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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 1, 2023

JFrog Ltd.

(Exact name of Registrant as Specified in Its Charter)

Israel
(State or Other Jurisdiction
of Incorporation)

001-39492
(Commission File Number)

98-0680649
(IRS Employer
Identification No.)

270 E. Caribbean Drive
Sunnyvale, California
(Address of Principal Executive Offices)

94089
(Zip Code)

Registrant's Telephone Number, Including Area Code: (408) 329-1540

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|-------------------------------------|----------------------|-------------------------------------------|
| Ordinary Shares, NIS 0.01 par value | FROG | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§ 230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§ 240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition.

On November 1, 2023, JFrog Ltd. (the “Company”) issued a press release and will hold a conference call announcing its financial results for its third quarter ended September 30, 2023. A copy of the press release is furnished herewith as Exhibit 99.1 and incorporated herein by reference.

The information contained herein and in the accompanying exhibit are “furnished” and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, regardless of any general incorporation language in such filing, unless expressly incorporated by specific reference in such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

| <u>Exhibit Number</u> | <u>Exhibit Description</u> |
|-----------------------|------------------------------------------------------------------------------|
| 99.1 | Press release issued by JFrog Ltd. dated November 1, 2023. |
| 104 | Cover Page Interactive Data File (embedded within the Inline XBRL document). |

SIGNATURE

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

JFrog Ltd.

Date: November 1, 2023

By: /s/ Jacob Shulman
Jacob Shulman
Chief Financial Officer

JFrog Announces Third Quarter Fiscal 2023 Results

- Total Revenues of \$88.6 million; up 23% Year-over-Year
- Cloud Revenues Up 46% Year-over-Year; driven by higher customer usage
- Customers with ARR over \$1 million increased to 30, up 67% year-over-year

Sunnyvale, Calif., November 1, 2023 – JFrog Ltd. (“JFrog”) (Nasdaq: FROG), the Liquid Software company and creators of the JFrog Software Supply Chain Platform, today announced financial results for its third quarter ended September 30, 2023.

“JFrog exceeded the high end of our guidance with solid performance in the third quarter. The numbers clearly illustrate the successful enterprise adoption of our hybrid Software Supply Chain Platform, which is focused on binary lifecycle management and incorporates comprehensive security solutions,” said Shlomi Ben Haim, JFrog CEO and Co-founder. “The new additions to our DevOps, Security and MLOps capabilities pave the way for future expansion, and we remain confident about driving further growth in the final quarter of the year.”

Third Quarter 2023 Financial Highlights

- Revenue for the third quarter of 2023 equaled \$88.6 million, up 23% year-over-year.
- GAAP Gross Profit was \$68.9 million; GAAP Gross Margin was 77.7%.
- Non-GAAP Gross Profit was \$74.1 million; Non-GAAP Gross Margin was 83.7%.
- GAAP Operating Loss was (\$18.1) million; GAAP Operating Margin was (20.4%).
- Non-GAAP Operating Income was \$11.9 million; Non-GAAP Operating Margin was 13.4%.
- GAAP Net Loss Per Share was (\$0.13); Non-GAAP Diluted Earnings Per Share was \$0.15.
- Operating Cash Flow was \$26.0 million; Free Cash Flow of \$25.4 million.
- Cash, Cash Equivalents and Investments were \$502.2 million as of September 30, 2023.
- Remaining performance obligations were \$235.1 million as of September 30, 2023.

Recent Business & Product Highlights

- Cloud revenue equaled \$30.6 million during the third quarter of 2023, an increase of 46% year-over-year. Cloud revenue represented 35% of total revenue, compared to 29% in the year-ago period.
- Net Dollar Retention rate for the trailing four quarters was 119%.
- \$100K ARR customers increased to 848 customers, compared with 696 in the year-ago period.
- \$1 million ARR customers increased to 30 customers, up from 18 customers in the year-ago period.
- Customers adopting the JFrog Platform’s end-to-end “Enterprise+” subscription represented 46% of total revenue, versus 39% in the year-ago period.
- Unveiled new security capabilities in the JFrog Software Supply Chain Platform, including AI and ML Model Security, Static Application Security Testing (SAST) and an Open Source Software (OSS) Catalog.
- Unveiled new DevOps functionality in the JFrog Software Supply Chain Platform including a Hugging Face ML Model repository, ML Model Management and Release Lifecycle Management (RLM) capabilities.
- Launched “Customer First” JFrog Channel Partner Program at annual JFrog user conference swampUP.

Fourth Quarter and Fiscal Year 2023 Outlook

- Fourth Quarter 2023 Outlook:
 - Revenue between \$92.5 million and \$93.5 million
 - Non-GAAP operating income between \$10.0 million and \$11.0 million
 - Non-GAAP net income per diluted share between \$0.12 and \$0.13, assuming approximately 111 million weighted average diluted shares outstanding
- Fiscal Year 2023 Outlook:
 - Revenue between \$345.1 million to \$346.1 million
 - Non-GAAP operating income between \$32.8 million and \$33.8 million
 - Non-GAAP net income per diluted share between \$0.44 and \$0.45, assuming approximately 109 million weighted average diluted shares outstanding

The section titled "Non-GAAP Financial Information" below describes our usage of non-GAAP financial measures. Reconciliations between historical GAAP and non-GAAP information are contained at the end of this press release following the accompanying financial data.

Conference Call Details

- Event: JFrog's Third Quarter Fiscal 2023 Financial Results Conference Call
- Date: Wednesday, November 1, 2023
- Time: 2:00 p.m. PT (5:00 p.m. ET)

A live webcast of the conference call will be accessible from the investor relations website at <https://investors.jfrog.com/events-and-presentations>.

About JFrog

JFrog Ltd. (Nasdaq: FROG), is on a mission to create a world of software delivered without friction from developer to device. Driven by a "Liquid Software" vision, the JFrog Software Supply Chain Platform is a single system of record that powers organizations to build, manage, and distribute software quickly and securely, ensuring it is available, traceable, and tamper-proof. The integrated security features also help identify, protect, and remediate against threats and vulnerabilities. JFrog's hybrid, universal, multi-cloud platform is available as both self-hosted and SaaS services across major cloud service providers. Millions of users and 7K+ customers worldwide, including a majority of the Fortune 100, depend on JFrog solutions to securely embrace digital transformation. Learn more at www.jfrog.com or follow us @JFrog.

Forward-Looking Statements:

This press release and the earnings call referencing this press release contain "forward-looking" statements, as that term is defined under the U.S. federal securities laws, including but not limited to statements regarding JFrog's future financial performance, including our outlook for the fourth quarter and for the full year of 2023 expectations regarding the market and revenue potential for JFrog Artifactory, JFrog Xray, JFrog Distribution, JFrog Connect and JFrog Curation, including the efficacy and benefit of integrating of any of the foregoing with other products and platform, our expectations regarding the mission-critical nature of the "JFrog Software Supply Chain Platform" to our customers' infrastructure, the growth potential of our cloud business, including hybrid and multi-cloud, our ability to provide effective tools and solutions to detect and remediate security vulnerabilities, the ability of our strategic sales team to grow the business across top-tier accounts, our ability to expand usage of our platform in the government and commercial sectors, our ability to successfully integrate acquisitions into our business operations,

including the JFrog Platform, and realize anticipated benefits and synergies from such acquisitions, our ability to contribute data to global security standards bodies, and our ability to innovate and meet market demands and the software supply chain needs of our customers. These forward-looking statements are based on JFrog's current assumptions, expectations and beliefs and are subject to substantial risks, uncertainties, assumptions and changes in circumstances that may cause JFrog's actual results, performance or achievements to differ materially from those expressed or implied in any forward-looking statement.

There are a significant number of factors that could cause actual results to differ materially from statements made in this press release and our earnings call, including but not limited to: risks associated with managing our rapid growth; our history of losses; our limited operating history; our ability to retain and upgrade existing customers our ability to attract new customers; our ability to effectively develop and expand our sales and marketing capabilities; our ability to integrate and realize anticipated synergies from acquisitions of complementary businesses; risk of a security breach incident or product vulnerability; risk of interruptions or performance problems associated with our products and platform capabilities; our ability to adapt and respond to rapidly changing technology or customer needs; our ability to compete in the markets in which we participate; our ability to successfully integrate technology from acquisitions into our offerings; our ability to provide continuity to our respective customers and realize innovation following our acquisitions; general market, political, economic, and business conditions, including the impact and the duration of the war between Hamas and Israel. Our actual results could differ materially from those stated or implied in forward-looking statements due to a number of factors, including but not limited to, risks detailed in our filings with the Securities and Exchange Commission, including in our annual report on Form 10-K for the year ended December 31, 2022, our quarterly reports on Form 10-Q, and other filings and reports that we may file from time to time with the Securities and Exchange Commission. Forward-looking statements represent our beliefs and assumptions only as of the date of this press release. We disclaim any obligation to update forward-looking statements.

About Non-GAAP Financial Measures:

JFrog discloses the following non-GAAP financial measures in this release and the earnings call referencing this press release: non-GAAP operating income (loss), non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating expenses (research and development, sales and marketing, general and administrative), non-GAAP operating margin, non-GAAP net income (loss), non-GAAP net income (loss) per diluted share, non-GAAP net income (loss) per basic share, and free cash flow. JFrog uses each of these non-GAAP financial measures internally to understand and compare operating results across accounting periods, for internal budgeting and forecasting purposes, for short- and long-term operating plans, and to evaluate JFrog's financial performance. JFrog believes they are useful to investors, as a supplement to GAAP measures, in evaluating its operational performance, as further discussed below. JFrog's non-GAAP financial measures may not provide information that is directly comparable to that provided by other companies in its industry, as other companies in its industry may calculate non-GAAP financial results differently, particularly related to non-recurring and unusual items. In addition, there are limitations in using non-GAAP financial measures because the non-GAAP financial measures are not prepared in accordance with GAAP and may be different from non-GAAP financial measures used by other companies and exclude expenses that may have a material impact on JFrog's reported financial results.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP.

A reconciliation of the historical non-GAAP financial measures to their most directly comparable GAAP measures has been provided in the financial statement tables included below in this press release. A reconciliation of non-GAAP guidance measures to corresponding GAAP measures is not available on a forward-looking basis without unreasonable effort due to the uncertainty regarding, and the potential variability of, reconciling items that may be incurred in the future such as share-based compensation, the effect of which may be significant.

JFrog defines non-GAAP gross profit, non-GAAP operating expenses (research and development, sales and marketing, general and administrative), non-GAAP gross margin, non-GAAP operating margin, non-GAAP operating income (loss) and non-GAAP net income (loss) as the respective GAAP balances, adjusted for, as applicable: (1) share-based compensation expense; (2) the amortization of acquired intangibles; (3) acquisition-related costs; (4) legal settlement costs and (5) income tax effects. JFrog defines free cash flow as Net cash provided by (used in) operating activities, minus capital expenditures. Investors are encouraged to review the reconciliation of these historical non-GAAP financial measures to their most directly comparable GAAP financial measures.

Management believes these non-GAAP financial measures are useful to investors and others in assessing JFrog's operating performance due to the following factors:

Share-based compensation. JFrog utilizes share-based compensation to attract and retain employees. It is principally aimed at aligning their interests with those of its shareholders and at long-term retention, rather than to address operational performance for any particular period. As a result, share-based compensation expenses vary for reasons that are generally unrelated to financial and operational performance in any particular period.

Amortization of acquired intangibles. JFrog views amortization of acquired intangible assets as items arising from pre-acquisition activities determined at the time of an acquisition. While these intangible assets are evaluated for impairment regularly, amortization of the cost of acquired intangibles is an expense that is not typically affected by operations during any particular period.

Acquisition-related costs. Acquisition-related costs include expenses related to acquisitions of other companies. JFrog views acquisition-related costs as expenses that are not necessarily reflective of operational performance during a period.

Legal settlement costs. From time to time JFrog incurs charges related to litigation settlements. We exclude these charges and related professional service costs when associated with a significant settlement because they are not reflective of JFrog's ongoing business and operating results.

Income tax effects. JFrog's non-GAAP financial results are adjusted for income tax effects related to these non-GAAP adjustments and changes in our assessment regarding the realizability of our deferred tax assets, if any. Excluding income tax effects of non-GAAP adjustments provides a more accurate view of JFrog's operating results.

Non-GAAP weighted average share count. Diluted GAAP and non-GAAP weighted-average shares are the same, except in periods that there is a GAAP loss and a non-GAAP income. The non-GAAP weighted-average shares used to compute the non-GAAP net income per share - diluted are adjusted to reflect dilution equal to the dilutive impact had there been GAAP income.

Additionally, JFrog's management believes that the non-GAAP financial measure, free cash flow, is meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures due to the fact that these expenditures are considered to be a necessary component of ongoing operations.

Operating Metrics

JFrog's number of customers with annual recurring revenue ("ARR") of \$100,000 or more is based on the ARR of each customer, as of the last month of the quarter. JFrog's number of customers with ARR of \$1 million or more is based on the ARR of each customer, as of the last month of the quarter. JFrog defines ARR as the annualized revenue run-rate of subscription agreements from all customers as of the last month of the quarter. The ARR includes monthly subscription customers, so long as JFrog generates revenue from these customers. JFrog

annualizes its monthly subscriptions by taking the revenue it would contractually expect to receive from such customers in a given month and multiplying it by 12.

JFrog's net dollar retention rate compares its ARR from the same set of customers across comparable periods. JFrog calculates net dollar retention rate by first identifying customers (the "Base Customers"), which were customers in the last month of a particular quarter (the "Base Quarter"). JFrog then calculates the contracted ARR from these Base Customers in the last month of the same quarter of the subsequent year (the "Comparison Quarter"). This calculation captures upsells, contraction, and attrition since the Base Quarter. JFrog then divides total Comparison Quarter ARR by total Base Quarter ARR for Base Customers. JFrog's net dollar retention rate in a particular quarter is obtained by averaging the result from that particular quarter with the corresponding results from each of the prior three quarters.

Investor Contact:

Jeff Schreiner
jeffs@jfrog.com

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---------------------------------------------------------------------------------|----------------------------------|--------------------|---------------------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Revenue: | | | | |
| Subscription—self-managed and SaaS | \$ 84,131 | \$ 67,750 | \$ 238,141 | \$ 190,498 |
| License—self-managed | 4,505 | 4,241 | 14,485 | 12,996 |
| Total subscription revenue | <u>88,636</u> | <u>71,991</u> | <u>252,626</u> | <u>203,494</u> |
| Cost of revenue: | | | | |
| Subscription—self-managed and SaaS ⁽¹⁾⁽²⁾⁽³⁾ | 19,532 | 15,678 | 55,966 | 44,345 |
| License—self-managed ⁽³⁾ | 218 | 220 | 654 | 660 |
| Total cost of revenue—subscription | <u>19,750</u> | <u>15,898</u> | <u>56,620</u> | <u>45,005</u> |
| Gross profit | <u>68,886</u> | <u>56,093</u> | <u>196,006</u> | <u>158,489</u> |
| Operating expenses: | | | | |
| Research and development ⁽¹⁾⁽²⁾ | 33,358 | 31,698 | 101,788 | 87,744 |
| Sales and marketing ⁽¹⁾⁽²⁾⁽³⁾ | 37,915 | 33,152 | 109,753 | 94,323 |
| General and administrative ⁽¹⁾⁽²⁾⁽⁴⁾ | 15,663 | 14,682 | 44,635 | 41,410 |
| Total operating expenses | <u>86,936</u> | <u>79,532</u> | <u>256,176</u> | <u>223,477</u> |
| Operating loss | (18,050) | (23,439) | (60,170) | (64,988) |
| Interest and other income, net | 5,733 | 1,369 | 14,621 | 2,159 |
| Loss before income taxes | (12,317) | (22,070) | (45,549) | (62,829) |
| Income tax expense | 1,430 | 1,482 | 4,474 | 4,200 |
| Net loss | <u>\$ (13,747)</u> | <u>\$ (23,552)</u> | <u>\$ (50,023)</u> | <u>\$ (67,029)</u> |
| Net loss per share, basic and diluted | <u>\$ (0.13)</u> | <u>\$ (0.24)</u> | <u>\$ (0.49)</u> | <u>\$ (0.68)</u> |
| Weighted-average shares used in computing net loss per share, basic and diluted | 104,135 | 99,618 | 102,646 | 98,825 |

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

| | | | | |
|-----------------------------------------------------|------------------|------------------|------------------|------------------|
| Cost of revenue: subscription—self-managed and SaaS | \$ 2,650 | \$ 1,903 | \$ 6,865 | \$ 4,822 |
| Research and development | 8,596 | 6,806 | 23,566 | 17,268 |
| Sales and marketing | 8,248 | 6,548 | 21,461 | 16,095 |
| General and administrative | 6,192 | 3,960 | 15,028 | 10,183 |
| Total share-based compensation expense | <u>\$ 25,686</u> | <u>\$ 19,217</u> | <u>\$ 66,920</u> | <u>\$ 48,368</u> |

(2) Includes acquisition-related costs as follows:

| | | | | |
|-----------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Cost of revenue: subscription—self-managed and SaaS | \$ 6 | \$ 6 | \$ 16 | \$ 19 |
| Research and development | 1,251 | 2,304 | 6,931 | 6,828 |
| Sales and marketing | 19 | 228 | 89 | 464 |
| General and administrative | 18 | 10 | 158 | 244 |
| Total acquisition-related costs | <u>\$ 1,294</u> | <u>\$ 2,548</u> | <u>\$ 7,194</u> | <u>\$ 7,555</u> |

(3) Includes amortization of acquired intangibles as follows:

| | | | | |
|----------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|
| Cost of revenue: subscription—self-managed and SaaS | \$ 2,386 | \$ 2,386 | \$ 7,160 | \$ 7,158 |
| Cost of revenue: license—self-managed | 218 | 220 | 654 | 660 |
| Sales and marketing | 357 | 298 | 1,073 | 770 |
| Total amortization expense of acquired intangible assets | <u>\$ 2,961</u> | <u>\$ 2,904</u> | <u>\$ 8,887</u> | <u>\$ 8,588</u> |

(4) Includes legal settlement costs as follows:

| | | | | |
|----------------------------|------|------|------|--------|
| General and administrative | \$ — | \$ — | \$ — | \$ 216 |
|----------------------------|------|------|------|--------|

JFROG LTD.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands; unaudited)

| | September 30, 2023 | December 31, 2022 |
|-------------------------------------------------|--------------------|-------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 60,984 | \$ 45,595 |
| Short-term investments | 441,194 | 397,605 |
| Accounts receivable, net | 60,922 | 62,117 |
| Deferred contract acquisition costs | 10,211 | 8,102 |
| Prepaid expenses and other current assets | 13,924 | 18,603 |
| Total current assets | 587,235 | 532,022 |
| Property and equipment, net | 6,582 | 8,021 |
| Deferred contract acquisition costs, noncurrent | 16,161 | 13,501 |
| Operating lease right-of-use assets | 25,212 | 24,602 |
| Intangible assets, net | 28,657 | 37,544 |
| Goodwill | 247,955 | 247,955 |
| Other assets, noncurrent | 7,805 | 7,576 |
| Total assets | <u>\$ 919,607</u> | <u>\$ 871,221</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 14,712 | \$ 14,867 |
| Accrued expenses and other current liabilities | 32,083 | 28,848 |
| Operating lease liabilities | 8,163 | 7,132 |
| Deferred revenue | 179,446 | 158,725 |
| Total current liabilities | 234,404 | 209,572 |
| Deferred revenue, noncurrent | 12,489 | 16,990 |
| Operating lease liabilities, noncurrent | 15,903 | 16,829 |
| Other liabilities, noncurrent | 3,713 | 3,057 |
| Total liabilities | 266,509 | 246,448 |
| Shareholders' equity: | | |
| Share capital | 294 | 283 |
| Additional paid-in capital | 935,445 | 856,438 |
| Accumulated other comprehensive loss | (3,442) | (2,772) |
| Accumulated deficit | (279,199) | (229,176) |
| Total shareholders' equity | 653,098 | 624,773 |
| Total liabilities and shareholders' equity | <u>\$ 919,607</u> | <u>\$ 871,221</u> |

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

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------|------------------|---------------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Cash flows from operating activities: | | | | |
| Net loss | \$ (13,747) | \$ (23,552) | \$ (50,023) | \$ (67,029) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | | | |
| Depreciation and amortization | 3,837 | 3,698 | 11,512 | 10,789 |
| Share-based compensation expense | 25,686 | 19,217 | 66,920 | 48,368 |
| Non-cash operating lease expense | 2,149 | 1,847 | 6,294 | 5,449 |
| Net amortization of premium or discount on investments | (1,718) | 626 | (4,588) | 3,014 |
| Losses (gains) on foreign exchange | (278) | 1,937 | (869) | 1,937 |
| Changes in operating assets and liabilities: | | | | |
| Accounts receivable | 1,558 | 3,736 | 1,337 | 1,215 |
| Prepaid expenses and other assets | 2,491 | 969 | 530 | 5,105 |
| Deferred contract acquisition costs | (3,175) | (1,864) | (4,769) | (5,470) |
| Accounts payable | 1,794 | (99) | (119) | 2,128 |
| Accrued expenses and other liabilities | 1,905 | (2,268) | 4,935 | 3,189 |
| Operating lease liabilities | (2,048) | (1,786) | (5,818) | (7,212) |
| Deferred revenue | 7,527 | 2,667 | 16,220 | 12,628 |
| Net cash provided by operating activities | <u>25,981</u> | <u>5,128</u> | <u>41,562</u> | <u>14,111</u> |
| Cash flows from investing activities: | | | | |
| Purchases of short-term investments | (98,738) | (124,436) | (303,310) | (305,715) |
| Maturities and sales of short-term investments | 83,676 | 117,906 | 266,847 | 273,775 |
| Purchases of property and equipment | (591) | (1,306) | (1,364) | (3,437) |
| Payments related to business combination | — | — | — | (179) |
| Purchase of intangible asset | — | (300) | — | (300) |
| Net cash used in investing activities | <u>(15,653)</u> | <u>(8,136)</u> | <u>(37,827)</u> | <u>(35,856)</u> |
| Cash flows from financing activities: | | | | |
| Proceeds from exercise of share options | 2,066 | 1,802 | 5,433 | 4,675 |
| Proceeds from employee share purchase plan | 3,166 | 1,923 | 6,665 | 5,176 |
| Payments to tax authorities, net of proceeds from employee equity transactions | (1,149) | 335 | (332) | (160) |
| Net cash provided by financing activities | <u>4,083</u> | <u>4,060</u> | <u>11,766</u> | <u>9,691</u> |
| Effect of exchange rate changes on cash, cash equivalents and restricted cash | (121) | (2,293) | (112) | (2,293) |
| Net increase (decrease) in cash, cash equivalents, and restricted cash | 14,290 | (1,241) | 15,389 | (14,347) |
| Cash, cash equivalents, and restricted cash—beginning of period | 46,706 | 55,434 | 45,607 | 68,540 |
| Cash, cash equivalents, and restricted cash—end of period | <u>\$ 60,996</u> | <u>\$ 54,193</u> | <u>\$ 60,996</u> | <u>\$ 54,193</u> |
| Reconciliation of cash, cash equivalents, and restricted cash within the Condensed Consolidated Balance Sheets to the amounts shown in the Condensed Consolidated Statements of Cash Flows above: | | | | |
| Cash and cash equivalents | \$ 60,984 | \$ 53,971 | \$ 60,984 | \$ 53,971 |
| Restricted cash included in prepaid expenses and other current assets | 12 | 12 | 12 | 12 |
| Restricted cash included in other assets, noncurrent | — | 210 | — | 210 |
| Total cash, cash equivalents, and restricted cash | <u>\$ 60,996</u> | <u>\$ 54,193</u> | <u>\$ 60,996</u> | <u>\$ 54,193</u> |

JFROG LTD.
RECONCILIATION OF GAAP TO NON-GAAP RESULTS
(in thousands except per share data; unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|----------------------------------------------------------------------------------------|----------------------------------|------------------|---------------------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Reconciliation of gross profit and gross margin | | | | |
| GAAP gross profit | \$ 68,886 | \$ 56,093 | \$ 196,006 | \$ 158,489 |
| Plus: Share-based compensation expense | 2,650 | 1,903 | 6,865 | 4,822 |
| Plus: Acquisition-related costs | 6 | 6 | 16 | 19 |
| Plus: Amortization of acquired intangibles | 2,604 | 2,606 | 7,814 | 7,818 |
| Non-GAAP gross profit | <u>\$ 74,146</u> | <u>\$ 60,608</u> | <u>\$ 210,701</u> | <u>\$ 171,148</u> |
| GAAP gross margin | 77.7% | 77.9% | 77.6% | 77.9% |
| Non-GAAP gross margin | 83.7% | 84.2% | 83.4% | 84.1% |
| Reconciliation of operating expenses | | | | |
| GAAP research and development | \$ 33,358 | \$ 31,698 | \$ 101,788 | \$ 87,744 |
| Less: Share-based compensation expense | (8,596) | (6,806) | (23,566) | (17,268) |
| Less: Acquisition-related costs | (1,251) | (2,304) | (6,931) | (6,828) |
| Non-GAAP research and development | <u>\$ 23,511</u> | <u>\$ 22,588</u> | <u>\$ 71,291</u> | <u>\$ 63,648</u> |
| GAAP sales and marketing | \$ 37,915 | \$ 33,152 | \$ 109,753 | \$ 94,323 |
| Less: Share-based compensation expense | (8,248) | (6,548) | (21,461) | (16,095) |
| Less: Acquisition-related costs | (19) | (228) | (89) | (464) |
| Less: Amortization of acquired intangibles | (357) | (298) | (1,073) | (770) |
| Non-GAAP sales and marketing | <u>\$ 29,291</u> | <u>\$ 26,078</u> | <u>\$ 87,130</u> | <u>\$ 76,994</u> |
| GAAP general and administrative | \$ 15,663 | \$ 14,682 | \$ 44,635 | \$ 41,410 |
| Less: Share-based compensation expense | (6,192) | (3,960) | (15,028) | (10,183) |
| Less: Acquisition-related costs | (18) | (10) | (158) | (244) |
| Less: Legal settlement costs | — | — | — | (216) |
| Non-GAAP general and administrative | <u>\$ 9,453</u> | <u>\$ 10,712</u> | <u>\$ 29,449</u> | <u>\$ 30,767</u> |
| Reconciliation of operating income (loss) and operating margin | | | | |
| GAAP operating loss | \$ (18,050) | \$ (23,439) | \$ (60,170) | \$ (64,988) |
| Plus: Share-based compensation expense | 25,686 | 19,217 | 66,920 | 48,368 |
| Plus: Acquisition-related costs | 1,294 | 2,548 | 7,194 | 7,555 |
| Plus: Amortization of acquired intangibles | 2,961 | 2,904 | 8,887 | 8,588 |
| Plus: Legal settlement costs | — | — | — | 216 |
| Non-GAAP operating income (loss) | <u>\$ 11,891</u> | <u>\$ 1,230</u> | <u>\$ 22,831</u> | <u>\$ (261)</u> |
| GAAP operating margin | (20.4)% | (32.6)% | (23.8)% | (31.9)% |
| Non-GAAP operating margin | 13.4% | 1.7% | 9.0% | (0.1)% |
| Reconciliation of net income (loss) | | | | |
| GAAP net loss | \$ (13,747) | \$ (23,552) | \$ (50,023) | \$ (67,029) |
| Plus: Share-based compensation expense | 25,686 | 19,217 | 66,920 | 48,368 |
| Plus: Acquisition-related costs | 1,294 | 2,548 | 7,194 | 7,555 |
| Plus: Amortization of acquired intangibles | 2,961 | 2,904 | 8,887 | 8,588 |
| Plus: Legal settlement costs | — | — | — | 216 |
| Less: Income tax effects | 420 | 639 | 1,658 | 2,020 |
| Non-GAAP net income (loss) | <u>\$ 16,614</u> | <u>\$ 1,756</u> | <u>\$ 34,636</u> | <u>\$ (282)</u> |
| Net income (loss) per share - basic | <u>\$ 0.16</u> | <u>\$ 0.02</u> | <u>\$ 0.34</u> | <u>\$ (0.00)</u> |
| Net income (loss) per share - diluted | <u>\$ 0.15</u> | <u>\$ 0.02</u> | <u>\$ 0.32</u> | <u>\$ (0.00)</u> |
| Shares used in non-GAAP net income (loss) per share calculations: | | | | |
| GAAP weighted-average shares used to compute net loss per share - basic and diluted | 104,135 | 99,618 | 102,646 | 98,825 |
| Add: Dilutive ordinary share equivalents ⁽¹⁾ | 6,056 | 5,603 | 5,747 | — |
| Non-GAAP weighted-average shares used to compute net income (loss) per share - diluted | 110,191 | 105,221 | 108,393 | 98,825 |

(1) Potentially dilutive shares are excluded in calculating the non-GAAP diluted shares for the nine months ended September 30, 2022 as the inclusion of such shares would have been anti-dilutive due to net loss in the period.

JFROG LTD.
RECONCILIATION OF GAAP CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW AND SUPPLEMENTAL DISCLOSURE
(in thousands; unaudited)

| | <u>Three Months Ended September 30,</u> | | <u>Nine Months Ended September 30,</u> | |
|-------------------------------------------------------|-----------------------------------------|-------------------|----------------------------------------|-------------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Free cash flow reconciliation: | | | | |
| Net cash provided by operating activities | \$ 25,981 | \$ 5,128 | \$ 41,562 | \$ 14,111 |
| Less: purchases of property and equipment | (591) | (1,306) | (1,364) | (3,437) |
| Free cash flow | <u>\$ 25,390</u> | <u>\$ 3,822</u> | <u>\$ 40,198</u> | <u>\$ 10,674</u> |
| Supplemental disclosure: | | | | |
| Retention bonus related to acquisition ⁽¹⁾ | <u>\$ (1,857)</u> | <u>\$ (2,073)</u> | <u>\$ (1,857)</u> | <u>\$ (2,073)</u> |

(1) Retention bonuses were distributed to current employees from the acquisition of Vdoo Connected Trust Ltd. in July 2021. Vdoo's continuing employees are entitled to three annual installments of retention bonus as part of the acquisition arrangements. The retention bonus has been expensed primarily in research and development over the service period.