ethnicity, education and professional background, among others.

In recommending candidates to the board of directors, the Nominating and Corporate Governance Committee takes into consideration the board of directors' criteria for selecting new directors described above, as well as such factors as the candidate's integrity, judgment, intelligence, and ability to devote adequate time to duties of the board of directors. The Nominating and Corporate Governance Committee does not assign specific weights to particular criteria. No particular criterion is a prerequisite for any candidate. As discussed earlier, we also consider diversity attributes in reviewing director candidates.

In July 2022, we amended our policy to reflect that it is our objective to increase the gender diversity within the Board such that the Board, as well as the sub-group of executive directors and the sub-group of non-executive directors, shall consist of at least ⅓ female directors and at least ⅓ male directors. Additionally our DEI Policy includes an objective to have our senior management team (excluding executive directors that are part of our senior management team) consist of at least ⅓ female members and at least ⅓ male members. In April 2023 we amended our policy to reflect that our diversity objectives as amended in July 2022 are also our ambition for purposes of Dutch law. While we present gender diversity objectives by men and women in accordance with Dutch legislation, we acknowledge this is not fully encompassing of all gender identities.

The Board considers diversity in reviewing director and senior management team candidates and does not discriminate on the basis of race, religion, sexual orientation, sex or national origin. However, in order for the Board to fulfill its responsibilities, our nominating and corporate governance committee believes that the Board should first of all include directors that possess a blend of experience, knowledge and ability, regardless of other characteristics. Mses. Gleeson, Leibowitz and Marooney were nominated for appointment to the Board based on their experience, knowledge and ability. Their appointments have also improved the gender diversity within the Board, which is composed in accordance with our DEI Policy. The Board takes into account Elastic's DEI Policy when selecting and instructing a search firm to assist in our search for new directors.

The Board takes into account the same considerations when reviewing senior management team candidates. Our senior management team does not currently consist of at least 1/3 female members, with two of seven members being female, but we are close to our long-term goal of achieving more gender diversity among our senior management team.

To achieve these goals, we focus on enhancing our recruiting and retention and development practices as guided by the three pillars of our diversity, equity, and inclusion ("DEI") strategy: People, Product, Plus. More details can be found on our DEI efforts and our DEI philosophy in our 2022 Sustainability Report available at sustainability.elastic.co.

With respect to recruiting, we partner with organizations such as CIRCA, the USA's largest network of community-based organizations, PowerToFly, and Fairygodboss to help us reach diverse candidates and our internal sourcers and recruiters focus outreach and sourcing efforts on finding diverse talent. Our recruiting approach is underpinned by the desire to create balanced teams at Elastic, which includes considering broad aspects of diversity from race and gender mix as well as diversity of thought, experience and tenure when recruiting new team members.

With respect to retention and development, we have a learning and organizational development team focused on enabling purposeful growth for all Elastic employees by providing meaningful learning that can be applied in work and life. We strive to be an employer of choice for a diverse and inclusive workforce through our talent brand, talent attraction, development, and retention efforts. We strive to embed DEI deep within our culture through various initiatives, projects and programs, the centerpiece of which is the Elastician Resource Groups, which are organizationally sponsored, self-organized, Elastician-run groups. Aligned to specific shared identities, interests, affinity or allyship, such as Latinx, parent(s), disability or accessibility, Black, LGBTQ+ and others; each group identifies goals and objectives with executive sponsorship to ensure that they provide tangible benefits and result in all Elasticians feeling a sense of belonging. We pursue fair and consistent compensation practices through our use of local third-party market data specific to each country, where available, so that we understand local compensation and cost of labor levels. We retain external experts to review our compensation outcomes on an ongoing basis in seeking to ensure they are bias-free and fairly reward employee performance and contributions. We take great pride in our focus on fair pay and the positive results we've established.

In addition to the above, we make achieving our diversity objectives a priority by supporting DEI at Elastic at the top. Our senior director of DEI, who is responsible for integration of DEI in the company reports to the Chief Human Resources Officer, who in turn reports to the compensation committee of the Board on matters relating to DEI topics.

REMUNERATION REPORT

Pursuant to Section 2:135(1) DCC, our General Meeting has adopted a remuneration policy for our Board members (the "Remuneration Policy").

In this Remuneration Report, an overview is provided of the Remuneration Policy for the Board and the application thereof in fiscal 2023. For details regarding the remuneration of the Board in fiscal 2023, see Consolidated Financial Statements - Notes to the Consolidated Financial Statements - *Note 30 Related parties*.

Remuneration Policy

The Remuneration Policy supports the long-term development of the Company in a highly dynamic environment, while aiming to fulfill all stakeholders' requirements and keeping an acceptable risk profile.

The purpose of the Remuneration Policy is to define a competitive remuneration package, designed to attract, retain, and motivate directors who possess the necessary leadership qualities and the requisite skills and experience in the various aspects of the Company's business. The policy acknowledges the internal and external context as well as our business needs and long-term strategy. The policy is designed to encourage behavior that is focused on long-term value creation, while adopting the highest standards of good corporate governance. The policy is aimed at motivating outstanding achievements, using a combination of non-financial and financial performance measures.

The policy aims to ensure that directors' interests are closely aligned to those of the Company's stakeholders, including the shareholders, and to incentivize directors to achieve short-term and long-term objectives of substantially increasing the Company's equity value. When determining director remuneration, the compensation committee and the Board take into consideration the Company's strategy and core values, which are focused on long-term direction and continuity, and address the interests of all of the Company's stakeholders.

The Board is currently not contemplating to propose any change to the Remuneration Policy or the implementation thereof in the upcoming fiscal years.

Remuneration of Executive Directors

The remuneration package for the executive directors is determined by the non-executive directors on the Board, without any involvement of any executive director, in accordance with the Remuneration Policy and the compensation committee charter.

Executive director remuneration includes a fixed base salary and a variable component comprised of short-term and long-term variable incentives. An executive director also receives certain minimal perquisites and retirement and health benefits, as well as severance payment or change of control protections.

- ***Fixed component: base salary:*** The base salary of the executive directors is set at a competitive level, taking into account the skills, competencies, experience, scope of duties and performance of the executive director.
- ***Variable remuneration:*** The executive directors are granted variable compensation in the form of short-term and long-term incentives. The objective of the performance-related variable remuneration payment is to incentivize and reward strong short-term and long-term financial and personal performance and the implementation of strategic imperatives.
    - *Short-term incentive*: A short-term incentive generally consists of an annual performance-based cash bonus. The performance test includes criteria reflecting the Company's financial performance and may also include quantitative or qualitative criteria related to the Company's non-financial performance or to individual performance, or both, as set out in the Company's executive incentive compensation plan (the "Bonus Plan"), or any successor plan or arrangement adopted and implemented by the Company. The non-executive directors on the Board may also award cash bonuses to an executive director for specific transactions that the non-executive directors on the Board, in their discretion, deems exceptional in terms of strategic importance and effect on the Company's results.
    - *Long-term incentive – equity compensation*: Long-term incentives are granted under the Company's then-current stock option plan, which upon adoption of this policy is the "Option Plan" setting out the appropriate terms and conditions under which incentives can be awarded. In determining the long-term incentive component of an executive director's remuneration, the compensation committee and/or the non-executive directors on the Board consider any factors that they deem relevant. The Company uses equity awards to incentivize and reward the executive officers for long-term corporate performance based on the value of the Company's ordinary shares and, thereby, to align the executive director's

interests with the interests of our shareholders. The realized value of these equity awards bears a direct relationship to the Company's share price, and, therefore, these awards are an incentive for the executive directors to create value for our shareholders. Equity awards also help the Company retain our senior officers in a highly competitive market and as such contribute to the long-term value creation for all of the Company's stakeholders.

  - *Executive Incentive Compensation Plan*: The Company has a Bonus Plan that allows the compensation committee and/or the non-executive directors on the Board to provide cash incentive awards to executive directors and selected employees, based upon performance goals established by the compensation committee. The Bonus Plan enables the compensation committee to provide cash incentive awards to selected employees, including our Named Executive Officers (other than the executive directors), based upon the Company's actual achievement as measured against performance metrics established by the compensation committee. In the case of the executive directors, the performance metrics for their cash incentive awards and the actual payment of the awards are established by the non-executive directors serving on the Board, upon the recommendation from the compensation committee.

    Under the Bonus Plan, the compensation committee will determine the performance goals applicable to any award, which goals may include, without limitation: (i) attainment of research and development milestones, (ii) bookings, (iii) business divestitures and acquisitions, (iv) calculated billings, (v) cash flow, (vi) cash position, (vii) contract awards or backlog, (viii) customer renewals, (ix) customer retention rates from an acquired company, subsidiary, business unit or division, (x) earnings (which may include earnings before interest and taxes, earnings before taxes, and net taxes), (xi) earnings per share, (xii) expenses, (xiii) gross margin, (xiv) growth in stockholder value relative to the moving average of the S&P 500 Index or another index, (xv) internal rate of return, (xvi) market share, (xvii) net income, (xviii) net profit, (xix) net sales, (xx) new product development, (xxi) new product invention or innovation, (xxii) number of customers, (xxiii) operating cash flow, (xxiv) operating expenses, (xxv) operating income, (xxvi) operating margin, (xxvii) overhead or other expense reduction, (xxviii) product defect measures, (xxix) product release timelines, (xxx) productivity, (xxxi) profit, (xxxii) retained earnings, (xxxiii) return on assets, (xxxiv) return on capital, (xxxv) return on equity, (xxxvi) return on investment, (xxxvii) return on sales, (xxxviii) revenue, (xxxix) revenue growth, (xl) sales results, (xli) sales growth, (xlii) stock price, (xliii) time to market, (xliv) total stockholder return, (xlv) working capital, and (xlvi) individual objectives such as peer reviews or other subjective or objective criteria.

    The compensation committee believes that the financial performance measures used in the Bonus Plan contribute to driving the creation of long-term stakeholder value, including shareholder value, and play an important role in influencing the performance of the executive directors and other officers of the Company that participate in the plan, who are most directly responsible for our overall success.

    Performance goals that include the Company's financial results may be determined in accordance with U.S. generally accepted accounting principles ("GAAP") or such financial results may consist of non-GAAP financial measures and any actual results may be adjusted by the compensation committee for one-time items or unbudgeted or unexpected items when determining whether the performance goals have been met. The goals may be on the basis of any factors the compensation committee determines relevant, and may be adjusted on an individual, divisional, business unit or company wide basis. The performance goals may differ from participant to participant and from award to award.

    The compensation committee may, in its sole discretion and at any time, increase, reduce or eliminate a participant's actual award, and/or increase, reduce or eliminate the amount allocated to the bonus pool for a particular performance period. The actual award may be below, at or above a participant's target award, at the compensation committee's discretion. The compensation committee may determine the amount of any reduction on the basis of such factors as it deems relevant, and it is not required to establish any allocation or weighting with respect to the factors it considers.

    Actual awards will be paid in cash only after they are earned, which, unless otherwise determined by the compensation committee, requires continued employment through the date a bonus is paid. The compensation committee will have the authority to amend, alter, suspend or terminate the Bonus Plan provided such action does not impair the existing rights of any participant with respect to any earned bonus.

- ***401(k) and Other Plans:*** The Company maintains a 401(k) plan for each executive director that is an employee based in the U.S. (i.e. our executive director Mr. Kulkarni). The 401(k) plan is intended to qualify under Section 401(k) of the United States Internal Revenue Code, (the "Internal Revenue Code") so that contributions to the 401(k) plan by employees or by the Company, and the investment earnings thereon, are not taxable to the employees until withdrawn, and so that contributions made by the Company, if any, will be deductible by the Company when made.

During fiscal 2023, the Company did not offer any retirement benefits to our executive director located in Israel (i.e. our executive director Mr. Banon), except to the extent certain social benefits were required pursuant to Israeli labor laws or are common practice in Israel, and such social benefits were applicable to all Israeli employees. Specifically, based on Israeli labor laws, an employee residing in Israel is entitled to severance pay upon termination of employment for any reason, including retirement, equal to the most recent monthly salary of such employee multiplied by the number of years of employment of such employee. The Company makes a payment of 8.333% of each Israeli-resident employee's monthly base salary to an insurance or pension fund to pay for this future liability payable to its employees residing in Israel upon termination of their employment. In addition, the Company makes a payment of up to 7.5% of each Israeli-resident employee's monthly base salary to another insurance or pension fund, and this accrued amount may be withdrawn by the employee only upon retirement (to the extent either the statutory severance or retirement amounts become payable to an executive director, they will offset amounts otherwise payable to such executive director under his or her employment agreement). The Company generally provides all of its employees residing in Israel with a fixed travel allowance for commuting costs, except that it provides our executive director residing in Israel with reimbursements for such costs, up to a maximum amount of ILS 550 per month. Also, as is customary in Israel applicable to all employees residing in Israel, the Company provides its employees residing in Israel with a certain amount of monthly contributions (7.5% of their base salary) to a savings fund designed for employee's study and training purposes.

- **Benefits:** An executive director may be entitled to allowances and/or benefits in kind. These allowances and benefits may be comprised of elements consistent with market practice (such as, but not limited to contribution to health care costs, fixed annual cost allowances or otherwise) or relate to specific international circumstances (such as, but not limited to, grossed-up costs relating to relocation, accidental and health insurance, housing, school and travel).
- **Severance payment:** Executive directors may be eligible for a severance payment on termination of office. This severance payment may be included in an employment agreement to provide for compensation for loss of income resulting from non-voluntary termination. Our executive directors' employment agreements also provide that they may be eligible to receive certain severance payments and benefits in connection with certain terminations of employment with the Company, including a termination of employment in connection with a change in control of the Company. A summary of the current terms of the employment agreements entered into with executive directors can be found in the Company's proxy statement filed with the SEC, which is available on the Company's website.

Scenario Analyses

For the purpose of the Remuneration Policy, non-executive directors have analyzed possible outcomes of the remuneration components and how these affect the remuneration of directors.

Adjustment to Variable Remuneration

In accordance with Dutch law, the variable remuneration of directors may be:

i. adjusted to an appropriate level if payment of the variable remuneration were to be unacceptable according to principles of reasonableness and fairness; or

ii. partly or fully clawed back, to the extent it was paid on the basis of incorrect information (i) underlying the targets to be achieved, or (ii) regarding the circumstances on which the bonus was made conditional.

No adjustments to the variable remuneration were made during fiscal 2023.

Additionally, as a public company listed on the NYSE, if we are required to restate our financial results due to our material noncompliance with any financial reporting requirements under the U.S. federal securities laws as a result of misconduct, the Chief Executive Officer and Chief Financial Officer may be legally required to reimburse Elastic for any bonus or other incentive-based or equity-based compensation they receive in accordance with the provisions of section 304 of the Sarbanes-Oxley Act of 2002.

CEO Pay Ratio

Presented below is the ratio of annual total compensation of our median compensated employee to that of Ashutosh Kulkarni, our CEO, in fiscal 2023.

The ratio presented below is a reasonable estimate calculated in a manner consistent with SEC rules and applicable guidelines. The SEC's rules for identifying the median compensated employee and calculating the pay ratio based on that employee's annual total compensation allow companies to adopt a variety of methodologies, to apply certain exclusions, and to make reasonable estimates and assumptions that reflect their employee populations and compensation practices. The pay ratio reported by other companies may not be comparable to the pay ratio reported below, as other companies have different employee populations and compensation practices and may utilize different methodologies, exclusions, estimates and assumptions in calculating their own pay ratios. As a result, and as explained by the SEC when it adopted these rules, in considering the pay ratio disclosure, shareholders should keep in mind that the rule was not designed to facilitate comparisons of pay ratios among different companies, even companies within the same industry, but rather to allow shareholders to better understand and assess each particular company's compensation practices and pay ratio disclosures.

We identified the median employee using the following methodology:

For each member of the applicable employee population, we used the total of their target cash compensation and equity awards received during fiscal year 2023. For employees paid other than in U.S. dollars, we converted their compensation to U.S. dollars using our anticipated exchange rate for fiscal year 2023. With respect to equity awards, we determined the grant date fair value of restricted stock units and options awarded during fiscal year 2023 computed in accordance with FASB ASC Topic 718 using the closing price of our common stock on the date of grant for restricted stock units and the Black-Scholes option-pricing model for stock options.

In determining our employee population, we considered the individuals other than our CEO who were employed by us on March 1, 2023, whether employed in a full-time, part-time or temporary capacity. We did not include any contractors, agency workers or other non-employees.

After identifying the median employee, we then calculated the total fiscal year 2023 compensation for this individual using the same methodology we use to calculate the fiscal year 2023 amount reported for our CEO

For fiscal year 2023, the annual total compensation as determined under Item 402 of Regulation S-K for our CEO, Mr. Kulkarni, as reported was $13,740,871. The fiscal year 2023 annual total compensation for our median employee was $210,697. Thus, the ratio of our CEO's total fiscal year 2023 compensation to our median employee's total fiscal year 2023 compensation was 65:1.

Neither the Compensation Committee nor our management used this pay ratio in making compensation decisions.

Remuneration of Non-executive Directors

Each non-executive director is eligible to receive compensation for their service consisting of annual cash retainers and equity awards. The Board has the discretion to revise non-executive director compensation as it deems necessary or appropriate, in accordance with our Remuneration Policy.

The non-executive director remuneration package is reviewed periodically in accordance with the charter of the compensation committee and the Company's internal policies.

The remuneration package in place for non-executive directors is set to ensure that the arrangements for non-executive directors are competitive, taking into account the skills, competencies, experience, scope of duties and performance of, and time spent by, the non-executive director. As a consequence of the periodic review, additional remuneration may be granted where appropriate.

Cash Compensation. For fiscal 2023, all non-executive directors were eligible to receive the following cash compensation for their services:

- $35,000 per year for service as a board member;
- $20,000 per year additionally for service as lead independent director;
- $20,000 per year additionally for service as chairperson of the audit committee;
- $10,000 per year additionally for service as an audit committee member;
- $15,000 per year additionally for service as chairperson of the compensation committee;
- $7,500 per year additionally for service as a compensation committee member;
- $9,000 per year additionally for service as chairperson of the nominating and corporate governance committee; and
- $4,000 per year additionally for service as a nominating and corporate governance committee member.

All cash payments to non-executive directors, or the retainer cash payments, are paid quarterly in arrears on a prorated basis.

Equity Compensation*.* For fiscal 2023, our non-executive directors were eligible for nondiscretionary, automatic grants of restricted stock units, except for any non-employee director who either (i) beneficially owns more than 2% of the outstanding and issued share capital of the Company, or (ii) is a partner or a member of any venture capital firm that owns securities of the Company representing more than 2% of the outstanding and issued share capital of the Company.

- *Initial award*. Any person who would have first became an eligible non-executive director would have been granted an award of restricted stock units covering a number of shares having a grant date fair value equal to $200,000 pro-rated for the amount of time that remains in the 12-month period prior to the next scheduled annual General Meeting (and if the date of such General Meeting is not known, the one-year anniversary of the most recent Annual Award referred to below granted to non-executive directors), rounded down to the nearest whole share. The shares underlying the Initial Award will settle on the earlier of (i) the one-year anniversary of the date the Initial Award is granted or (ii) the day prior to the date of the annual General Meeting next following the date the Initial Award is granted, subject to continued service through the applicable vesting date.
- *Annual award.* For Fiscal 2023, on the date of each General Meeting of the Company's shareholders, each eligible non-executive director was eligible to be granted an award of restricted stock units covering a number of shares having a grant date fair value equal to $200,000 (the "Annual Award"). The shares underlying the Annual Award will settle on the earlier of (i) the one-year anniversary of the date the Annual Award is granted or (ii) the day prior to the date of the annual General Meeting next following the date the Annual Award is granted, subject to continued service through the applicable vesting date.

The grant date fair value is computed in accordance with U.S. GAAP and is the same under IFRS.

Any award of restricted stock units granted under our non-executive director compensation policy will fully vest and become exercisable in the event of a change in control, as defined in our Option Plan, provided that the director remains a director through such change in control. Further, our Option Plan provides that in the event of a merger or change in control, as defined in our Option Plan, each outstanding equity award granted under our Option Plan that is held by a non-executive director will fully vest, all restrictions on the shares subject to such award will lapse, and with respect to awards with performance-based vesting, all performance goals or other vesting criteria will be deemed achieved at 100% of target levels, and all of the shares subject to such award will become fully exercisable, if applicable, provided such director remains a director through such merger or change in control.

Reimbursement of expenses: The Company reimburses directors for reasonable expenses incurred to attend meetings of the Board and its committees. The Company makes the reimbursement in line with the Company's expense policy after it receives an invoice, including receipts (originals or copies) for the expenses paid.

RELATED PARTY DISCLOSURES

For information on related party transactions, see Consolidated Financial Statements - Notes to the Consolidated Financial Statements - *Note 30 Related parties*. Where applicable, best practice provisions 2.7.3, 2.7.4 and 2.7.5 of the DCGC, have been observed.

PROTECTIVE MEASURES

Under Dutch law, protective measures against takeovers are possible and permissible, within the boundaries set by Dutch law and Dutch case law.

Provisions of our articles of association and resolutions our board of directors have adopted may have the effect of making a takeover of our Company more difficult or less attractive, including as described below:

- Our board of directors has been designated to issue preference shares and grant rights to subscribe for preference shares up to 100% of our issued share capital at the time of the issue for a period of five years from October 10, 2018, the date of the completion of our initial public offering. The purpose of this designation is to protect the Company from influences that do not serve our best interests and threaten to undermine our continuity, independence and identity. The preference shares (or right to subscribe for preference shares) will be issued to a separate, newly-incorporated foundation which will be structured to operate independently from us. The foundation's objectives will provide that it will promote the interests of the Company and the businesses maintained by the Company and group companies. The foundation tries to realize these objectives, including by acquiring and holding preference shares and exercising the rights attached to those preference shares, at the sole discretion of the board of the foundation. The foundation can be granted a call option for, in principle, an indefinite period. On each exercise of the call option the foundation would be entitled to acquire up to a maximum of preference shares corresponding to 100% of the issued ordinary shares at the time of exercise of the call option that are held by parties other than the foundation, the Company or any of the Company's subsidiaries minus the number of preference shares held by the foundation (if any). The foundation may exercise the call option repeatedly, each time up to the aforementioned maximum. The call option can, *inter alia*, be used by the foundation to (i) prevent, delay or otherwise complicate an unsolicited takeover bid for an unsolicited acquisition of ordinary shares by means of an acquisition at the stock market or otherwise, (ii) prevent and countervail concentration of voting rights in the General Meeting, and/or (iii) resist unwanted influence by and pressure from shareholders to amend the strategy of the management board. If the foundation exercises the call option the Company shall issue such number of preference shares for which the option is exercised. The preference shares will be issued for their nominal value, of which at least 25% should be paid up upon issuance, possibly at the expense of the Company's reserve. These preference shares will have both a liquidation and dividend preference over our ordinary shares and will accrue cash dividends at a fixed rate. Our board of directors will not seek shareholder approval to renew the designation to issue preference shares upon the expiration of its current designation.
- Our board of directors has been designated to issue ordinary shares and grant rights to subscribe for ordinary shares up to the amount of our authorized share capital for ordinary shares and to limit or exclude pre-emptive rights on ordinary shares, in each case for a period of five years from October 10, 2018. Our board of director will be seeking shareholder approval to renew this designation for an additional 18 months at the annual General Meeting in 2023.
- Our articles of association include provisions that may make it more difficult for a third party to acquire control over us or effect a change in our board of directors. These provisions include: a provision that directors can only be appointed upon nomination by our board of directors; a provision that directors may only be removed by a General Meeting by a two-thirds majority of votes cast representing more than half of our outstanding share capital (unless the removal was proposed by the board of directors); a requirement that certain resolutions, including an amendment of our articles of association, may only be adopted by our General Meeting if they are proposed by our board of directors; and a minimum shareholding threshold for shareholders to call shareholders meetings or to add items to the agenda of shareholder meetings.

The financial statements were approved by the board of directors and authorized for issue on August 28, 2023 and signed by:

Ashutosh Kulkarni (appointed March 9, 2022)	**Shay Banon (appointed July 20, 2012)**
Executive Director & Chief Executive Officer	Executive Director & Chief Technology Officer
August 28, 2023	August 28, 2023

Jonathan Chadwick (appointed August 14, 2018)
Non-executive Director
August 28, 2023

Shelley Leibowitz (appointed October 1, 2021)
Non-executive Director
August 28, 2023

Alison Gleeson (appointed January 10, 2020)
Non-executive Director
August 28, 2023

Caryn Marooney (appointed April 25, 2019)
Non-executive Director
August 28, 2023

Chetan Puttagunta (appointed January 10, 2017)
Non-executive Director
August 28, 2023

Steven Schuurman (appointed July 20, 2012)
Non-executive Director
August 28, 2023

Sohaib Abbasi (appointed July 13, 2022)
Non-executive Director
August 28, 2023

Elastic N.V.
Keizersgracht 281, 1016 ED, Amsterdam.
The Netherlands

CONSOLIDATED FINANCIAL STATEMENTS

Index to Financial Statements

Elastic N.V.
Consolidated Statements of Financial Position
April 30, 2023 and 2022
(in thousands U.S. dollars)

		As of April 30,	
	Notes	2023	2022
Assets			
Non-current assets			
Property and equipment	5	$ 5,092	$ 7,207
Right-of-use assets	6	20,732	26,905
Intangible assets	24	339,770	357,906
Deferred contract acquisition costs	3	95,879	74,419
Deferred tax assets		6,371	5,811
Prepayments	10	568	8,280
Deposits		3,385	3,065
Total non-current assets		**471,797**	**483,593**
Current assets			
Deferred contract acquisition costs	3	55,813	43,628
Prepayments	10	29,888	28,372
Trade and other receivables	7	270,899	228,070
Marketable securities	8	271,041	—
Restricted cash		2,473	2,688
Cash and cash equivalents	9	644,167	860,949
Total current assets		**1,274,281**	**1,163,707**
Total assets		**$ 1,746,078**	**$ 1,647,300**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		$ 1,025	$ 990
Share premium		866,853	849,417
Translation reserves		(20,016)	(18,131)
Other reserves		755,912	513,660
Accumulated losses		(1,206,030)	(929,977)
Total shareholders' equity	11	**397,744**	**415,959**
Liabilities			
Non-current liabilities			
Borrowings	12	567,543	566,520
Trade and other payables	14	3,839	12,030
Deferred income	13	34,248	33,518
Lease liabilities	6	13,942	16,549
Deferred tax liabilities		9,954	8,172
Total non-current liabilities		**629,526**	**636,789**
Current liabilities			
Trade and other payables	14	165,491	146,061
Deferred income	13	528,704	431,776
Current tax liabilities		11,670	5,551
Lease liabilities	6	12,943	11,164
Total current liabilities		**718,808**	**594,552**
Total liabilities		**1,348,334**	**1,231,341**
Total shareholders' equity and liabilities		**$ 1,746,078**	**$ 1,647,300**

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

Elastic N.V.
Consolidated Statements of Comprehensive Loss
Years Ended April 30, 2023 and 2022
(in thousands U.S. dollars, except share and per share data)

	Notes	Year Ended April 30, 2023	Year Ended April 30, 2022
Revenue			
Subscription		$ 984,762	$ 798,770
Services		84,227	63,604
Total revenue	15	**1,068,989**	**862,374**
Cost of revenue			
Subscription		219,495	179,008
Services		79,741	55,581
Total cost of revenue	29	**299,236**	**234,589**
Gross profit		**769,753**	**627,785**
Research and development		323,141	300,701
Sales and marketing		508,661	427,317
General and administrative		165,610	142,310
Restructuring and other related charges	17	31,789	—
Other income	18	(13,739)	(1,937)
Total operating costs	29	**1,015,462**	**868,391**
Operating loss		**(245,709)**	**(240,606)**
Finance costs	19	27,952	25,954
Finance income	19	(18,778)	(250)
Loss before income tax		**(254,883)**	**(266,310)**
Income tax expense	20	(21,170)	(6,058)
Loss for the year		**$ (276,053)**	**$ (272,368)**
Net loss per share attributable to ordinary shareholders, basic and diluted	25	**$ (2.88)**	**$ (2.94)**
Other comprehensive loss			
Loss for the year		$ (276,053)	$ (272,368)
Items that may be subsequently reclassified to profit and loss			
Unrealized loss on available-for-sale securities		(71)	—
Foreign currency translation differences for foreign operations		(1,814)	(10,026)
Total comprehensive loss for the year, net of tax		**$ (277,938)**	**$ (282,394)**

The loss for the year is wholly attributable to the owners of the Company.

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

Elastic N.V.

Consolidated Statements of Changes in Equity
Years Ended April 30, 2023 and 2022

(in thousands U.S. dollars)

	Share capital	Share premium	Translation reserve	Other reserve	Accumulated losses	Total equity
Balances at April 30, 2021	**$ 948**	**$ 811,802**	**$ (8,105)**	**$ 305,123**	**$ (657,609)**	**$ 452,159**
Total comprehensive loss for the year:						
Loss for the year	—	—	—	—	(272,368)	(272,368)
Other comprehensive loss:						
Foreign currency translation differences	—	—	(10,026)	—	—	(10,026)
Total comprehensive loss for the period	—	—	(10,026)	—	(272,368)	(282,394)
Contributions by owners						
Fair value of replacement equity awards attributable to pre-acquisition service	—	1,247	—	—	—	1,247
Issuance of ordinary shares upon exercise of stock options	29	36,381	—	—	—	36,410
Issuance of ordinary shares upon release of restricted stock units	13	(13)	—	—	—	—
Stock compensation expense	—	—	—	208,537	—	208,537
Balances at April 30, 2022	**$ 990**	**$ 849,417**	**$ (18,131)**	**$ 513,660**	**$ (929,977)**	**$ 415,959**
Total comprehensive loss for the year:						
Loss for the year	—	—	—	—	**(276,053)**	**(276,053)**
Other comprehensive loss:						
Unrealized loss on marketable securities	—	—	(71)	—	—	(71)
Foreign currency translation differences	—	—	(1,814)	—	—	(1,814)
Total comprehensive loss for the period	—	—	(1,885)	—	(276,053)	(277,938)
Contributions by owners						
Issuance of ordinary shares upon exercise of stock options	12	17,459	—	—	—	17,471
Issuance of ordinary shares upon release of restricted stock units	23	(23)	—	—	—	—
Share-based compensation expense	—	—	—	242,252	—	242,252
Balances at April 30, 2023	**$ 1,025**	**$ 866,853**	**$ (20,016)**	**$ 755,912**	**$ (1,206,030)**	**$ 397,744**

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

Elastic N.V.
Consolidated Statements of Cash Flows
Years Ended April 30, 2023 and 2022
(in thousands U.S. dollars)

	Notes	Year Ended April 30, 2023	2022
Cash flows from operating activities			
Loss for the year		$ (276,053)	$ (272,368)
Adjustment for			
Depreciation	5	3,652	3,945
Amortization of intangibles	24	17,844	15,934
Amortization of discount or premiums on marketable securities		(772)	—
Amortization of right-of-use assets	6	12,103	10,575
Amortization of debt issuance costs		1,023	803
Asset impairment charges		6,734	—
Loss on disposal of fixed assets		159	—
Share-based compensation	16,29	242,252	208,256
Amortization of deferred contract acquisition costs	3	68,900	60,738
Change in income tax liability		17,700	6,955
Deferred tax		816	(872)
Foreign currency transaction (gain) loss		(1,386)	1,984
Other		742	2,095
Changes in operating assets and liabilities, net of impact of business acquisitions:			
Change in trade and other receivables		(43,653)	(62,402)
Change in deposits		(320)	(718)
Change in prepayments		(11,501)	(2,068)
Change in deferred contract acquisitions costs		(102,017)	(96,755)
Change in trade and other payables		10,667	59,938
Change in deferred income		95,616	83,780
Cash provided by operating activities		**42,506**	**19,820**
Cash paid for income taxes		(11,581)	(3,979)
Net cash provided by operating activities		**30,925**	**15,841**
Cash flows from investing activities			
Business acquisitions, net of cash acquired	23	—	(119,854)
Acquisition of property and equipment	5	(2,684)	(2,485)
Capitalized intangible assets	24	—	(5,250)
Acquisition of marketable securities		(270,268)	—
Restricted cash		215	206
Interest received		17,672	250
Net cash used in investing activities		**(255,065)**	**(127,133)**
Cash flows from financing activities			
Proceeds from issuance of debt		—	575,000
Proceeds from exercise of stock options		17,471	36,410
Payment of debt issuance costs		—	(9,283)
Payment of lease liabilities	6	(12,935)	(10,101)
Net cash provided by financing activities		**4,536**	**592,026**
Net increase/(decrease) in cash and cash equivalents		**(219,604)**	**480,734**
Cash and cash equivalents at beginning of year		**860,949**	**400,814**
Effect of exchange gain/(loss) on cash held		2,822	(20,599)
Cash and cash equivalents at end of year		**$ 644,167**	**$ 860,949**
Supplemental disclosures of non-cash investing and financing information			
Purchases of property and equipment included in accounts payable		$ 121	$ 150
Holdback related to Optimyze acquisition		$ —	$ 6,000

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

1. Reporting Entity

Elastic N.V. (the "Company" or "Elastic") was founded in 2012 and has its corporate seat in Amsterdam, the Netherlands and is registered at the Amsterdam Chamber of Commerce under number 54655870. The address of the Company's registered office is Keizersgracht 281, 1016 ED, Amsterdam.

The consolidated financial statements (the "Consolidated Financial Statements") of the Company as at April 30, 2023 and 2022 and for the years ended April 30, 2023 and 2022 comprise the Company and its subsidiaries (together referred to as the "Group" or "Elastic" and individually as "Group entities"). Elastic is a data analytics company built on the power of search. It created the Elastic Stack, a powerful set of software products that ingest and store data from any source and in any format, and perform search, analysis, and visualization on that data. Developers build on top of the Elastic Stack to apply the power of search to their data and solve business problems. The Company offers three software solutions built into the Elastic Stack: Search, Observability, and Security. The Elastic Stack and the Company's solutions are designed to run in public or private clouds, in hybrid environments, or in multi-cloud environments.

The financial statements were approved by the board and authorized for issue on August 28, 2023.

Going Concern

The Group incurred a net loss of $276.1 million and $272.4 million for the years ended April 30, 2023 and 2022, respectively.

The board of directors of the Company (the "board of directors") has carefully assessed the Group's ability to continue as a going concern. The board of directors has considered the Group's cash flow projections and believes that the Group's cash position will be sufficient to meet operating and capital requirements until at least twelve months from the date of these financial statements, even if the Group does not raise additional financing. Accordingly, the directors are satisfied that the Group will be able to meet its cash requirements through the normal course of operations.

Under International Accounting Standards ("IAS") 1, an entity should prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading or has no realistic alternative but to do so. Having considered the above, the board of directors determined it was appropriate for these Consolidated Financial Statements to be prepared on a going concern basis. Accordingly, the accompanying Consolidated Financial Statements have been prepared assuming the Group will continue as a going concern. The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded assets or to amounts and classification of liabilities that may be necessary if the Group is unable to continue as a going concern.

2. Basis of Preparation

Statement of Compliance

The Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, in conjunction with Part 9 of Book 2 of the Dutch Civil Code. The same accounting principles may be applied in the Company's financial statements (the "Financial Statements") and Consolidated Financial Statements. If the accounting principles of the Company's Financial Statements differ from the accounting principles applied in the Consolidated Financial Statements, this is disclosed.

Basis of Measurement

The IFRS financial information has been prepared using the historical cost convention.

Use of Estimates and Judgments

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

Information about assumptions and estimation uncertainties are included in the following notes:

Note 3 and 16 – Share-based payment

Note 3 and 20 – Utilization of tax losses

Note 3 and 15 – Revenue recognition

Note 3 – Deferred contract acquisition costs

Note 3 and 23 – Business combinations

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

Cash Flow Statement

The cash flow statement has been prepared using the indirect method. The cash items disclosed in the cash flow statement are comprised of cash and bank deposits. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid is reflected as an operating activity and interest received as an investment activity.

Off Balance Sheet Arrangements

The Group has no off-balance sheet arrangements.

Segments

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

3. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these Consolidated Financial Statements. The accounting policies have been applied consistently by Group entities.

Interpretations and amendments to published standards effective for annual periods beginning on or after May 1, 2022:

The following amendments and interpretations were adopted during the year ended April 30, 2023:

- Amendments to IAS 16 - Property, Plant and Equipment: Proceeds before intended use
- Amendments to IFRS 3 - Reference to the Conceptual Framework
- Amendments to IAS 37 - Onerous Contracts - Cost of Fulfilling a Contract
- Annual Improvements 2018-2020 beyond January 1, 2022

The amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

There are no other IFRSs or International Financials Reporting Interpretations Committee ("IFRIC") interpretations that are not yet effective that would be expected to have a material impact on the Group.

Basis of Consolidation

Subsidiaries

The Consolidated Financial Statements comprise the financial statements of Elastic N.V. and its subsidiaries as at April 30 each year. The financial statements of the subsidiaries are prepared using consistent accounting policies. Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date of the acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Details of the scope of consolidation are provided in *Note 31 – Group Entities*. All consolidated companies prepared their accounts during the years ended April 30, 2023 and 2022 in accordance with the accounting policies adopted by the Group.

The Group has no interest in associates or jointly controlled entities and the Group does not control any special purpose entities that have not been consolidated.

Elasticsearch GmbH, a wholly-owned subsidiary of Elastic N.V., is consolidated in these Consolidated Financial Statements and met all criteria of the exemption contained in article § 264 subsection 3 of German Commercial Code (Handelsgesetzbuch, HGB) and therefore does not issue audited financial statements.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements.

Foreign Currency

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company periodically re-assesses its operations to determine if previous conclusions are still valid. Changes in functional currencies are applied prospectively if the operations encounter a significant and permanent change. The Consolidated Financial Statements are presented in US Dollars (USD), which is the Group's presentation currency.

Foreign Currency Transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortized cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortized cost in foreign currency translated at the exchange rate at the end of the reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or costs'.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency translation differences arising on retranslation are recognized in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Translation from Functional to Presentational Currency

For the financial statements of all the Group's entities for which the functional currency is different from the presentation currency of the Group, the following methods are applied:

- The assets and liabilities are translated into USD at the rate effective at the end of the period.
- The revenues and costs are translated into USD at the average exchange rate of the period as long as they represent a reasonable approximation of the exchange rates at the dates of the relevant transactions.

Foreign currency differences on translation from functional to presentational currency are recognized in Translation Reserves.

Foreign exchange gains or losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely to occur in the foreseeable future and which in substance is considered to form part of the net investment in the foreign operation, are recognized in other comprehensive income in the Translation Reserve.

Revenue Recognition

The Group generates revenue primarily from the sale of self-managed subscriptions (which include licenses for proprietary features, support, and maintenance) and from the sales of software-as-a-service ("SaaS") subscriptions. The Group also generates revenue from services, which consist of consulting and training.

The Group accounts for revenue in accordance with IFRS 15 – Revenue from Contracts with Customers ("IFRS 15"). Under IFRS 15, the Group recognizes revenue when its customer obtains control of promised goods or services in an amount that reflects the consideration that the Group expects to receive in exchange for those goods or services. Our contracts include varying terms and conditions, and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. In determining the appropriate amount of revenue to be recognized as it fulfills its obligations under each of its agreements, the Group performs the following steps:

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

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

ii) *identification of the performance obligations in the contract;*

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

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

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

iii) *determination of the transaction price;*

The transaction price is the total amount of consideration we expect to be entitled to in exchange for the subscriptions and services in a contract. Variable consideration is included in the transaction price if, in our judgment, it is probable that a significant future reversal of cumulative revenue under the contract will not occur. None of our contracts contain a significant financing component.

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

If the contract contains a single performance obligation, the entire transaction price is allocated to the single performance obligation. For contracts that contain multiple performance obligations, the Group allocates the transaction price to each performance obligation based on a relative standalone selling price ("SSP"). The SSP is determined based on the prices at which the Group separately sells these products, assuming the majority of these fall within a pricing range. In instances where SSP is not directly observable, such as when we do not sell the software license separately, we derive the SSP using information that may include market conditions and other observable and unobservable inputs which can require significant judgment. There is typically more than one SSP for individual products and services due to the stratification of those products and services by quantity, term of the subscription, sales channel and other circumstances. If one of the performance obligations is outside of the SSP range, the Group allocates the transaction price considering the midpoint of the SSP range. The Group also considers if there are any additional material rights inherent in a contract, and if so, the Group allocates a portion of the transaction price to such rights based on a relative SSP.

(in thousands U.S. dollars unless otherwise stated)

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

Revenue is recognized at the time the related performance obligation is satisfied by transferring the promised product or service to the customer. Revenue for SaaS offerings that relate to a specified amount of services is recognized on a consumption basis as the customers utilize the services. Revenue from SaaS offerings that are stand-ready arrangements is recognized ratably over the contract period as we satisfy the performance obligation. The Group's self-managed subscriptions include both upfront revenue recognition when the license is delivered as well as revenue recognized ratably over the contract period for support and maintenance based on the stand-ready nature of these subscription elements.

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

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

Contract Balances

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

The following table provides information about unbilled accounts receivable, deferred contract acquisition costs, and deferred income from contracts with customers:

	As of April 30,	
	2023	2022
Unbilled accounts receivable, included in Trade and other receivables	$ 2,159	$ 9,244
Deferred contract acquisition costs	$ 151,692	$ 118,047
Deferred income	$ 562,952	$ 465,294

Deferred Contract Acquisition Costs

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

Sales commissions for renewal of a subscription contract are not considered commensurate with the commissions paid for contracts with new customers and incremental sales to existing customers given the substantive difference in commission rates in proportion to their respective contract values. Commissions paid for contracts with new customers and incremental sales to existing customers are amortized over an estimated period of benefit of five years while commissions paid for renewal contracts are amortized based on the pattern of the associated revenue recognition over the related contractual renewal period for the pool of renewal contracts. The Group determines the period of benefit for commissions paid for contracts with new customers and incremental sales to existing customers by taking into consideration its initial estimated customer life and the technological life of its software and related significant features. Commissions paid on professional services are typically amortized in accordance with the associated revenue as the commissions paid on new and renewal professional services are commensurate with each other. Amortization of deferred contract acquisition costs is recognized in sales and marketing expense in the consolidated statement of comprehensive loss.

The Group periodically reviews the carrying amount of deferred contract acquisition costs to determine whether events or changes in circumstances have occurred that could impact the period of benefit of these deferred costs. No impairment of deferred contract acquisition costs was recognized during the years ended April 30, 2023 and 2022.

The following table summarizes the activity of the deferred contract acquisition costs:

(in thousands U.S. dollars unless otherwise stated)

	Year Ended April 30,	
	2023	2022
Beginning balance	$ 118,047	$ 86,352
Capitalization of contract acquisition costs	102,545	92,433
Amortization of deferred contract acquisition costs	(68,900)	(60,738)
Ending balance	$ 151,692	$ 118,047
Deferred contract acquisition costs, current	$ 55,813	$ 43,628
Deferred contract acquisition costs, non-current	95,879	74,419
Total deferred contract acquisition costs	$ 151,692	$ 118,047

Financial Instruments

Non-derivative Financial Assets

The Group has the following non-derivative financial assets: deposits, trade and other receivables, cash and cash equivalents and marketable securities.

Receivables

Receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Receivables comprise deposits, trade and other receivables, and other current assets *(Note 7 - Trade and other receivables)*.

After initial recognition at fair value, trade receivables are subsequently measured at amortized cost after provision for bad and doubtful debts. Provisions for bad and doubtful debts are based on the expected credit loss model. The 'simplified approach' is used with the expected loss allowance measured at an amount equal to the lifetime expected credit losses.

Cash and Cash Equivalents

Cash and cash equivalents comprise bank accounts balances and money market funds with original maturities of three months or less. Deposits with financial institutions for a duration greater than three months are excluded from cash and cash equivalents and classified separately in these financial statements. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Marketable securities

The Company's marketable securities consist of highly liquid investment-grade fixed-income securities. The Company determines the appropriate classification of its investments at the time of purchase and reevaluates such designation at each balance sheet date. The Company has classified and accounted for its marketable securities as financial assets at fair value through other comprehensive income as the Company may sell these securities at any time for use in its current operations or for other purposes, including prior to maturity. As a result, the Company has classified its marketable securities within current assets on the consolidated balance sheets.

Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at Fair Value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through Other comprehensive income (OCI), except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognized in profit or loss. When the financial asset is unrecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method.

Fair Value of Financial Instruments

The Group follows IFRS 13 - Fair value measurement, with respect to assets and liabilities that are measured at fair value. Under this standard, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in an orderly transaction between market participants at the reporting date. The accounting guidance establishes a three-tiered hierarchy, which prioritizes the inputs used in the valuation methodologies in measuring fair value as follows:

- Level 1: Observable inputs, such as unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2: Observable inputs, other than Level 1 prices, such as quoted prices in active markets for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are

observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

Non-derivative Financial Liabilities

The Group initially recognizes financial liabilities which include long term and short term loans and borrowings, trade and other accounts payables and other non-current liabilities on the date that they are originated. All other financial liabilities are recognized initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group de-recognizes a financial liability when its contractual obligations are discharged or canceled or expire.

The Group has the following non-derivative financial liabilities: trade and other accounts payables and other non-current liabilities.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to the initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Share Capital

Ordinary Shares

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares or share options are shown in equity as a deduction, net of tax, from proceeds.

The Company’s ordinary shares began trading on the New York Stock Exchange (“NYSE”) under the symbol “ESTC” on October 5, 2018. Prior to that date, there was no public trading market for our ordinary shares.

Preference Share Capital

Preference share capital is classified as equity if it is nonredeemable, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Company’s shareholders. Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognized as interest expense in profit or loss as accrued. The Group does not have any preference shares outstanding as of April 30, 2023.

Property and Equipment

Recognition and Measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use. The assets’ residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The carrying value of an asset is written down to its recoverable amount if the carrying value of the asset is greater than its estimated recoverable amount.

Purchased software that is integral to the functionality of the related equipment is capitalized as part of that equipment.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for intended use.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment, and are recognized net within other income in profit or loss.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment, since this most closely reflects the expected pattern of consumption of the future economic benefits embodied in the asset.

The estimated useful lives for the current and comparative periods are as follows:

- Leasehold improvements: Remainder of expected use of lease term.
- Computer equipment: 3 years.
- Fixtures and fittings: 3 to 5 years.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Business Combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired and the liabilities assumed. The determination of fair values often requires significant judgements and the use of estimates, including the selection of valuation methodologies, estimates of future revenue and cash flows, discount rates and selection of comparable companies. Acquisition-related costs are expenses as incurred in the operating expenses line of the income statement. Any contingent consideration is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognized in profit or loss.

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

Intangible Assets

Goodwill

Goodwill represents the excess of the cost of a business combination over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Intangible assets". Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. An impairment loss is recognized to the extent that the carrying value of goodwill exceeds the recoverable amount. The recoverable amount is higher of fair value less costs of disposal and value in use. If there are no indicators that goodwill may be impaired then no quantitative analysis is performed. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. Refer to *Note 24- Intangible Assets* for more details.

Trademarks and Customer Related Intangible Assets

Separately acquired trademarks and customer related intangible assets are shown at historical cost. Trademarks and customer-related intangible assets acquired in a business combination are recognized at fair value at the acquisition date. Trademarks, licenses and customer-related intangible assets have a finite useful life and are carried at cost less accumulated amortization and any accumulated impairment losses. Amortization is calculated using the straight-line method to allocate the cost of trademarks, software and customer related intangible assets over their estimated useful lives, as follows:

- Developed technology 4-5 years
- Customer relationships 4 years
- Trade name 4 years

Internally developed software

Internal and external costs incurred during the preliminary stage of developing computer software for internal use are expensed as incurred. Internal and external costs incurred to develop computer software for internal use during the application development stage are capitalized if the Group expects economic benefits from the development. Capitalization in the application development stage begins once the Group can reliably measure the expenditure attributable to the software development and has demonstrated its intention to complete and use the software. Internally developed software is amortized on a straight-line basis over its estimated useful life. The Company did not capitalize any costs during the year ended April 30, 2023 and capitalized $5.4 million of such costs in the year ended April 30, 2022, and these costs are recorded in intangible assets on the consolidated balance sheets. Amortization expense for the fiscal years ended April 30, 2023 and 2022 was $1.2 million and $0.2 million, respectively.

(in thousands U.S. dollars unless otherwise stated)

Impairment

Financial Assets (Including Receivables)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all receivables.

To measure the expected credit losses, trade receivables have been grouped based on the days past due. The expected loss rates are based on the payment profiles of sales over a period of twelve months before April 30, 2023 or April 30, 2022, as applicable and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The following table summarizes the movement in loss allowance on trade and other receivables:

	Year Ended April 30,	
	2023	2022
Beginning balance	$ 2,700	$ 2,344
Increase in loss allowance recognized in profit and loss during the year	2,722	2,980
Receivables written off during the year as uncollectible	(2,013)	(2,624)
Ending balance	$ 3,409	$ 2,700

Borrowings

Borrowings are initially recognized at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Transaction costs that are directly attributable to the issuance of debt are added to or deducted from the initial fair value.

Employee Benefits

Defined Contribution Plan

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognized as an employee benefit expense in profit or loss in the periods during which services are rendered by employees. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

The Group has a defined-contribution plan in the U.S. intended to qualify under Section 401 of the Internal Revenue Code (the “401(k) Plan”). The Group has contracted with a third-party provider to act as a custodian and trustee, and to process and maintain the records of participant data. Substantially all the expenses incurred for administering the 401(k) Plan are paid by the Group. This 401(k) Plan covers substantially all employees who meet minimum age and service requirements and allows participants to defer a portion of their annual compensation on a pre-tax basis The Group makes contributions to the 401(k) Plan up to 6% of the participating employee’s W-2 earnings and wages. The Group recorded $17.9 million and $15.2 million of expense related to the 401(k) Plan during the years ended April 30, 2023 and 2022 , respectively.

The Group also has defined-contribution plans in certain other countries for which the Group recorded $9.4 million and $7.2 million of expense during the years ended April 30, 2023 and 2022, respectively.

The Group’s obligation under these plans is recorded in “Trade and other payables”.

Defined Benefit Plans

The Group operates no defined benefit plans.

Termination Benefits

Termination benefits are recognized as an expense when the Group is committed demonstrably, without realistic possibility of withdrawal, to a formal detailed plan to either terminate employment before the normal retirement date, or to provide termination benefits as a result of an offer made to encourage voluntary redundancy. Termination benefits for voluntary redundancies are recognized as an expense if the Group has made an offer of voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably. If benefits are payable more than 12 months after the reporting period, then they are discounted to their present value.

Short-Term Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognized for the amount expected to be paid under short-term cash bonus plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-Based Payment Transactions

The Group issues equity-settled share-based payments to certain employees. The benefits given to the employees regarding the grant of the stock options consists of an additional compensation to these employees estimated at the grant date by reference to the fair value of the equity instruments granted.

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

Compensation expense for stock options and RSUs is recognized in the profit or loss over the requisite service period on an accelerated attributed method, with a corresponding adjustment to “other reserves” for equity settled awards. The Company recognizes forfeitures as they occur.

Provisions

A provision is recognized if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognized as a finance cost.

Leases

The Group assesses whether a contract is or contains a lease at the inception of the contract. A contract is, or contains a lease, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group recognizes a right-of-use asset and a lease liability at the lease commencement date with respect to all lease arrangements except for short-term leases (leases with a lease term of 12 months or less). For these leases, the lease payments are recognized as an operating expense on a straight-line basis over the term of the lease.

The right-of-use (ROU) asset is initially measured at cost, comprising the initial amount of the lease liability plus any initial direct costs incurred and an estimate of costs to restore the underlying asset, less any lease incentives received. The ROU asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term. The Group applies IAS 36 to determine whether an ROU asset is impaired. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the incremental borrowing rate. The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or a rate or a change in the Group’s assessment of whether it will exercise an extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the ROU asset.

Management uses judgement to determine the lease term where extension and termination options are available within the lease.

Payments associated with short-term leases and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

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

The Group cannot readily determine the interest rate implicit in the lease contracts for its offices. Therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the ROU asset in a similar economic environment. The IBR therefore reflects what the Group "would have to paid", which requires estimation when no observable rates are available. The IBR applied to the lease liabilities was between 2.13% and 5.76%.

The Group does not have any finance leases.

Finance Income and Finance Costs

Interest income is recognized as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings that are recognized in profit or loss.

Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the income statement, except when it relates to items charged or credited directly to equity or other comprehensive income, in which case the tax is also recognized in equity or other comprehensive income, respectively. Current income tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the estimates in relation to the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognizes tax provisions when it is considered probable that there will be a future outflow of funds to a tax authority. The provisions are based on management's best judgement of the application of tax legislation and best estimates of future settlement amounts.

The Group has assessed its income tax positions and recorded tax benefits for all years subject to examination, based upon the Group's evaluation of the facts, circumstances and information available at each period end. The Group assesses uncertainty over a tax treatment in accordance with International Financial Reporting Interpretations Committee ("IFRIC") 23. For those tax positions where the Group has determined that it is probable that the taxation authority will accept an uncertain tax treatment, the Group has recorded the largest amount of tax benefit that may potentially be realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is determined that it is not probable that the taxation authority will accept an uncertain tax treatment, no tax benefit has been recognized.

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

Research and Development

Research and development expense primarily consists of personnel costs and allocated overhead costs for employees and contractors.

Research and development costs are charged to operations as incurred. An intangible asset resulting from the development of an individual project is only capitalized when it cumulatively meets the criteria for recognition as per the requirements of IAS 38. Software development costs for software to be sold, leased, or otherwise marketed are expensed as incurred until the establishment of technological feasibility, at which time those costs are capitalized until the product is available for general release to customers and amortized over the estimated life of the product. Technological feasibility is established upon the completion of a working prototype that has been certified as having no critical bugs and is a release candidate. To date, costs to develop software that is marketed externally have not been capitalized as the current software development process is essentially completed concurrently with the establishment of technological feasibility. As such, all related software development costs are expensed as incurred and included in research and development expense in the consolidated statement of comprehensive loss.

General and Administrative

General and administrative expense primarily consists of personnel costs for our management, finance, legal, human resources, and other administrative employees. General and administrative expense also includes professional fees, accounting fees, audit fees, tax services and legal fees, as well as insurance, allocated overhead costs, and other corporate expenses.

Fiscal Unity Tax Accounting Policy

The Company is head of the fiscal unity of for Dutch income tax purposes and is, as such, jointly liable for the liabilities of the fiscal unity as a whole. The Company holds the tax liability and is responsible for the remittance to the tax authorities on behalf of its subsidiary elasticsearch B.V. The tax charge of each individual unity member is calculated and shown in their respective accounts. Settlements within the fiscal unity are made via intercompany accounts. The Company is also head of the fiscal unity for Dutch VAT with Elastic's Dutch subsidiaries (elasticsearch B.V. Elasticsearch Finance B.V., Elasticsearch International B.V., and Elasticsearch Worldwide B.V.) and is, as such, jointly liable for the VAT liabilities of the fiscal unity as a whole.

4. Financial Risk Management

All potential areas of financial risk are regularly monitored and reviewed by the board of directors and management. Any preventative or corrective measures are taken as necessary.

The Group uses various financial instruments. These primarily include cash and cash equivalents, and trade receivables that arise directly from its operations.

The Group has exposure to the following risks from its use of financial instruments:

- Capital Management.
- Market Risk.
- Credit risk.
- Liquidity risk.
- Currency risk.

Capital Management

The Group’s objectives when managing capital are to safeguard the Group’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. For the purpose of the Group’s capital management, capital includes issued capital, convertible preference shares, share premium and all other equity reserves attributable to the equity holders of the parent.

Market Risk

The Group is exposed to various kinds of market risks in the ordinary course of business. These risks include:

- Foreign currency exchange rate risks: Refer to currency risk below.

- Interest rate risks: Interest rate risk is the risk that the value of a financial instrument will be affected by changes in the market rate of interest. The Group had cash, cash equivalents, restricted cash and marketable securities of $917.7 million as of April 30, 2023. The Group's cash, cash equivalents, and restricted cash are held in cash deposits and money market funds. The primary objectives of the Group's investment activities are the preservation of capital, the fulfillment of liquidity needs and the fiduciary control of cash and investments. The Group does not enter into investments for trading or speculative purposes. Due to the short-term nature of these instruments, the Group does not believe that an immediate 10% increase or decrease in interest rates would have a material effect on the fair value of its investment portfolio. Declines in interest rates, however, would reduce the Group's future interest income.

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

  The Group has developed policies to deal with these risks. In principle, no derivative instruments are used to hedge against either of these risks. The Group seeks to match and manage intercompany and external foreign currency exposures reported by the various business operations and Group Companies.

Credit Risk

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

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, risk associated with the industry and country in which customers operate may also influence credit risk. The credit quality of customers is assessed by taking into account financial position, past experience and other relevant factors. A default on a trade receivable is when the counterparty fails to make contractual payments within the stated payment terms. Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. The carrying amounts of financial assets, trade receivables and contract assets represent the maximum credit exposure. Trade receivables and contract assets are subject to impairment using the expected credit loss model. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected credit loss allowance for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. See *Note 7- Trade and other receivables* for further details about trade receivables and contract assets including movement in provision for bad and doubtful debts.

As of April 30, 2023, one customer, a channel partner, accounted for 12% of net accounts receivable as of April 30, 2023. No customer represented 10% or more of net accounts receivable as of April 30, 2022. No customer accounted for more than 10% of the Company's total revenue for the years ended April 30, 2023 and 2022.

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

(in thousands U.S. dollars unless otherwise stated)

	Year Ended April 30,	
	2023	2022
United States	$ 166,745	$ 118,990
Europe	78,275	71,485
Other	13,740	15,509
Total	$ 258,760	$ 205,984

See *Note 15 – Revenue* for revenue by geographic area.

The Group does not typically offer any right of refund in its contracts. The Group does not consider that any of its clients, business sectors or geographic areas present a significant risk of non-collection that could materially impact the financial position of the Group as a whole.

On that basis, the loss allowance as at April 30, 2023 and April 30, 2022 was determined for accounts receivables:

April 30, 2023	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	0.61	1.24	6.29	35.18	1.31
Gross carrying amount-Trade receivables	$ 241,511	$ 10,098	$ 3,575	$ 4,508	$ 259,692
Loss allowance	$ 1,473	$ 125	$ 225	$ 1,586	$ 3,409

April 30, 2022	Current	More than 30 days past due	More than 60 days past due	More than 90 days past due	Total
Expected loss rate (%)	0.60	1.36	3.86	28.65	1.31
Gross carrying amount-Trade receivables	$ 191,228	$ 5,422	$ 5,227	$ 4,443	$ 206,320
Loss allowance	$ 1,151	$ 74	$ 202	$ 1,273	$ 2,700

Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its cash flow requirements on a regular basis with the board of directors to ensure that within a three-month time frame it has sufficient cash to its expected operational expenses that can be reasonably predicted.

The tables below summarizes the group's financial liabilities into relevant maturity groupings for all non-derivative financial liabilities:

	Less than 1 year	Between 1 & 5 years	More than 5 years	Total	Carrying amount
Trade and other payables	$ 165,491	$ 3,836	$ —	$ 169,327	$ 169,330
Senior Notes	—	—	575,000	575,000	567,543
Lease liabilities	12,943	13,662	280	26,885	26,885
Total	$ 178,434	$ 17,498	$ 575,280	$ 771,212	$ 763,758

Currency Risk

The Group's revenue and expenses are primarily denominated in U.S. dollars. To date, the Group has not had a formal hedging program with respect to foreign currency, but it may do so in the future if its exposure to foreign currency should become more significant. For business conducted outside of the United States, the Group may have both revenue and costs incurred in the local currency of the subsidiary, creating a partial natural hedge. Changes to exchange rates therefore have not had a material impact on the Group's operating results to date; however, the Group will continue to reassess our foreign exchange exposure as it continues to grow its business globally.

(in thousands U.S. dollars unless otherwise stated)

The Group has experienced and will continue to experience fluctuations in net loss as a result of transaction gains or losses related to remeasurement of certain asset and liability balances that are denominated in currencies other than the functional currency of the entities in which they are recorded. An immediate 10% increase or decrease in the relative value of the U.S. dollar to other currencies could have a material effect on the Group's revenue, operating expenses, and net loss. As a component of finance income and finance costs, the Group recognized a foreign currency transaction loss of $0.8 million and a foreign currency transaction gain of $3.6 million for the years ended April 30, 2023 and April 30, 2022, respectively.

As of April 30, 2023, the Group's cash, cash equivalents, restricted cash and marketable securities were primarily denominated in U.S. dollars, Euros, and British pounds. A 10% increase or decrease in current exchange rates would have an impact of approximately $19.3 million on the Group's cash, cash equivalents, restricted cash balances and marketable securities.

5. Property and Equipment

	Leasehold improvement	Computer Equipment	Furniture and Fixtures	Construction in Progress	Total
Cost					
Balance at April 30, 2021	**$ 10,342**	**$ 2,318**	**$ 5,971**	**$ 706**	**$ 19,337**
Additions	—	—	—	2,673	2,673
Disposals	(61)	(1,134)	(927)	—	(2,122)
Transfers	895	387	905	(2,187)	—
Effect of movement in exchange rates	(313)	(98)	(196)	(73)	(680)
Balance at April 30, 2022	**$ 10,863**	**$ 1,473**	**$ 5,753**	**$ 1,119**	**$ 19,208**
Additions	—	—	—	2,873	2,873
Disposals	(450)	(196)	(129)	—	(775)
Transfers	810	918	493	(2,221)	—
Impairment	(1,142)	(9)	(14)	—	(1,165)
Effect of movement in exchange rates	—	33	(10)	(38)	(15)
Balance at April 30, 2023	**$ 10,081**	**$ 2,219**	**$ 6,093**	**$ 1,733**	**$ 20,126**
Depreciation					
Balance at April 30, 2021	**$ 5,275**	**$ 1,573**	**$ 3,608**	**$ —**	**$ 10,456**
Charge for year	2,042	487	1,416	—	3,945
Disposals	—	(1,091)	(874)	—	(1,965)
Effect of movement in exchange rates	(213)	(118)	(104)	—	(435)
Balance at April 30, 2022	**$ 7,104**	**$ 851**	**$ 4,046**	**$ —**	**$ 12,001**
Charge for year	1,920	581	1,151	—	3,652
Disposals	(385)	(151)	(68)	—	(604)
Effect of movement in exchange rates	(5)	(2)	(8)	—	(15)
Balance at April 30, 2023	**$ 8,634**	**$ 1,279**	**$ 5,121**	**$ —**	**$ 15,034**
Carrying amounts					
At April 30, 2022	**$ 3,759**	**$ 622**	**$ 1,707**	**$ 1,119**	**$ 7,207**
At April 30, 2023	**$ 1,447**	**$ 940**	**$ 972**	**$ 1,733**	**$ 5,092**

Depreciation expense related to property and equipment was $3.7 million and $3.9 million for the years ended April 30, 2023 and April 30, 2022, respectively.

During fiscal 2023 the Group incurred a loss of less than $0.2 million related to disposal of assets.

6. Leases

The tables below summarize the carrying amounts of ROU assets and lease liabilities and movement during the year:

(in thousands U.S. dollars unless otherwise stated)

	ROU Assets (Office space)	Lease Liabilities
As at May 1, 2022	$ 26,905	$ 27,713
Additions	13,205	12,651
Cancellations	(1,813)	(1,899)
Amortization	(12,103)	—
Payments	—	(12,935)
Interest expense	—	1,447
Impairment Loss	(5,546)	—
Effect of movement in exchange rates	84	(92)
As at April 30, 2023	$ 20,732	$ 26,885

	As of April 30, 2023	2022
Right-of-use assets		
Office rent	$ 20,732	$ 26,905
Lease liabilities		
Current	$ 12,943	$ 11,164
Non-current	13,942	16,549
Total lease liabilities	$ 26,885	$ 27,713

Amounts recognized in the income statement are as follows:

	Year Ended April 30, 2023	2022
Depreciation of ROU assets (office space)	$ 12,103	$ 10,575
Interest expense on lease liabilities (included in finance costs)	1,377	1,244
Expense relating to short-term leases (included in administrative expenses)	2,217	2,448
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	726	857
Impairment loss	5,546	—
Total amount recognized in profit or loss	$ 21,969	$ 15,124

7. Trade and Other Receivables

	As of April 30, 2023	2022
Trade receivable	$ 258,760	$ 205,984
Unbilled receivable	2,159	9,244
VAT receivable	6,007	7,314
Deposits	3,174	2,810
Other	799	2,718
Total Trade and other receivables	$ 270,899	$ 228,070
Current	$ 270,899	$ 228,070
Non-current	—	—
Total Trade and other receivables	$ 270,899	$ 228,070

8. Fair Value Measurements

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

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

The following table summarizes assets that are measured at fair value on a recurring basis as of April 30, 2022 (in thousands):

	Level 1	Level 2	Level 3	Total
Financial Assets:				
Cash and cash equivalents:				
Money market funds	$ 559,462	$ —	$ —	$ 559,462

9. Cash and Cash Equivalents

The Group considers all highly liquid investments, including money market funds with an original maturity of three months or less at the date of purchase, to be cash equivalents. The carrying amount of the Company's cash equivalents approximates fair value, due to the short maturities of these instruments.

	As of April 30,	
	2023	2022
Cash at bank	$ 340,000	$ 860,949
Money market funds	194,261	—
U.S. agency securities	27,406	—
Certificates of deposit	21,750	—
Commercial paper	60,750	—
Net carrying amount	$ 644,167	$ 860,949

(in thousands U.S. dollars unless otherwise stated)

10. Prepayments

	As of April 30,	
	2023	2022
Prepaid hosting costs	$ 7,270	$ 16,423
Prepaid software subscriptions	9,641	8,343
Prepaid taxes	1,760	1,391
Insurance	3,721	5,416
Other	8,064	5,079
Total Prepayments	$ 30,456	$ 36,652
Current	$ 29,888	$ 28,372
Non-current	568	8,280
Total Prepayments	$ 30,456	$ 36,652

11. Capital and Reserves

	Ordinary Shares
Balance at April 30, 2021	**90,533,985**
Ordinary shares issued upon exercise of stock options	2,563,287
Ordinary shares issued upon release of RSUs	1,077,642
Balance at April 30, 2022	**94,174,914**
Ordinary shares issued upon exercise of stock options	1,127,036
Ordinary shares issued upon release of RSUs	2,064,997
Balance at April 30, 2023	**97,366,947**

Ordinary Shares and Preference Shares

At April 30, 2023 there were 165,000,000 ordinary shares authorized par value €0.01 per share; 97,366,947 shares issued and outstanding as of April 30, 2023 and 94,174,914 shares issued and outstanding as of April 30, 2022.

The Company's board of directors has the authority, for a period of five years from October 10, 2018, without further action by the Company's shareholders, to issue up to 165 million shares of undesignated convertible preference shares with rights and preferences, including voting rights, designated from time to time by the board of directors. As of April 30, 2023, there were no convertible preference shares issued or outstanding.

Each holder of ordinary shares has the right to one vote per ordinary share. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of shares outstanding having priority rights to dividends. No dividends have been declared by the board of directors from inception through the year ended April 30, 2023.

Translation Reserve

Translation reserve comprises the translation of participations from a foreign currency to the presentation currency. Exchange differences arising on translation of the foreign controlled entities are recognized in other comprehensive loss, as described in Note 3, and accumulated in a separate reserve within equity. The cumulative amount is reclassified to profit or loss when the net investment is disposed of.

Other Reserves

Other reserves comprise compensation expense for stock options, RSAs and RSUs for equity settled awards. There is no distribution restriction on other reserves.

12. Borrowings

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

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

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

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

As of April 30, 2023, the Company was in compliance with all of its financial covenants under the Indenture associated with the Senior Notes.

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

	Year Ended April 30,	
	2023	2022
Principal	$ 575,000	$ 575,000
Unamortized debt issuance costs	(7,457)	(8,480)
Net carrying amount	$ 567,543	$ 566,520

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

	Year Ended April 30,	
	2023	2022
Contractual interest expense	$ 23,719	$ 19,370
Amortization of debt issuance costs	1,023	803
Total interest expense related to the Senior Notes	$ 24,742	$ 20,173

13. Deferred Income

Significant changes in the deferred income balances were as follows:

	Year Ended April 30,	
	2023	2022
Beginning balance	$ 465,294	$ 397,700
Additions through acquisition, net of revenue recognized	—	439
Increases due to invoices issued, excluding amounts recognized as revenue during the period	527,620	421,552
Amounts transferred to deferred from accrued expenses and other liabilities upon entering into contracts with customers, net of revenue recognized during the period	707	—
Revenue recognized that was included in deferred income balance at beginning of period	(430,669)	(354,397)
Ending balance	$ 562,952	$ 465,294
Current	$ 528,704	$ 431,776
Non- current	34,248	33,518
Total Deferred income	$ 562,952	$ 465,294

Remaining Performance Obligations

As of April 30, 2023, the Group had $1.103 billion of remaining performance obligations, which is comprised of product and services revenue not yet delivered. As of April 30, 2023, the Company expects to recognize approximately 88% of its remaining performance obligations as revenue over the next 24 months and the remainder thereafter.

14. Trade and Other Payables

	As of April 30,	
	2023	2022
Trade payables	$ 35,151	$ 28,403
Payroll and social charges liabilities	76,500	75,981
Other taxes payable	10,424	10,050
Accrued expenses	20,853	19,023
Other liabilities	26,402	24,634
Total Trade and other payables	$ 169,330	$ 158,091
Current	$ 165,491	$ 146,061
Non-current	3,839	12,030
Total Trade and other payables	$ 169,330	$ 158,091

15. Revenue

	Year Ended April 30,	
	2023	2022
Elastic Cloud	$ 424,054	$ 298,615
Other subscription	560,708	500,155
Total subscription	$ 984,762	$ 798,770
Services	84,227	63,604
Total revenue	$ 1,068,989	$ 862,374

Other than the United States, no other individual country exceeded 10% or more of total revenue during the periods presented. The following table summarizes the Company’s total revenue by geographic area based on the location of the customers (in thousands):

(in thousands U.S. dollars unless otherwise stated)

	Year Ended April 30,	
	2023	2022
Netherlands	$ 33,006	$ 28,104
United States	626,688	481,589
Rest of the world	409,295	352,681
Total revenue	$ 1,068,989	$ 862,374

16. Share-Based Payment

2022 Employee Stock Purchase Plan

In August 2022, the Company's board of directors adopted and, in October 2022, the Company's shareholders approved the 2022 Employee Stock Purchase Plan ("2022 ESPP"). During the year ended April 30, 2023, the Company reserved 6.0 million of the Company's ordinary shares for future purchase and issuance under the 2022 ESPP. The 2022 ESPP allows eligible employees to acquire ordinary shares of the Company at a discount at periodic intervals through accumulated payroll deductions. Eligible employees purchase ordinary shares of the Company during a purchase period at 85% of the market value of the Company's ordinary shares at either the beginning or end of an offering period, whichever is lower. Offering periods under the 2022 ESPP are approximately six months long and begin on each of March 16 or September 16 or the next trading day thereafter. The first offering period under the 2022 ESPP began on March 16, 2023 and will end on September 15, 2023.

The fair value of 2022 ESPP offering which began during the year ended April 30, 2023 was estimated on the offering date using the Black-Scholes option pricing model with the following assumptions:

	Year Ended April 30, 2023
Expected term (in years)	0.5
Expected stock price volatility	64%
Risk-free interest rate	5%
Dividend yield	—%

2012 Share Option Program (Equity-Settled)

Information with respect to stock awards available and outstanding is as follows:

	Outstanding Stock Options	Weighted-Average Exercise Price	Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Balance as at April 30, 2021	**7,611,016**	**$ 20.34**	**6.66**	**$ 768,517**
Stock options granted	495,460	$ 94.46		
Stock options assumed in acquisitions	63,846	$ 10.20		
Stock options exercised	(2,563,287)	$ 14.18		
Stock options canceled	(386,656)	$ 32.04		
Stock options assumed in acquisition canceled	(1,255)	$ 40.35		
Balance as of April 30, 2022	**5,219,124**	**$ 29.41**	**6.22**	**$ 266,021**
Stock options granted	94,105	$ 82.24		
Stock options exercised	(1,127,036)	$ 15.55		
Stock options canceled	(143,656)	$ 78.69		
Stock options assumed in acquisition canceled	(4,299)	$ 47.63		
Balance as at April 30,2023	**4,038,238**	**$ 32.74**	**5.35**	**$ 134,778**
Exercisable as of April 30, 2023	3,425,478	$ 24.70	4.93	$ 128,503

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

(in thousands U.S. dollars unless otherwise stated)

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

The residual weighted average remaining life (in years) of the outstanding options at April 30, 2023 and April 30, 2022 was 5.35 years and 6.22 years, respectively.

As of April 30, 2023			As of April 30, 2023	
Range of Exercise Prices			Options Outstanding	Options Exercisable
$1.34	-	$9.30	426,857	426,857
$9.38	-	$11.46	632,064	609,487
$13.07	-	$13.07	1,150,423	1,033,548
$16.67	-	$19.87	653,926	652,676
$27.00	-	$75.85	648,879	465,095
$76.82	-	$86.82	238,977	101,472
$111.20	-	$111.20	6,562	3,417
$128.31	-	$128.31	136,259	47,463
$145.83	-	$145.83	112,876	67,793
$166.43	-	$166.43	31,415	17,670
			4,038,238	**3,425,478**

The fair value of the stock is estimated at the date of issuance using the Black-Scholes option pricing model with the following assumptions:

	Year Ended April 30,	
	2023	2022
Expected term (in years)	4	0.45-6.08
Expected stock price volatility	63% - 64%	55%
Risk-free interest rate	2.99% - 3.44%	0.07% - 1.79%
Dividend yield	—%	—%

Determination of Fair Value

The determination of the fair value of stock-based options on the date of grant using an option pricing model is affected by the fair value of the Company's ordinary shares, as well as assumptions regarding a number of complex and subjective variables. The Company uses the Black-Scholes option pricing model to calculate the fair value of stock options, which requires the use of assumptions including actual and projected employee stock option exercise behaviors, expected price volatility of the Company's ordinary shares, the risk-free interest rate and expected dividends. Each of these inputs is subjective and generally requires significant judgment to determine.

Fair Value of Ordinary Shares: Prior to the IPO, the fair value of ordinary shares underlying the stock awards had historically been determined by the board of directors, with input from the Company's management. The board of directors previously determined the fair value of the ordinary shares at the time of grant of the awards by considering a number of objective and subjective factors, including valuations of comparable companies, sales of redeemable convertible preference shares, sales of ordinary shares to unrelated third parties, operating and financial performance, the lack of liquidity of the Company's ordinary shares, and general and industry-specific economic outlook. Subsequent to the IPO, the fair value of the underlying ordinary shares is determined by the closing price, on the date of the grant, of the Company's ordinary shares, which are traded publicly on the New York Stock Exchange.

Expected Term: The expected term represents the period that options are expected to be outstanding.

Expected Volatility: Since the Company has limited trading history of its ordinary shares, the expected volatility is derived from the average historical stock volatilities of several unrelated public companies within the Company's industry that the Company considers to be comparable to its own business over a period equivalent to the option's expected term.

(in thousands U.S. dollars unless otherwise stated)

Risk-Free Interest Rate: The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero-coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Dividend Yield: The expected dividend is assumed to be zero as the Company has never paid dividends and has no current plans to do so.

The Company's expected volatility and expected term involve management's best estimates, both of which impact the fair value of the option calculated under the Black-Scholes option pricing model and, ultimately, the expense that will be recognized over the life of the option.

Restricted Stock Units (RSUs)

During the year ended April 30, 2023, the Company granted 6,105,614 RSUs at a weighted-average grant date fair value of $60.08 per unit.

A summary of RSUs outstanding and unvested under the 2012 Plan for the year ended April 30, 2023 was as follows:

	Number of Awards	Weighted-Average Grant Date Fair Value
Outstanding and unvested at April 30, 2021	3,301,283	$ 98.74
RSUs granted	3,224,256	$ 113.91
RSUs released	(1,092,121)	$ 96.65
RSUs canceled	(715,870)	$ 106.34
Outstanding and unvested at April 30, 2022	4,717,548	$ 108.44
RSUs granted	6,105,614	$ 60.08
RSUs released	(2,065,664)	$ 94.01
RSUs canceled	(1,263,099)	$ 99.51
Outstanding and unvested at April 30, 2023	7,494,399	$ 74.52

Impact on the Financial Statements

Compensation cost for employee stock-based awards is based on the grant-date fair value estimated in accordance with the provisions of IFRS 2 and is recognized over the vesting period of the applicable award on an accelerated attribution basis, typically over four to five years. For the years ended April 30, 2023 and 2022, the Group recorded share-based compensation expense related to issuance of stock options of $6.1 million and $16.4 million, respectively. As of April 30, 2023, the Company had unrecognized share-based compensation expense of $9.0 million related to unvested stock options that the Company expects to recognize over a weighted average period of 1.07 years.

Share-based compensation expense related to RSUs for the years ended April 30, 2023 and April 30, 2022 was $235.2 million and $192.6 million, respectively. As of April 30, 2023, the Company had unrecognized share-based compensation expense of $315.8 million related to equity settled RSUs that the Company expects to recognize over a weighted-average period of 1.60 years.

Total share-based compensation expense recognized in the consolidated statements of comprehensive loss was as follows:

	Year Ended April 30, 2023	Year Ended April 30, 2022
Subscription	$ 8,497	$ 9,172
Services	11,856	8,055
Total cost of revenue	20,353	17,227
Research and development	89,857	86,851
Sales and marketing	73,521	66,099
General and administrative	58,521	38,660
Total operating costs	221,899	191,610
Total share-based compensation expense, net of amounts capitalized	$ 242,252	$ 208,837
Capitalized shared-based compensation expense	—	198
Total share-based compensation expense	$ 242,252	$ 209,035

17. Restructuring and Other Related Charges

On November 30, 2022, the Group announced and began implementing a plan to align its investments more closely with its strategic priorities by reducing the Company's workforce by approximately 13% and implementing certain facilities-related cost optimization actions. For the year ended April 30, 2023, the Company recorded employee-related severance and other termination benefits of approximately $23.3 million, facilities-related charges of approximately $6.7 million and other restructuring-related charges of approximately $1.8 million. Asset impairment charges include impairment of right-of-use assets, and the associated furniture, equipment, and leasehold improvements of $5.5 million and $1.2 million, respectively, for the exited leased office spaces. The restructuring plan is expected to be substantially completed by the end of the first quarter of fiscal 2024.

The following table presents the total amount incurred and the liability, which is recorded in accrued compensation and employee benefits in the consolidated balance sheet, for restructuring-related employee termination benefits as of April 30, 2023 (in thousands):

	Year Ended April 30, 2023
Beginning balance	$ —
Incurred during the period	23,264
Paid during the period	(22,789)
Foreign currency translation adjustment	263
Ending balance	$ 738

18. Other Income

	Year Ended April 30, 2023	Year Ended April 30, 2022
Proceeds from user conference	$ 547	$ 357
Sublease income	2,748	1,580
Proceeds from legal settlement	10,444	—
Total other income	$ 13,739	$ 1,937

Sublease income relates to income from real estate that the Group has subleased as it was surplus to its needs. Income generated from sponsorship and registration fees for the Group's annual user conference is also classified as other income. During the year ended April 30, 2023, the Company received a favorable settlement from a legal claim and recognized a gain of $10.4 million.

19. Finance Income and Costs

	Year Ended April 30, 2023	Year Ended April 30, 2022
Interest income on bank deposits	$ (17,672)	$ (250)
Miscellaneous other	(1,106)	—
Total Finance income	(18,778)	(250)
Interest expense – Senior notes	$ 24,742	$ 20,174
Interest expense – other	1,442	2,137
Net foreign exchange loss	753	3,643
Miscellaneous other	1,015	—
Total Finance costs	27,952	25,954
Net finance costs	$ 9,174	$ 25,704

(in thousands U.S. dollars unless otherwise stated)

20. Income Tax Expense

	Year Ended April 30, 2023	
Expected tax recovery on net loss before income tax	$ (65,805)	25.8 %
Difference in tax rates between foreign jurisdictions and the Netherlands	178	(0.1)%
Tax credits	(7,349)	2.9 %
Shared based compensation	19,381	(7.6)%
Deferred tax assets not recognized	64,657	(25.4)%
Deferred tax assets revaluation	6	— %
Miscellaneous other	10,102	(3.9)%
Effective taxation rate	$ 21,170	(8.3)%

	Year Ended April 30, 2022	
Expected tax recovery on net loss before income tax	$ (66,577)	25.00 %
Difference in tax rates between foreign jurisdictions and the Netherlands	(1,957)	0.73 %
Tax credits	(11,680)	4.39 %
Share-based compensation	23,053	(8.66)%
Deferred tax assets not recognized	54,305	(20.39)%
Deferred tax assets revaluation	(164)	0.06 %
Miscellaneous other	9,078	(3.41)%
Effective taxation rate	$ 6,058	(2.3)%

As of April 30, 2023, the Company has a tax loss carry forward (TLCF) of approximately $1,040.7 million (April 30, 2022 – approximately $758.4 million) related to the Dutch fiscal unity, approximately $1,638.4 million (April 30, 2022 - $1,654.2 million) related the US (federal and states), and approximately $74.5 million (April 30, 2022 – approximately $67.5 million) related to the United Kingdom.

Trading losses will reverse against future taxable profits in the Company. The asset has not been recognized due to uncertainties over the timing and nature of such future trading profits in accordance with IAS 12. The majority of the TLCFs are in the US and the Netherlands. TLCFs in the US and the Netherlands have not been recognized in the balance sheet and have expiry dates starting 2033 for the US, and have an indefinite life in the Netherlands and the United Kingdom.

Deferred tax assets are recognized for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. Management assesses whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income. Management makes estimates and judgements about future taxable income based on assumptions that are consistent with the Group’s plans and estimates. Based on current management estimates substantially all of the deferred tax assets and liabilities are expected to be realized or settled after more than twelve months.

Significant components of the Group's deferred tax assets are summarized as follows (in thousands):

	As of April 30,	
	2023	2022
Deferred tax assets:		
TLCFs	1,370	2,009
Deferred Income	3,660	2,858
Credits	597	798
Lease liability	130	181
Deferred contract acquisition costs	—	6
Other	614	(41)
Total deferred tax assets	$ 6,371	$ 5,811
Deferred tax liabilities:		
Accrued compensation	$ (1,682)	$ (2,234)
Share-based compensation	(1,285)	(1,848)
Deferred contract acquisition costs	(6,158)	—
Intangible	(707)	(1,037)
Right-of-use assets	(115)	(159)
Other	(7)	(2,894)
Total deferred tax liabilities	$ (9,954)	$ (8,172)
Net deferred tax assets (liabilities)	$ (3,583)	$ (2,361)

Dutch income taxes and non-Dutch withholding taxes associated with the repatriation of earnings or for temporary differences related to investments in non-Dutch subsidiaries, excluding the U.S subsidiaries, have not been provided for, as the Company intends to reinvest the earnings of such subsidiaries indefinitely or the Company has concluded that no additional tax liability would arise on the distribution of such earnings. Earnings from the Company's U.S. subsidiaries are being treated as being currently repatriated back to the Netherlands though no Dutch income taxes nor U.S. withholding taxes in regard to such repatriations are being recorded due to the Dutch participation exemption provisions and exemption from withholding taxes under the income tax treaty between the Netherlands and the United States.

21. Average Number of People Employed

	Average		As of April 30,	
	2023	2022	2023	2022
Number of employees	2,932	2,579	2,886	2,978
Average Netherlands	150	129	139	162
Average outside	2,782	2,450	2,747	2,816

22. Commitments

Our principal commitments consist of our purchase obligations under non-cancelable agreements for cloud hosting, subscription software, and sales and marketing, future non-cancelable minimum rental payments under operating leases for our offices, and interest payments due on our Senior Notes. As of April 30, 2023, we had purchase commitments of $542.8 million related to cloud hosting services, future minimum lease payment commitments of $28.4 million, and purchase commitments of $43.8 million related to other contracts. During the year ended April 30, 2023, we entered into an amendment to a non-cancelable cloud hosting capacity agreement, effective December 31, 2022, for a total purchase commitment of $270.0 million payable over the four years following the date of the agreement.

In July 2021, Elastic issued $575.0 million aggregate principal amount of 4.125% Senior Notes due July 15, 2029 in a private placement. Interest on the Senior Notes is payable semi-annually in arrears on January 15 and July 15 of each year.

The Group's contractual commitment amounts are associated with agreements that are enforceable and legally binding and do not include obligations under contracts that the Group can cancel without a significant penalty. Purchase orders issued in the ordinary course of business are also excluded, as the Group's purchase orders represent authorizations to purchase rather than binding agreements.

(in thousands U.S. dollars unless otherwise stated)

We have also excluded unrecognized tax benefits from the contractual obligations. A variety of factors could affect the timing of payments for the liabilities related to unrecognized tax benefits. Therefore, we cannot reasonably estimate the timing of such payments. We believe that these matters will likely not be resolved in the next 12 months and accordingly we have classified the estimated liability as non-current in the consolidated balance sheet.

Future minimum lease payments under non-cancelable office leases and hosting infrastructure commitments as of April 30, 2023 were as follows:

	Minimum Lease Payments	Hosting Infrastructure Commitments	Total
Less than one year	$ 13,103	$ 147,701	$ 160,804
Between one and five years	15,020	395,069	410,089
More than five years	280	—	280
Total	$ 28,403	$ 542,770	$ 571,173

Future minimum lease payments under non-cancelable office leases and hosting infrastructure commitments as of April 30, 2022 were as follows:

	Minimum Lease Payments	Hosting Infrastructure Commitments	Total
Less than one year	$ 11,595	$ 97,390	$ 108,985
Between one and five years	18,235	318,323	336,558
More than five years	—	—	—
Total	$ 29,830	$ 415,713	$ 445,543

For Hosting Infrastructure Commitments the actual timing may vary depending on services used and total payments under these capacity commitments may be higher than the total minimum depending on services used.

Other Purchase Commitments

The Company has future purchase obligations related to subscription software and sales and marketing contracts. As of April 30, 2023, the Company had purchase commitments of $43.8 million related to these contracts, primarily due within the next twelve months.

Letters of Credit

As of April 30, 2023, the Group had $2.3 million in letters of credit outstanding in favor of certain landlords for office space. These letters of credit renew annually and expire on various dates through 2025.

23. Business Combinations

Fiscal 2022 Acquisitions

cmdWatch Security Inc.

On September 17, 2021, the Company acquired 100% of the share capital of cmdWatch Security Inc. ("Cmd") for a total purchase consideration of $77.6 million. The purchase consideration includes an amount of $13.4 million which is being held in an indemnity escrow fund for 18 months after the acquisition close date. Pursuant to the merger agreement, Cmd's vested stock options were paid in cash and unvested stock options held by Cmd employees were assumed by the Company. The fair value of the replacement equity awards associated with pre-acquisition service period of $4.2 million, consisting of $3.0 million paid in cash to vested option holders and $1.2 million of non-cash consideration, was included in the total purchase consideration. Approximately $6.8 million of the fair value of replacement equity awards was allocated to post-acquisition services that will be recognized as share-based compensation expense over the remaining service period and was excluded from the total purchase consideration. Additionally, an amount of $6.5 million for post-combination services, which is payable at future dates upon completion of the underlying required service period, has been excluded from the purchase consideration. This amount will be recorded as a post-combination expense over the requisite service period.

The acquisition was accounted for as a business combination in accordance with IFRS 3, Business Combinations, and accordingly, the total purchase consideration was allocated to the tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the acquisition date. The total preliminary purchase price allocated to developed technology and goodwill was $15.5 million and $58.7 million, respectively. The fair value assigned to developed technology was determined using the cost to recreate approach. The developed technology asset is being amortized on a straight-line basis over the useful life of 5 years, which approximates the pattern in which the developed technology is utilized. Goodwill resulted primarily from the expectation of enhancing the Company's current security solutions and is not deductible for income tax purposes.

(in thousands U.S. dollars unless otherwise stated)

Cmd has been included in the Company's consolidated results of operations since the acquisition date. Pro forma and historical results of operations for this acquisition have not been presented because they were not material to the consolidated results of operations.

Other Acquisitions

On September 2, 2021 and November 1, 2021, the Company acquired 100% of the share capital of Build Security Ltd. ("build.security") and Optimyze.cloud Inc. ("Optimyze"), respectively, for a combined total purchase consideration of $57.4 million. The purchase consideration includes an amount of $5.4 million held in Indemnity escrow and $6.0 million held back by the Company for indemnity and will be released upon the 18-month anniversary of the respective acquisitions. These acquisitions were accounted for as business combinations. The total preliminary purchase price allocated to developed technology and goodwill was $9.8 million and $46.8 million, respectively. The developed technology intangible assets from these acquisitions are being amortized on a straight-line basis over a useful life of 5 years which approximates the pattern in which the respective developed technologies are utilized. Goodwill resulted primarily from the expectation of enhancing the Company's current security solutions and the value of the acquired workforce. This goodwill is not deductible for income tax purposes. Build.security and Optimyze have been included in the Company's consolidated results of operations since their respective acquisition dates. Pro forma and historical results of operations for these acquisitions have not been presented because they were not material to the consolidated results of operations.

Excluded from the combined purchase consideration from these two acquisitions is an amount of $6.3 million, payable in equal installments at the first and the second anniversary of each of the acquisitions, to certain employees of build.security and Optimyze. These amounts are for post-combination services and will be recorded as a post-combination expense over the requisite service periods.

The purchase price allocation for the acquisitions is preliminary and is based on the best estimates of management. The Company continues to collect information with regard to its estimates and assumptions, primarily related to intangible assets and certain tax-related, contingent liability and working capital items. The Company will record adjustments to the fair value of the assets acquired, liabilities assumed and goodwill within the 12 month measurement period, if necessary.

24. Intangible Assets

	Goodwill	Developed Technology	Customer Relationships	Trade Name	Internal-use Software	Total
Non-current assets						
Cost:						
Balances at April 30, 2021	**$ 201,507**	**$ 44,830**	**$ 19,598**	**$ 2,872**	**$ —**	**$ 268,807**
Acquisition	105,495	25,300	—	—	5,447	$ 136,242
Balances at April 30, 2022	**307,002**	**70,130**	**19,598**	**2,872**	**5,447**	**405,049**
Balances at April 30, 2023	**$ 307,002**	**$ 70,130**	**$ 19,598**	**$ 2,872**	**$ 5,447**	**$ 405,049**
Accumulated amortization:						
Balances at April 30, 2021	**$ —**	**$ 20,850**	**$ 8,382**	**$ 1,780**	**$ —**	**$ 31,012**
Amortization	—	10,505	4,795	483	151	15,934
Balances at April 30, 2022	**—**	**31,355**	**13,177**	**2,263**	**151**	**46,946**
Amortization	—	11,781	4,464	423	1,176	17,844
Balances at April 30, 2023	**$ —**	**$ 43,136**	**$ 17,641**	**$ 2,686**	**$ 1,327**	**$ 64,790**
Foreign currency translation:						
Balance at April 30, 2022	$ (192)	$ (5)	$ —	$ —	$ —	$ (197)
Balance at April 30, 2023	$ (456)	$ (33)	$ —	$ —	$ —	$ (489)
Carrying amounts:						
April 30, 2022	**$ 306,810**	**$ 38,770**	**$ 6,421**	**$ 609**	**$ 5,296**	**$ 357,906**
April 30, 2023	**$ 306,546**	**$ 26,961**	**$ 1,957**	**$ 186**	**$ 4,120**	**$ 339,770**

(in thousands U.S. dollars unless otherwise stated)

The Group amortizes intangible assets with a limited useful life using the straight-line method over the following periods:

- Developed technology 4-5 years
- Customer relationships 4 years
- Trade name 4 years

Goodwill is allocated to cash-generating units (CGUs) (or Groups of CGUs) and evaluated for impairment at the CGU level, which is defined as an operating segment or one level below an operating segment. Goodwill is tested at least annually for impairment. Other than goodwill there are no intangible assets with indefinite lives.

Goodwill has been generated through the acquisition of various companies. Acquired technologies have been embedded into the Elastic stack and therefore form part of the software that is used by the Group's user base and included within the Group's subscription offerings leading to one revenue stream associated with the sales of Elastic products. The Group, has therefore, determined that it has one CGU.

The recoverable amount of the CGU is based on fair value less costs of disposal. At April 30, 2023, the recoverable amount of the CGU exceeded its carrying value and therefore no impairment was recorded in fiscal 2023. The fair value of the CGU, based on quoted market prices at the end of the reporting period, was $ 5.2 billion. The quoted market price used for the impairment test held by the Group was the current bid price of $54.25 as of April 30, 2023.

25. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit/loss attributable to equity shareholders of the Company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares to take account of all dilutive potential ordinary shares and adjusting the profit/loss attributable, if applicable, to account for any tax consequences that might arise from conversion of those shares.

	Year Ended April 30,	
	2023	2022
Numerator		
Net Loss	$ (276,053)	$ (272,368)
Denominator		
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	95,729,844	92,547,145
Net loss per share attributable to ordinary shareholders, basic and diluted - in dollars	$ (2.88)	$ (2.94)

The following outstanding potentially dilutive ordinary shares were excluded from the computation of diluted net loss per share attributable to ordinary shareholders for the periods presented because the impact of including them would have been antidilutive:

	Year Ended April 30,	
	2023	2022
Stock options	4,038,238	5,219,124
RSUs	7,494,399	4,717,548
Employee stock purchase plan	197,077	—
Total	11,729,714	9,936,672

(in thousands U.S. dollars unless otherwise stated)

26. Audit Fees and non-Audit Fees

The following audit fees were expensed in the income statement in the reporting period:

	Pricewaterhouse Coopers Accountants N.V.	Other PwC Network firms	Total
Year ended April 30, 2023			
Audit of the financial statements	$ 82	$ 3,703	$ 3,785
Other non-audit services	—	11	11
Total	$ 82	$ 3,714	$ 3,796
Year ended April 30, 2022			
Audit of the financial statements	$ 108	$ 4,224	$ 4,332
Tax services	8	—	8
Other non-audit services	—	178	178
Total	$ 116	$ 4,402	$ 4,518

The fees listed above relate to the procedures applied to the Company and its consolidated group entities by accounting firms and external auditors as referred to in Section 1, subsection 1 of the Audit Firms Supervision Act (‘Wet toezicht accountantsorganisaties - Wta’) as well as by Dutch and foreign-based accounting firms, including their tax services and advisory groups.

These fees relate to the audit of the fiscal 2023 and fiscal 2022 financial statements, regardless of whether the work was performed during the financial year.

Other non-audit services relate to fees for i) assurance and related services that are reasonably associated to the performance of the audit or review of our consolidated financial statements or internal control over financial reporting, and ii) subscription fees paid for access to online accounting research software and regulatory applications.

27. Capital Commitments

During the years ended April 30, 2023 and 2022 the Group did not make any capital commitments.

28. Contingencies

Legal Matters

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

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

Although the results of litigation and claims are inherently unpredictable, the Company does not believe that there were any matters under litigation or claims with a reasonable possibility of the Company incurring a material loss as of April 30, 2023.

Indemnification

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

(in thousands U.S. dollars unless otherwise stated)

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

Gain contingencies

From time to time the Company may realize a gain contingency, although recognition will not occur until cash is received or the gain is deemed as realizable. During the year ended April 30, 2023, the Company received a favorable settlement from a legal claim and recognized a gain of $10.4 million included in other income in the accompanying consolidated statements of comprehensive loss.

29. Expense by Nature

By nature the costs can be analyzed as follows*:*

	Year Ended April 30,	
	2023	2022
Employee benefits expense	$ 679,670	$ 585,979
Share-based compensation	242,252	208,837
Equipment and systems charges	199,224	153,789
Travel expenses	26,217	14,110
Marketing expenses	41,118	35,874
Depreciation and amortization	20,233	19,728
Legal and professional	15,141	24,541
Office rent and related charges	14,240	13,165
Miscellaneous other expense	58,576	48,894
Restructuring expenses	25,055	—
Impairment charges	6,711	—
Other income	(13,739)	(1,937)
Total expenses	$ 1,314,698	$ 1,102,980

The above costs are shown in the income statement as follows:

	Year Ended April 30,	
	2023	2022
Cost of revenue	$ 299,236	$ 234,589
Operating expenses and other income	1,015,462	868,391
Total expenses	$ 1,314,698	$ 1,102,980

Cost of revenue, and operating expenses and other income, include amortization expense of $16.7 million and $1.2 million, respectively.

30. Related Parties

Ultimate Controlling Party

The Group does not have an ultimate controlling party.

Key Management Personnel Compensation

In addition to their salaries, the Group also provides non-cash benefits to directors and executive officers. In the case of our Chief Executive Officer and Chief Financial Officer/Chief Operating Officer, the Group contributes to a defined contribution plan on their behalf. Executive officers also participate in the Group's equity award program (See *Note 16 – Share Based Payments)*.

(in thousands U.S. dollars unless otherwise stated)

Key Management Personnel Compensation Comprised:

Name and Principal Position		Fiscal Year	Short-term employee benefits: Salary ($)	Short-term employee benefits: Bonus ($)	Non-Equity Incentive Plan Compensation ($)(1)	Share-Based Payment ($)(2)	Post-employment benefits: All Other Compensation ($)		Total ($)
Ashutosh Kulkarni		2023	600,000	—	529,078	13,066,778	11,794	(3)	14,207,650
CEO		2022	530,834	—	376,635	7,794,478	19,575	(3)	8,721,522
Janesh Moorjani		2023	500,000	—	264,539	6,810,705	15,000	(3)	7,590,244
CFO/COO		2022	432,500	—	251,252	4,128,346	20,100	(3)	4,832,198
Shay Banon		2023	428,891	—	226,917	5,062,491	95,771	(4)(5)	5,814,070
CTO	(6)	2022	426,286	—	248,728	5,727,247	77,971	(7)(8)	6,480,232

(1) Except as otherwise stated, the amounts reported represent the amounts earned based upon achievement of certain performance goals under our Executive Incentive Compensation Plan. Messrs. Banon and Moorjani participated in our Executive Incentive Compensation Plan during fiscal 2023 and 2022. Payments under our Executive Incentive Compensation Plan were payable semi-annually based on achievement of certain company financial targets. For fiscal 2023 and 2022, the performance metrics were based on calculated billings and non-GAAP operating margin targets. See Remuneration Report.

(2) The amounts shown represent the aggregate share-based awards expense in fiscal 2023 and 2022 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See Note 16, “Share-Based Payments” regarding assumptions underlying valuation of equity awards.

(3) The amount disclosed represents Elastic’s contributions made under our Section 401(k) plan.

(4) Amounts have been reported on an as-converted basis from ILS to U.S. dollars (“USD”) based on a spot currency exchange rate of 1 ILS=USD 0.2748 as of our fiscal year end, April 30, 2023.

(5) The listed amount is the sum of the following amounts: (i) contributions by Elastic of $35,727 in ILS to a severance fund under a Section 14 Arrangement pursuant to Israeli Severance Pay Law, (ii) contributions by Elastic of $27,878 in ILS to a pension and manager’s insurance fund pursuant to Israeli labor laws, and (iii) contributions by Elastic of $32,167 in ILS to an education savings fund.

(6) Mr. Banon served as our Chief Executive Officer for a portion of fiscal year 2022, and as such, his summary compensation for such year reflects a higher compensation package.

(7) Amounts have been reported on an as-converted basis from ILS to U.S. dollars (“USD”) based on a spot currency exchange rate of 1 ILS=USD 0.2991 as of our fiscal year end, April 30, 2022.

(8) The listed amount is the sum of the following amounts: (i) contributions by Elastic of $35,510 in ILS to a severance fund under a Section 14 Arrangement pursuant to Israeli Severance Pay Law, (ii) contributions by Elastic of $27,973 in ILS to a pension and manager’s insurance fund pursuant to Israeli labor laws, and (iii) contributions by Elastic of $14,488 in ILS to an education savings fund.

(in thousands U.S. dollars unless otherwise stated)

The following table sets forth information regarding outstanding equity awards held by key management personnel as of April 30, 2023:

			Option Awards				Share Awards	
Name	Grant date		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market value of Shares that have Not Vested ($)(1)
Ashutosh Kulkarni	March 8, 2022	(2)	58,339	128,347	75.85	March 7, 2032		
	December 8, 2021	(3)	8,726	17,453	128.31	December 7, 2031		
	March 8, 2021	(4)	3,417	3,145	111.20	March 7, 2031		
	February 9, 2021	(5)	17,670	13,745	166.43	February 8, 2031		
	December 8, 2022	(6)					218,104	12,486,454
	March 8, 2022	(7)					47,631	2,726,875
	December 8, 2021	(8)					9,126	522,464
	March 8, 2021	(9)					29,209	1,672,215
Janesh Moorjani	March 8, 2022	(10)	32,756	27,718	75.85	March 7, 2032		
	December 8, 2021	(3)	8,726	17,453	128.31	December 7, 2031		
	December 8, 2020	(11)	14,564	10,404	145.83	December 7, 2030		
	June 8, 2019	(12)	19,094	38,191	81.39	June 7, 2029		
	April 2, 2018	(13)	13,865	6,250	13.07	April 1, 2028		
	September 7, 2017	(14)	58,931	—	10.15	September 6, 2027		
	December 8, 2022	(6)					95,204	5,450,429
	March 8, 2022	(15)					14,884	852,109
	December 8, 2021	(8)					9,126	522,464
	December 8, 2020	(16)					6,301	360,732
	June 8, 2019	(17)					7,956	455,481
Shay Banon	December 8, 2021	(3)	17,453	34,906	128.31	December 7, 2031		
	December 8, 2020	(11)	36,412	26,009	145.83	December 7, 2030		
	April 2, 2018	(18)	108,334	—	13.07	April 2, 2028		
	September 7, 2017	(19)	18,007	—	10.15	September 6, 2027		
	December 8, 2022	(6)					51,930	2,972,993
	December 8, 2021	(8)					18,252	1,044,927
	December 8, 2020	(16)					15,754	901,917

(1) The market value of unvested RSUs is calculated by multiplying the number of unvested RSUs held by the applicable named executive officer by the closing market price of our ordinary shares on April 30, 2023, which was $57.25.
(2) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on February 11, 2022, subject to continued service to us through the applicable vesting date.
(3) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date.
(4) One-fourth of the ordinary shares subject to the option vest on March 8, 2022, and 1/48th of the ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.
(5) One-fourth of the ordinary shares subject to the option vest on January 4, 2022, and 1/48th of the ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.
(6) The ordinary shares subject to the award of RSUs vest in 16 quarterly installments beginning on March 8, 2023, subject to continued service to us through the applicable vesting date.
(7) The ordinary shares subject to the award of RSUs vest as follows: (i) two-thirds of the ordinary shares subject to the award of RSUs vest in 16 equal quarterly installments beginning on June 8, 2022 and (ii) one-third of the ordinary shares subject to the award of RSUs vest in eight equal quarterly installments beginning on June 8, 2022, in each case subject to continued service to us through the applicable vesting date.
(8) The ordinary shares subject to the award of RSUs vest in 16 quarterly installments beginning on March 8, 2022, subject to continued service to us through the applicable vesting date.
(9) One-fourth of the ordinary shares subject to the award of RSUs vest on March 8, 2021, and one-eighth of the ordinary shares subject to the award vest in six equal semiannual installments thereafter, subject to continued service to us through the applicable vesting date.
(10) The ordinary shares subject to the option vest in 24 equal monthly installments beginning on April 8, 2022, subject to continued service to us through the applicable vesting date.
(11) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2021, subject to continued service to us through the applicable vesting date.
(12) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date.
(13) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019, subject to continued service to us through the applicable vesting date.
(14) The option was subject to an early option exercise provision and was immediately exercisable. One-fourth of the ordinary shares subject to the option vested on August 28, 2018, and 1/48th of the ordinary shares subject to the option vested monthly thereafter. The option became fully vested on August 28, 2021.
(15) The ordinary shares subject to the award of RSUs vest in eight equal quarterly installments beginning on June 8, 2022, subject to continued service to us through the applicable vesting date.

(in thousands U.S. dollars unless otherwise stated)

(16) The ordinary shares subject to the award of RSUs vest in eight equal semiannual installments beginning on June 8, 2021, subject to continued service to us through the applicable vesting date.
(17) The ordinary shares subject to the award of RSUs vest in eight equal semiannual installments beginning on June 8, 2022, subject to continued service to us through the applicable vesting date.
(18) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on May 2, 2018, subject to continued service to us through the applicable vesting date. The option became fully vested on April 2, 2022.
(19) The ordinary shares subject to the option vested in 48 equal monthly installments beginning on May 1, 2017, subject to continued service to us through the applicable vesting date. The option became fully vested on April 1, 2021.

The following table sets forth information regarding outstanding equity awards held by key management personnel as of April 30, 2022:

			Option Awards				Share Awards	
Name	Grant date		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market value of Shares that have Not Vested ($)(1)
Ashutosh Kulkarni	March 8, 2022	(2)	11,667	175,019	75.85	March 7, 2032		
	December 8, 2021	(3)	2,181	23,998	128.31	December 7, 2031		
	March 8, 2021	(4)	1,776	4,786	111.2	March 7, 2031		
	February 9, 2021	(5)	9,816	21,599	166.43	February 8, 2031		
	March 8, 2022	(6)					71,445	5,439,822
	December 8, 2021	(7)					12,445	947,562
	March 8, 2021	(8)					43,812	3,335,846
Janesh Moorjani	March 8, 2022	(9)	2,519	57,955	75.85	March 7, 2032		
	December 8, 2021	(3)	2,181	23,998	128.31	December 7, 2031		
	December 8, 2020	(10)	8,322	16,646	145.83	December 7, 2030		
	June 8, 2019	(11)	4,773	52,512	81.39	June 7, 2029		
	April 2, 2018	(12)	9,016	18,750	13.07	April 1, 2028		
	September 7, 2017	(13)	58,931	—	10.15	September 6, 2027		
	March 8, 2022	(14)					29,768	2,266,536
	December 8, 2021	(7)					12,445	947,562
	December 8, 2020	(15)					9,452	719,675
	June 8, 2019	(16)					10,607	807,617
Shay Banon	December 8, 2021	(3)	4,363	47,996	128.31	December 7, 2031		
	December 8, 2020	(10)	20,807	41,614	145.83	December 7, 2030		
	April 2, 2018	(17)	108,334	—	13.07	April 2, 2028		
	September 7, 2017	(18)	18,007	—	10.15	September 6, 2027		
	December 8, 2021	(7)					24,889	1,895,048
	December 8, 2020	(15)					23,631	1,799,264

(1) The market value of unvested RSUs is calculated by multiplying the number of unvested RSUs held by the applicable named executive officer by the closing market price of our ordinary shares on April 30, 2022, which was $76.14.
(2) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on February 11, 2022, subject to continued service to us through the applicable vesting date.
(3) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date.
(4) One-fourth of the ordinary shares subject to the option vest on March 8, 2022, and 1/48th of the ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.
(5) One-fourth of the ordinary shares subject to the option vest on January 4, 2022, and 1/48th of the ordinary shares subject to the option vest monthly thereafter, subject to continued service to us through the applicable vesting date.
(6) The ordinary shares subject to the award of RSUs vest as follows: (i) 47,630 ordinary shares subject to the award of RSUs vest in sixteen equal quarterly installments beginning on June 8, 2022 and (ii) 23,815 ordinary shares subject to the award of RSUs vest in eight equal quarterly installments beginning on June 8, 2022, in each case subject to continued service to us through the applicable vesting date.
(7) The ordinary shares subject to the award of RSUs vest in sixteen quarterly installments beginning on March 8, 2022, subject to continued service to us through the applicable vesting date.
(8) One-fourth of the ordinary shares subject to the award of RSUs vest on March 8, 2021, and one-eighth of the ordinary shares subject to the award vest in six equal semiannual installments thereafter, subject to continued service to us through the applicable vesting date.
(9) The ordinary shares subject to the option vest in 24 equal monthly installments beginning on April 8, 2022, subject to continued service to us through the applicable vesting date.
(10) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2021, subject to continued service to us through the applicable vesting date.
(11) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on January 8, 2022, subject to continued service to us through the applicable vesting date.
(12) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on November 1, 2019, subject to continued service to us through the applicable vesting date.
(13) The option was subject to an early option exercise provision and was immediately exercisable. One-fourth of the ordinary shares subject to the option vested on August 28, 2018, and 1/48th of the ordinary shares subject to the option vested monthly thereafter. The option became fully vested on August 28, 2021.
(14) The ordinary shares subject to the award of RSUs vest in eight equal quarterly installments beginning on June 8, 2022, in each case subject to continued service to us through the applicable vesting date.

(in thousands U.S. dollars unless otherwise stated)

(15) The ordinary shares subject to the award of RSUs vest in eight equal semiannual installments beginning on June 8, 2021, subject to continued service to us through the applicable vesting date.
(16) The ordinary shares subject to the award of RSUs vest in eight equal semiannual installments beginning on June 8, 2022, subject to continued service to us through the applicable vesting date.
(17) The ordinary shares subject to the option vest in 48 equal monthly installments beginning on May 2, 2018, subject to continued service to us through the applicable vesting date. The option became fully vested on April 2, 2022.
(18) The ordinary shares subject to the option vested in 48 equal monthly installments beginning on May 1, 2017, subject to continued service to us through the applicable vesting date. The option became fully vested on April 1, 2021.

Key Management Personnel Transactions

Other than compensation disclosed above there were no other transactions with key management personnel and directors in the years ended April 30, 2023 and 2022.

Non-Executive Directors' Compensation

The table below shows the total compensation awarded to our non-executive directors during fiscal 2023 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Sohaib Abbasi (2)	$ 34,046	$ 246,480 (3)	$ 280,526
Jonathan Chadwick (4)	62,082	199,941	262,023
Alison Gleeson (2)	49,584	199,941	249,525
Shelley Leibowitz (2)	48,583	199,941	248,524
Caryn Marooney (2)	38,584	199,941	238,525
Chetan Puttagunta (2)	73,459	199,941	273,400
Steven Schuurman (5)	34,584	—	34,584
Michelangelo Volpi (6)	—	—	—
	$ 340,922	**$ 1,246,185**	**$ 1,587,107**

(1) The amounts shown represent the grant date fair value of RSU awards granted in fiscal 2023 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See Note 16, "Share-Based Payments" regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs awarded to each non-executive director during fiscal 2023 is set forth in the footnotes below.
(2) As of April 30, 2023, the non-executive director held 2,627 RSUs and no options to purchase ordinary shares.
(3) Represents the aggregate grant date fair value of RSUs granted to Mr. Abbasi on July 13, 2022, the effective date of his appointment as a non-executive director, and his annual grants on October 6, 2022, under the terms of our non-executive director compensation policy for fiscal year 2023 and the 2012 Plan, and calculated in accordance with ASC 718 based on the closing market price of our ordinary shares on the grant date as reported on the NYSE.
(4) As of April 30, 2023, Mr. Chadwick held 2,627 RSUs and 125,000 options to purchase ordinary shares.
(5) Mr. Schuurman did not receive any grants of RSUs or options to purchase ordinary shares in fiscal year 2023 in accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was a partner or a member of any venture capital firm that owns securities of the Company representing more than 2% of the outstanding and issued share capital of the Company, are not eligible to receive equity awards. As of April 30, 2023, Mr. Schuurman held no RSUs or options to purchase ordinary shares.
(6) Mr. Volpi, who resigned from the board of directors effective July 13, 2022, waived his right to receive payments of director fees and the annual equity grant to directors for fiscal year 2023. For the period that Mr. Volpi served as a non-executive director during fiscal year 2023, he would have been eligible to receive $6,667 in fees for his service as a director in fiscal year 2023.

The table below shows the total compensation awarded to our non-executive directors during fiscal 2022 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Jonathan Chadwick (2)	$ 57,500	$ 199,852	$ 257,352
Peter Fenton (3)	24,500	—	24,500
Alison Gleeson (4)	41,875	199,852	241,727
Shelley Leibowitz (4)	25,667	199,852	225,519
Caryn Marooney (4)	34,000	199,852	233,852
Chetan Puttagunta (4)	67,500	199,852	267,352
Steven Schuurman (5)	30,000	—	30,000
Michelangelo Volpi (6)	—	—	—
	$ 281,042	**$ 999,260**	**$ 1,280,302**

(1) The amounts shown represent the grant date fair value of restricted stock unit ("RSU") awards granted in fiscal 2022 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See Note 16, "Share-Based Payments" regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs awarded to each non-executive director during fiscal 2022 is set forth in the footnotes below.
(2) As of April 30, 2022, Mr. Chadwick held 1,323 RSUs and 137,500 options to purchase ordinary shares.

(3) Mr. Fenton’s term as a member of our board of directors expired at our 2021 Annual Meeting. As of April 30, 2022, Mr. Fenton’s did not hold any RSUs or options to purchase ordinary shares.
(4) As of April 30, 2022, the non-executive director held 1,323 RSUs and no options to purchase ordinary shares.
(5) Mr. Schuurman did not receive any grants of RSUs or options to purchase ordinary shares in fiscal 2022 in accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was a partner or a member of any venture capital firm that owns securities of the Company representing more than 2% of the outstanding and issued share capital of the Company, are not eligible to receive equity awards. As of April 30, 2022, Mr. Schuurman held no RSUs or options to purchase ordinary shares.
(6) Mr. Volpi has waived his right to receive payments of director fees and the annual equity grant to directors. He would have been eligible to receive $39,875 in fees and an RSU award with a grant date fair value of $199,852 calculated in accordance with ASC 718 for his service as a director in fiscal 2022.

(in thousands U.S. dollars)

31. Group Entities

Details of the Group's principal subsidiaries at the end of the reporting period are listed below. All of these subsidiaries are 100% owned and fully consolidated. There are no partially consolidated subsidiaries or non-participating interests owned by the Company.

Name	Statutory seat	Registered office	Incorporation date
elasticsearch B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	February 9, 2012
Elasticsearch Inc.	Delaware, USA	251 Little Falls Drive, Wilmington, Delaware 19808-1674 New Castle County, Delaware, USA	August 7, 2012
Elasticsearch Limited	London, UK	5 Southampton Street London WC2E 7HA United Kingdom	January 16, 2013
Elasticsearch GmbH	Berlin, Germany	Maximilianstrasse 54, 80538 Munich, Germany	January 16, 2013
Elastic International B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	May 6, 2021
Elastic Worldwide B.V.	Amsterdam, the Netherlands	Keizersgracht 281, 1016 ED Amsterdam, The Netherlands	October 29, 2021
Elasticsearch Pty Ltd.	New South Wales, Australia	C/- Intertrust Australia Pty Ltd, Suite 2 Level 25, 100 Miller Street, North Sydney NSW 2060 Sydney NSW 2000	September 3, 2014
Elasticsearch KK	Japan	Unit # 1-5 26th Floor, Kyobashi Edogrand 2-2-1 Kyobashi, Chuoku, Tokyo 104 0031 Japan	September 12, 2014

32. Subsequent Events

On June 14, 2023, Jonathan Chadwick notified the BoD of the Company that he will not be standing for re-election as a non-executive director following the expiration of his term at the annual general shareholders meeting in October 2023 (the "2023 AGM").

On June 14, 2023, the BoD nominated Paul Auvil to stand for election to the Company's Board as a non-executive director at the 2023 AGM. Pursuant to Dutch law, Mr. Auvil's election to the Board is subject to a shareholder vote, to be held at the 2023 AGM. Subject to his election to the Board, Mr. Auvil also will be appointed to serve as the Chair of the Company's Audit Committee and as a member of the Company's Compensation Committee.

Up until the day of authorization for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as of April 30, 2023.

Company Financial Statements

Elastic N.V.
Company Balance Sheets
April 30, 2023 and 2022
(in thousands U.S. dollars)

After appropriation of results

	Notes	As of April 30, 2023	As of April 30, 2022
Assets			
Non-current assets			
Financial fixed assets	1	$ 529,284	$ 578,959
Deposits		456	436
Total non-current assets		**$ 529,740**	**579,395**
Current assets			
Prepayments		3,244	7,205
Marketable securities		271,041	—
Cash and cash equivalents		185,729	433,143
Total current assets		**460,014**	**440,348**
Total assets		**$ 989,754**	**$ 1,019,743**
Shareholders' equity and liabilities			
Shareholders' equity			
Share capital		$ 1,025	990
Share premium		866,853	849,417
Legal reserves:			
Translation reserves		(20,016)	(18,131)
Other reserves		755,912	513,660
Accumulated losses		(1,206,030)	(929,977)
Total shareholders' equity	2	**$ 397,744**	**$ 415,959**
Liabilities			
Non-current liabilities			
Borrowings	3	567,543	566,520
Other non-current liabilities		—	7,979
Total non-current liabilities		**$ 567,543**	**$ 574,499**
Current liabilities			
Trade and other payables		24,467	29,285
Total current liabilities		**$ 24,467**	**$ 29,285**
Total liabilities		**$ 592,010**	**$ 603,784**
Total shareholders' equity and liabilities		**$ 989,754**	**$ 1,019,743**

The accompanying notes are an integral part of these financial statements

Elastic N.V.
Company Profit and Loss accounts
For the Years Ended April 30, 2023 and 2022
(in thousands US dollars unless otherwise stated)

		Year Ended April 30,	
		2023	2022
	Notes		
Share of results of investments, after tax	1	$ (206,438)	$ (206,805)
Other income and expense, after tax		(69,615)	(65,563)
Loss for the year		$ (276,053)	$ (272,368)

The accompanying notes are an integral part of these financial statements

1. Accounting Information and Policies

Basis of Preparation

The Company financial statements of Elastic N.V. have been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Company uses the option of Article 362.8 of Part 9, Book 2 of the Dutch Civil Code to prepare the Company's Financial Statements, based on the accounting principles of recognition, measurement and determination of profit, as applied in the consolidated financial statements (the "Consolidated Financial Statements"). These principles also include the classification and presentation of financial instruments, being equity instruments or financial liabilities. The Company presents a condensed income statement, using the facility of Article 402, Book 2, of the Dutch Civil Code. Elastic N.V. 's investments in Group companies are stated using the 'net asset value method' *('netto vermogens waarde methode')* as further outlined in Note 2.

For the principles of valuation of assets and liabilities and for the determination of results reference is made to the notes to the consolidated statement of financial position and comprehensive income. Following the adoption of IFRS 9 by the Group and based on interpretation of the Dutch Accounting Standard 100.107A, the company shall, upon identification of a credit loss on an intercompany loan and/or receivable, eliminate the carrying amount of the intercompany loan and/or receivable for the value of the identified credit loss.

All amounts are presented in thousands USD, unless stated otherwise.

The Company prepared its Consolidated Financial Statements in accordance with the International Financial Reporting Standards ('IFRS') as adopted by the European Union.

Financial Fixed Assets

Investments in Consolidated Subsidiaries

Investments in consolidated subsidiaries are entities (including intermediate subsidiaries and special purpose entities) over which the Company has control, i.e., the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are recognized from the date on which control is transferred to the company or its intermediate holding entities, they are de-recognized from the date that control ceases.

The Company applies the acquisition method to account for acquiring subsidiaries, consistent with the approach identified in the Consolidated Financial Statements. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, liabilities incurred to the former owners of the acquiree, and the equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in an acquisition are measured initially at their fair values at the acquisition date and are subsumed in the net asset value of the investment in consolidated subsidiaries. Acquisition-related costs are expensed as incurred.

Investments in consolidated subsidiaries are measured at net asset value. Net asset value is based on the measurement of assets, provisions and liabilities and determination of profit based on the principles applied in the Consolidated Financial Statements.

Investments; Recognition of Losses

When the Company's share of losses in an investment equals or exceeds its interest in the investment, (including separately presented goodwill or any other unsecured non-current receivables, being part of the net investment), the Company does not recognize any further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the investment, in such case the company will recognize a provision.

Investments; Unrealized Gains and Losses

Unrealized gains on transactions between the company and its investments in consolidated subsidiaries are eliminated in full, based on the consolidation principles, unrealized gains on transactions between the company and its investments in associates are eliminated to the extent of the company's stake in these investments.

Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the assets transferred.

(in thousands U.S. dollars unless otherwise stated)

Financial Fixed Assets

Movements in financial fixed assets are as follows:

	Investments in Consolidated Subsidiaries	Loans to Consolidated Subsidiaries	Total
April 30, 2021			
Net book value	$ —	$ 445,531	$ 445,531
Movements in book value			
Investments	$ 135,782	$ 5,940	$ 141,722
Capital contributions	208,537	—	208,537
Share of results of investments	(206,805)	—	(206,805)
Translation results	7,582	(17,608)	(10,026)
Reclassification of accumulated provision	(145,096)	145,096	—
	$ —	$ 133,428	$ 133,428
April 30, 2022			
Net book value	$ —	$ 578,959	$ 578,959
Movements in book value			
Investments	$ 344,937	$ (428,541)	$ (83,604)
Capital contributions	242,252	—	242,252
Share of results of investments	(206,438)	—	(206,438)
Translation results	(35,963)	34,078	(1,885)
Reclassification of accumulated provision	(344,788)	344,788	—
	$ —	$ (49,675)	$ (49,675)
April 30, 2023			
Net book value	$ —	$ 529,284	$ 529,284

Amounts Due from Investments

Amounts due from investments are stated initially at fair value and subsequently at amortized cost. Amortized cost is determined using the effective interest rate.

Loans to Consolidated Subsidiaries

During the year ended April 30, 2023, the Company settled $377 million of loans to Company's subsidiaries, issued in fiscal years 2014-2023. The loans were identified as an increase in the net investments in consolidated subsidiaries. No securities, guarantees or repayment arrangements were applicable to these loans. Interest on loans issued prior to fiscal 2019 was based on short-term Applicable Federal Rate (AFR), as provided under Internal Revenue Code Section 1274(d). During fiscal 2019, the Company issued a loan to Elasticsearch Finance B.V. for an amount of $269.5 million. Interest rate on this loan was the amount of income Elasticsearch Finance B.V. received from its short-term investments with external third-party banks minus the handling fees. The fair value of the loans approximated to the book value.

(in thousands U.S. dollars unless otherwise stated)

2. Shareholders' Equity

	Share capital	Share premium	Translation reserve	Other reserve	Accumulated losses	Total equity
Balances at April 30, 2021	**$ 948**	**$ 811,802**	**$ (8,105)**	**$ 305,123**	**$ (657,609)**	**$ 452,159**
Total comprehensive loss for the year:						
Loss for the period	—	—	—	—	(272,368)	(272,368)
Other comprehensive loss:						
Foreign currency translation differences	—	—	(10,026)	—	—	(10,026)
Total comprehensive loss for the year	—	—	(10,026)	—	(272,368)	(282,394)
Contributions by owners						
Fair value of replacement equity awards attributable to pre-acquisition service	—	1,247	—	—	—	1,247
Issuance of ordinary shares upon exercise of stock options	29	36,381	—	—	—	36,410
Issuance of ordinary shares upon release of restricted stock units	13	(13)	—	—	—	—
Share-based compensation expense	—	—	—	208,537	—	208,537
Balances at April 30, 2022	**$ 990**	**$ 849,417**	**$ (18,131)**	**$ 513,660**	**$ (929,977)**	**$ 415,959**
Total comprehensive loss for the year:						
Loss for the period	—	—	—	—	(276,053)	(276,053)
Other comprehensive income:						
Unrealized loss on marketable securities	—	—	(71)	—	—	(71)
Foreign currency translation differences	—	—	(1,814)	—	—	(1,814)
Total comprehensive loss for the year	—	—	(1,885)	—	(276,053)	(277,938)
Contributions by owners						
Issuance of ordinary shares upon exercise of stock options	12	17,459	—	—	—	17,471
Issuance of ordinary shares upon release of restricted stock units	23	(23)	—	—	—	—
Share-based compensation expense	—	—	—	242,252	—	242,252
Balances at April 30, 2023	**$ 1,025**	**$ 866,853**	**$ (20,016)**	**$ 755,912**	**$ (1,206,030)**	**$ 397,744**

Issuance of Shares

During fiscal 2023, 1,127,036 ordinary shares were issued upon exercise of stock options and 2,064,997 ordinary shares issued upon release of RSUs.

During fiscal 2022, 2,563,287 ordinary shares were issued upon exercise of stock options and 1,077,642 ordinary shares issued upon release of RSUs.

Ordinary Shares and Preference Shares

At April 30, 2023 there were 165,000,000 ordinary shares authorized par value €0.01 per share; 97,366,947 shares issued and outstanding as of April 30, 2023 and 94,174,914 shares issued and outstanding as of April 30, 2022.

The Company's board of directors has the authority, for a period of five years from October 10, 2018, without further action by the Company's shareholders, to issue up to 165 million shares of undesignated convertible preference shares with rights and preferences, including voting rights, designated from time to time by the board of directors. As of April 30, 2023, there were no convertible preference shares issued or outstanding.

Each holder of ordinary shares has the right to one vote per ordinary share. The holders of ordinary shares are also entitled to receive dividends whenever funds are legally available and when declared by the board of directors, subject to the prior rights of holders of all classes of shares outstanding having priority rights to dividends. No dividends have been declared by the board of directors from inception through the year ended April 30, 2023.

Translation Reserve

This amount comprises the translation of participations from a foreign currency to the presentational currency.

Appropriation of Results

In accordance with Article 10.1.4 of the Company's Articles of Association, the board of directors of the Company has determined that the net loss for the fiscal year 2023 be added to the Other reserve-accumulated losses.

3. Borrowings

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

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

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

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

As of April 30, 2023, the Company was in compliance with all of its financial covenants under the Indenture associated with the Senior Notes.

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

	Year Ended April 30,	
	2023	2022
Principal	$ 575,000	$ 575,000
Unamortized debt issuance costs	(7,457)	(8,480)
Net carrying amount	$ 567,543	$ 566,520

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

	Year Ended April 30,	
	2023	2022
Contractual interest expense	$ 23,719	$ 19,370
Amortization of debt issuance costs	1,023	803
Total interest expense related to the Senior Notes	$ 24,742	$ 20,173

4. Employees

During fiscal 2023, the average number of employees, based on full time equivalents, was 0.

(in thousands U.S. dollars unless otherwise stated)

5. Directors' Remuneration

Non-executive directors' compensation

The table below shows the total compensation awarded to our non-executive directors during fiscal 2023 (Amount in $):

	Fees earned or paid in cash	Share-based payment (1)		Total
Sohaib Abbasi (2)	$ 34,046	$ 246,480	(3)	$ 280,526
Jonathan Chadwick (4)	62,082	199,941		262,023
Alison Gleeson (2)	49,584	199,941		249,525
Shelley Leibowitz (2)	48,583	199,941		248,524
Caryn Marooney (2)	38,584	199,941		238,525
Chetan Puttagunta (2)	73,459	199,941		273,400
Steven Schuurman (5)	34,584	—		34,584
Michelangelo Volpi (6)	—	—		—
	$ 340,922	**$ 1,246,185**		**$ 1,587,107**

(1) The amounts shown represent the grant date fair value of RSU awards granted in fiscal 2023 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See Note 16, "Share-Based Payments" regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs awarded to each non-executive director during fiscal 2023 is set forth in the footnotes below.
(2) As of April 30, 2023, the non-executive director held 2,627 RSUs and no options to purchase ordinary shares.
(3) Represents the aggregate grant date fair value of RSUs granted to Mr. Abbasi on July 13, 2022, the effective date of his appointment as a non-executive director, and his annual grants on October 6, 2022, under the terms of our non-executive director compensation policy for fiscal year 2023 and the 2012 Plan, and calculated in accordance with ASC 718 based on the closing market price of our ordinary shares on the grant date as reported on the NYSE.
(4) As of April 30, 2023, Mr. Chadwick held 2,627 RSUs and 125,000 options to purchase ordinary shares.
(5) Mr. Schuurman did not receive any grants of RSUs or options to purchase ordinary shares in fiscal year 2023 in accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was a partner or a member of any venture capital firm that owns securities of the Company representing more than 2% of the outstanding and issued share capital of the Company, are not eligible to receive equity awards. As of April 30, 2023, Mr. Schuurman held no RSUs or options to purchase ordinary shares.
(6) Mr. Volpi, who resigned from the board of directors effective July 13, 2022, waived his right to receive payments of director fees and the annual equity grant to directors for fiscal year 2023. For the period that Mr. Volpi served as a non-executive director during fiscal year 2023, he would have been eligible to receive $6,667 in fees for his service as a director in fiscal year 2023.

The table below shows the total compensation awarded to our non-executive directors during fiscal 2022 *(Amount in $)*:

	Fees earned or paid in cash	Share-based payment (1)	Total
Jonathan Chadwick (2)	$ 57,500	$ 199,852	$ 257,352
Peter Fenton (3)	24,500	—	24,500
Alison Gleeson (4)	41,875	199,852	241,727
Shelley Leibowitz (4)	25,667	199,852	225,519
Caryn Marooney (4)	34,000	199,852	233,852
Chetan Puttagunta (4)	67,500	199,852	267,352
Steven Schuurman (5)	30,000	—	30,000
Michelangelo Volpi (6)	—	—	—
	$ 281,042	**$ 999,260**	**$ 1,280,302**

(1) The amounts shown represent the grant date fair value of RSU) awards granted in fiscal 2022 for financial reporting purposes pursuant to the provisions of IFRS 2. Such amounts do not represent amounts paid to or realized by the non-executive director. See Note 16, "Share-Based Payments" of consolidated financial statements, regarding assumptions underlying valuation of equity awards. Additional information regarding the RSUs awarded to each non-executive director during fiscal 2022 is set forth in the footnotes below.
(2) As of April 30, 2022, Mr. Chadwick held 1,323 RSUs and 137,500 options to purchase ordinary shares.
(3) Mr. Fenton's term as a member of our board of directors expired at our 2021 Annual Meeting. As of April 30, 2022, the non-executive director did not hold any RSUs or options to purchase ordinary shares.
(4) As of April 30, 2022, the non-executive director held 1,323 RSUs and no options to purchase ordinary shares.
(5) Mr. Schuurman did not receive any grants of RSUs or options to purchase ordinary shares in fiscal 2022 in accordance with our non-executive director compensation policy, which provides that non-employee directors who, at the time of appointment or the date of the annual general meeting, either (i) beneficially owned more than 2% of the outstanding and issued share capital of the Company, or (ii) was a partner or a member of any venture capital firm that owns securities of the Company representing more than 2% of the outstanding and issued share capital of the Company, are not eligible to receive equity awards. As of April 30, 2022, Mr. Schuurman held no RSUs or options to purchase ordinary shares.

(6) Mr. Volpi has waived his right to receive payments of director fees and the annual equity grant to directors. He would have been eligible to receive $39,875 in fees and an RSU award with a grant date fair value of $199,852 calculated in accordance with ASC 718 for his service as a director in fiscal 2022

6. Subsequent Events

On June 14, 2023, Jonathan Chadwick notified the BoD of the Company that he will not be standing for re-election as a non-executive director following the expiration of his term at the annual general shareholders meeting in October 2023 (the “2023 AGM”).

On June 14, 2023, the BoD nominated Paul Auvil to stand for election to the Company's Board as a non-executive director at the 2023 AGM. Pursuant to Dutch law, Mr. Auvil’s election to the Board is subject to a shareholder vote, to be held at the 2023 AGM. Subject to his election to the Board, Mr. Auvil also will be appointed to serve as the Chair of the Company’s Audit Committee and as a member of the Company’s Compensation Committee.

Up until the day of authorization for issuance, there were no events that would have exerted substantial influence on the net assets, financial position or results of operations as of April 30, 2023.

The financial statements were approved by the board and authorized for issue on August 28, 2023 and signed by:

Ashutosh Kulkarni (appointed March 9, 2022)
Executive Director & Chief Executive Officer
August 28, 2023

Shay Banon (appointed July 20, 2012)
Executive Director & Chief Technology Officer
August 28, 2023

Jonathan Chadwick (appointed August 14, 2018)
Non-executive Director
August 28, 2023

Shelley Leibowitz (appointed October 1, 2021)
Non-executive Director
August 28, 2023

Alison Gleeson (appointed January 10, 2020)
Non-executive Director
August 28, 2023

Caryn Marooney (appointed April 25, 2019)
Non-executive Director
August 28, 2023

Chetan Puttagunta (appointed January 10, 2017)
Non-executive Director
August 28, 2023

Steven Schuurman (appointed July 20, 2012)
Non-executive Director
August 28, 2023

Sohaib Abbasi (appointed July 13, 2022)
Non-executive Director
August 28, 2023

Elastic N.V.
Keizersgracht 281, 1016 ED, Amsterdam.
The Netherlands

Other Information

Appropriation of Result According to the Articles of Association

Article 10.1.4 of the Company’s Articles of Association, authorizes the board of directors of the Company to allocate any amount remaining out of profits (after distribution of dividends) to reserves. The Company incurred a net loss during the year and had no distributable profits, accordingly, the board of directors of the Company has determined that the net loss for the fiscal 2023 be added to the Other reserve-accumulated losses.

Independent Auditor’s Report

The report of the independent auditor, PricewaterhouseCoopers Accountants N.V., is set forth on the following pages.

Independent Auditor’s Report

Independent auditor's report

To: the general meeting and board of directors of Elastic N.V.

Report on the financial statements 2022/2023

Our opinion

In our opinion:

- the consolidated financial statements of Elastic N.V. together with its subsidiaries ('the Group') give a true and fair view of the financial position of the Group as at April 30, 2023 and of its result and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union ('EU-IFRS') and with Part 9 of Book 2 of the Dutch Civil Code;
- the company financial statements of Elastic N.V. ('the Company') give a true and fair view of the financial position of the Company as at April 30, 2023 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

What we have audited

We have audited the accompanying financial statements 2022/2023 of Elastic N.V., Amsterdam. The financial statements comprise the consolidated financial statements of the Group and the company financial statements.

The consolidated financial statements comprise:

- the Consolidated Statement of Financial Position as at April 30, 2023;
- the following statements for the year ended April 30, 2023: the Consolidated Statements of Comprehensive Loss, Changes in Equity and Cash Flows; and
- the notes, comprising significant accounting policies and other explanatory information.

The company financial statements comprise:

- the Company Balance Sheet as at April 30, 2023;
- the Company Profit and Loss account for the year ended April 30, 2023; and
- the notes, comprising the accounting policies applied and other explanatory information.

The financial reporting framework applied in the preparation of the financial statements is EU-IFRS and the relevant provisions of Part 9 of Book 2 of the Dutch Civil Code for the consolidated financial statements and Part 9 of Book 2 of the Dutch Civil Code for the company financial statements.

The basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. We have further described our responsibilities under those standards in the section 'Our responsibilities for the audit of the financial statements' of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of Elastic N.V. in accordance with the 'Wet toezicht accountantsorganisaties' (Wta, Audit firms supervision act), the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA, Dutch Code of Ethics).

Our audit approach

We designed our audit procedures with respect to the key audit matters, fraud and going concern, and the matters resulting from that, in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The information in support of our opinion, such as our findings and observations related to individual key audit matters, the audit approach fraud risk and the audit approach going concern was addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

Overview and context

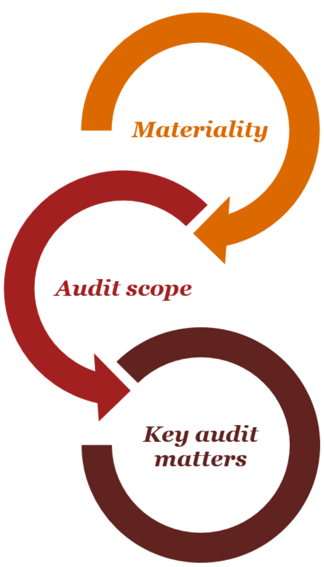
Elastic N.V. was founded in 2012. The Company created a set of software products that ingest and store data to allow users to search, analyze, and visualize this data. In October 2018, the Company listed its shares on the New York Stock Exchange. Revenues for 2022/2023 amount to $1,069 million, an increase of 24% compared to 2021/2022. The Company invests in its products and support, which resulted in a loss before income tax of $255 million for the period 2022/2023 (as compared to a loss before income tax of $266 million for the period 2021/2022). This resulted in an increase in our materiality compared to prior year as outlined in the section 'Materiality'. The Group is comprised of several components and therefore we considered our group audit scope and approach as set out in the section 'The scope of our group audit'. We paid specific attention to the areas of focus driven by the operations of the Group, as set out below.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the board of directors made important judgements, for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. In note 2 of the financial statements, the Company describes the areas of judgement in applying accounting policies and the key sources of estimation uncertainty. Given the higher inherent risks of material misstatement in revenue recognition, we considered this matter a key audit matter as set out in the section 'Key audit matters' of this report.

Other areas of focus, that were not considered as key audit matters, were the assessment of the utilisation of tax losses, share based payment calculations and accounting for deferred contract acquisition costs.

We ensured that the audit teams included the appropriate skills and competences which are needed for the audit. We therefore included experts and specialists in the areas of amongst others IT, valuations and income tax specialists in our team.

The outline of our audit approach was as follows:



Materiality

- Overall materiality: $10,500,000.

Audit scope

- We conducted our audit work in the United States and in the Netherlands.
- Audit coverage: 100% of consolidated revenue, 100% of consolidated total assets and 96% of consolidated loss before tax.

Key audit matter

- Revenue Recognition – Identification and Evaluation of Terms and Conditions in Contracts

Materiality

The scope of our audit was influenced by the application of materiality, which is further explained in the section 'Our responsibilities for the audit of the financial statements'.

Based on our professional judgement we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and to evaluate the effect of identified misstatements, both individually and in aggregate, on the financial statements as a whole and on our opinion.

Overall group materiality	$10.5 million (2021/2022: $9.9 million).
Basis for determining materiality	We used our professional judgement to determine overall materiality. As a basis for our judgement, we used 5% of the adjusted loss before income tax based on the accounting principles generally accepted in the United States of America (U.S. GAAP) consolidated financial statements as filed on Form 10-K.
Rationale for benchmark applied	We used loss before income tax adjusted for exceptional items (i.e. restructuring and other related charges and a one-time legal settlement gain) as the primary benchmark, a generally accepted auditing practice, based on our analysis of the common information needs of the users of the financial statements. On this basis, we believe that loss before income tax is an important metric for the financial performance of the Company. The entity was expected to make considerable losses and such losses may be indicative of future contributions to fund the business. The Company uses two accounting frameworks for calculating loss before income tax: ● International Financial Reporting Standards (IFRSs) as adopted by the European Union ('EU IFRS'); and ● U.S. GAAP applied for the quarterly and annual earnings releases and the financial statements filed with the United States Securities and Exchange Commission. This framework is the basis for and is applied in the operational accounting records and is predominately used by most of the stakeholders. In our judgment, the users of financial information of the Company are primarily interested in the U.S. GAAP financial information. Any user of these financial statements (EU IFRS) would likely not review this information in isolation. If users did review this information it would be in supplement to the U.S. GAAP financial information. Therefore, we applied the benchmark of 5% on the adjusted loss before income tax based on U.S. GAAP for the audit of these financial statements. We also tested the appropriateness of the reconciling items from U.S. GAAP to EU IFRS.
Component materiality	Based on our judgement, we allocate materiality to each component in our audit scope that is less than our overall group materiality. The range of materiality allocated across components was between $4.5 million and $10.5 million.

We agreed with the Audit Committee that we would report to them any misstatement identified during our audit above $800,000 (2021/2022: $700,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

The scope of our group audit

Elastic N.V. is the parent company of a group of entities. The financial information of this group is included in the consolidated financial statements of Elastic N.V.

We tailored the scope of our audit to ensure that we, in aggregate, provide sufficient coverage of the financial statements for us to be able to give an opinion on the financial statements as a whole, taking into account the management structure of the Group, the nature of operations of its components, the accounting processes and controls, and the markets in which the components of the Group operate.

As all accounting processes, with the exception of the payroll process, are centrally managed and accounted for, the group audit team was able to conduct the audit procedures centrally in the Netherlands and the United States. We performed all audit procedures on a consolidated level except for the audit of payroll related balances. For the audit of payroll related balances, we identified six components, to which we allocated a component materiality (see above). We did not make use of other auditors.

The group audit primarily focused on the significant components: Elasticsearch, Inc., Elasticsearch Limited, Elasticsearch B.V., Elasticsearch GmbH, Elasticsearch SARL, and Endgame Systems LLC.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of Elastic N.V. and its environment and the components of the internal control system. This included the board of directors' risk assessment process, the board of directors' process for responding to the risks of fraud and monitoring the internal control system. We refer to the section 'Risk Management and Control Systems' of the Director's Report for management's fraud risk assessment.

We evaluated the design and relevant aspects of the internal control system with respect to the risks of material misstatements due to fraud and in particular the fraud risk assessment, as well as the code of conduct, whistleblower procedures, incident registration and investigation protocols, among other things. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

We asked members of the board of directors as well as the internal audit department, legal affairs, compliance department, human resources, and regional directors whether they are aware of any actual or suspected fraud. This did not result in signals of actual or suspected fraud that may lead to a material misstatement.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We identified the following fraud risks and performed the following specific procedures:

Identified fraud risks	***Our audit work and observations***
Risk of management override of controls Management is in a unique position to perpetrate fraud because of management's ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. That is why, in all our audits, we pay attention to the risk of management override of controls in: • the appropriateness of journal entries and other adjustments made in the preparation of the financial statements; • estimates; • significant transactions, if any, outside the normal course of business for the entity.	We evaluated the design and implementation of the internal control system in the processes of generating and processing journal entries and making estimates. We also paid specific attention to the access safeguards in the IT system and the possibility that these lead to violations of segregation of duties. We selected journal entries based on risk criteria and conducted specific audit procedures for these entries. These procedures include, among others, inspection of the entries to source documentation. We also performed specific audit procedures related to important estimates of management as disclosed in Note 2 to the financial statements. We specifically paid attention to the inherent risk of bias of management in estimates. Where we have identified significant transactions outside the normal course of business we inquired into the nature of the significant transactions and obtained an understanding of the business rationale. We assessed the terms and conditions under which these have been entered into. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to management override of controls.
Risk of fraud in revenue recognition As part of our risk assessment and based on a presumption that there are risks of fraud in revenue recognition, we evaluated the risk of fraudulent financial reporting from an overstatement of revenues (e.g., through inaccurate revenue recognition). There is a risk for manual manipulation of the input data for the calculation of revenue to be recognized. Revenues is an important key performance indicator to demonstrate performance. In this context, management has been given specific targets for growth in turnover. This could lead to pressure on management to overstate revenue.	We evaluated the design and implementation of the internal control system in the processes related to revenue reporting. We tested, on a sample basis, the delivered performance and transaction prices of the revenue transactions based on sales agreements, delivery documents, sales invoices and cash receipts. In addition, we performed audit procedures by confirming accounts receivable balances or performing cash receipt testing on the accounts receivables balances per year-end to verify existence of sales transaction occurred during the financial year. We also performed procedures over deferred revenue balances, including a re-calculating of the year-end balances. Finally, we performed audit procedures to determine whether credit invoices were registered in the next financial year that indicate incorrectly registered revenue in the current financial year. Our audit procedures did not lead to specific indications of fraud or suspicions of fraud with respect to the revenue reporting.

We incorporated an element of unpredictability in our audit. During the audit, we remained alert to indications of fraud. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance of laws and regulations. Whenever we identify any indications of fraud, we re-evaluate our fraud risk assessment and its impact on our audit procedures.

Audit approach going concern

The board of directors prepared the financial statements on the assumption that the entity is a going concern and that it will continue all its operations for at least 12 months from the date of preparation of the financial statements. Our procedures to evaluate the board of directors' going concern assessment included, amongst others:

- considering whether the board of directors identified events or conditions that may cast significant doubt on the entity's ability to continue as a going concern (hereafter: going concern risks);
- considering whether the board of directors' going concern assessment includes all relevant information of which we are aware as a result of our audit and inquiring with the company regarding the board of directors' most important assumptions underlying its going concern assessment;
- evaluating the board of directors' current budget for at least 12 months from the date of preparation of the financial statements;
- performing inquiries of the board of directors as to its knowledge of going concern risks beyond the period of the board of directors' assessment.

Our procedures did not result in outcomes contrary to the board of directors' assumptions and judgments used in the application of the going concern assumption.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements. We have communicated the key audit matters to the board of directors. The key audit matters are not a comprehensive reflection of all matters identified by our audit and that we discussed. In this section, we described the key audit matters and included a summary of the audit procedures we performed on those matters.

Key audit matter	Our audit work and observations
Revenue Recognition – Identification and Evaluation of Terms and Conditions in Contracts As described in Note 3 to the consolidated financial statements, management applies the following steps in their determination of revenue to be recognized: 1. identification of the contract with a customer; 2. identification of the performance obligations in the contract; 3. determination of the transaction price; 4. allocation of the transaction price to the performance obligations; and 5. recognition of revenue when the Company satisfies each performance obligation. The Group's contracts include varying terms and conditions and identifying and evaluating the impact of these terms and conditions on revenue recognition requires significant judgment. For the fiscal year ended April 30, 2023, the Group's revenue was $1,069 million. The principal consideration for our determination that performing procedures relating to revenue recognition, specifically the identification and evaluation of terms and conditions in contracts, is a key audit matter, was the significant judgment by management in identifying and evaluating terms and conditions in contracts that impact revenue recognition. This in turn led to a high degree of auditor's judgment, subjectivity and effort in performing procedures and in evaluating the audit evidence to determine whether terms and conditions in contracts were appropriately identified and evaluated by management.	We tested the effectiveness of controls relating to the revenue recognition process, including controls related to the identification and evaluation of terms and conditions in contracts that impact revenue recognition. Our procedures also included, among others: 1. testing the completeness and accuracy of management's identification and evaluation of the specific terms with customers by examining revenue contracts on a sample basis; and 2. assessing the terms and conditions of the contract including their impact on revenue recognition. Based on our procedures we did not identify material exceptions. We also evaluated management's disclosures of significant judgments in relation to the Group's revenue recognition (note 3). Based on our procedures we considered the disclosures made in these notes to be adequate.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- the Dutch Statutory Board Report;
- the other information pursuant to Part 9 of Book 2 of the Dutch Civil Code.

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements; and
- contains all the information that is required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and the understanding obtained in our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing our procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those procedures performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the Dutch Statutory Board Report and the other information in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Our appointment

We were appointed as auditors of Elastic N.V following the passing of a resolution by the shareholders at an extraordinary general meeting of shareholders held on September 28, 2018. Our appointment as auditors of Elastic N.V. and its predecessor Elasticsearch Global B.V. has been renewed annually by shareholders representing a total period of uninterrupted appointment of 11 years.

Responsibilities for the financial statements and the audit

Responsibilities of the board of directors

The board of directors is responsible for:

- the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code; and for
- such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the Company's ability to continue as a going-concern. Based on the financial reporting frameworks mentioned, the board of directors should prepare the financial statements using the going concern basis of accounting unless the board of directors either intends to liquidate the Company or to cease operations or has no realistic alternative but to do so. The board of directors should disclose in the financial statements any event and circumstances that may cast significant doubt on the Company's ability to continue as a going concern.

The Audit Committee of the board of directors is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error and to issue an auditor's report that includes our opinion. Reasonable assurance is a high but not absolute level of assurance, which makes it possible that we may not detect all material misstatements. Misstatements may arise due to fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, August 28, 2023
PricewaterhouseCoopers Accountants N.V.

W. Voorthuijsen RA

Appendix to our auditor's report on the financial statements 2022/2023 of Elastic N.V.

In addition to what is included in our auditor's report, we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors.
- Concluding on the appropriateness of the board of directors' use of the going-concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the consolidated financial statements, we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the Group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the Group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the Group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.