UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2019

OR

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

For the transition period from to

Commission File Number: 001-37874

Everbridge, Inc.
(Exact Name of Registrant as Specified in its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**26-2919312** **(I.R.S. Employer Identification No.)**
25 Corporate Drive, Suite 400 **Burlington, Massachusetts** **(Address of principal executive offices)**	**01803** **(Zip Code)**

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value per share	EVBG	The Nasdaq Capital Market

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

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

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

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practical date

As of August 1, 2019, the registrant had 33,563,285 shares of common stock issued and outstanding.

PART I—FINANCIAL INFORMATION

Item 1. Condensed Consolidated Financial Statements (Unaudited).

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

	As of June 30, 2019	As of December 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 235,130	$ 59,978
Restricted cash	94	90
Short-term investments	3,496	45,541
Accounts receivable, net	42,400	41,107
Prepaid expenses	8,358	4,890
Deferred costs	6,867	6,503
Other current assets	2,739	4,406
Total current assets	299,084	162,515
Property and equipment, net	6,034	4,650
Capitalized software development costs, net	13,850	12,893
Goodwill	51,466	48,382
Intangible assets, net	25,242	23,197
Deferred costs	10,692	10,265
Restricted cash	3,031	—
Other assets	15,180	278
Total assets	$ 424,579	$ 262,180
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 5,126	$ 2,719
Accrued payroll and employee related liabilities	14,244	17,108
Accrued expenses	4,892	5,565
Deferred revenue	95,046	92,738
Note payable	—	427
Other current liabilities	5,443	1,490
Total current liabilities	124,751	120,047
Long-term liabilities:		
Deferred revenue, noncurrent	2,993	2,898
Convertible senior notes	96,521	94,097
Deferred tax liabilities	1,105	1,032
Other long term liabilities	13,669	1,948
Total liabilities	239,039	220,022
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value $0.001, 10,000,000 shares authorized, no shares issued or outstanding as of June 30, 2019 and December 31, 2018, respectively	—	—
Common stock, $0.001 par value, 100,000,000 shares authorized, 33,150,319 and 29,700,192 shares issued and outstanding as of June 30, 2019 and December 31, 2018, respectively	33	30
Additional paid-in capital	364,149	194,866
Accumulated deficit	(173,867)	(147,670)
Accumulated other comprehensive loss	(4,775)	(5,068)
Total stockholders' equity	185,540	42,158
Total liabilities and stockholders' equity	$ 424,579	$ 262,180

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Operations
(in thousands, except share and per share data)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Revenue	$ 48,405	$ 35,822	$ 91,224	$ 66,341
Cost of revenue	14,739	11,532	28,720	21,192
Gross profit	33,666	24,290	62,504	45,149
Operating expenses:				
Sales and marketing	22,015	19,179	42,086	34,955
Research and development	12,802	12,027	24,287	20,198
General and administrative	10,464	8,635	21,022	16,479
Total operating expenses	45,281	39,841	87,395	71,632
Operating loss	(11,615)	(15,551)	(24,891)	(26,483)
Other income (expense), net:				
Interest and investment income	1,332	400	2,509	856
Interest expense	(1,654)	(1,572)	(3,289)	(3,144)
Other expense, net	12	(6)	(94)	(204)
Total other income (expense), net	(310)	(1,178)	(874)	(2,492)
Loss before income taxes	(11,925)	(16,729)	(25,765)	(28,975)
Provision for income taxes	(138)	(189)	(432)	(285)
Net loss	$ (12,063)	$ (16,918)	$ (26,197)	$ (29,260)
Net loss per share attributable to common stockholders:				
Basic	$ (0.37)	$ (0.59)	$ (0.80)	$ (1.02)
Diluted	$ (0.37)	$ (0.59)	$ (0.80)	$ (1.02)
Weighted-average common shares outstanding:				
Basic	33,015,861	28,848,809	32,645,522	28,642,887
Diluted	33,015,861	28,848,809	32,645,522	28,642,887

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(in thousands)
(unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Net loss	$ (12,063)	$ (16,918)	$ (26,197)	$ (29,260)
Other comprehensive income (loss):				
Foreign currency translation adjustment, net of taxes	271	(2,384)	293	(2,651)
Total comprehensive loss	$ (11,792)	$ (19,302)	$ (25,904)	$ (31,911)

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(in thousands)
(unaudited)

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated—other comprehensive income (loss)	Total
	Shares	Par value				
Balance at December 31, 2018	29,700,192	$ 30	$ 194,866	$ (147,670)	$ (5,068)	$ 42,158
Issuance of common stock, net of cost	2,645,000	3	138,836	—	—	138,839
Stock-based compensation	—	—	7,849	—	—	7,849
Vesting of restricted stock units	16,849	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(5,301)	—	(333)	—	—	(333)
Exercise of stock options	501,083	—	8,746	—	—	8,746
Issuance of shares under employee stock purchase plan	24,266	—	1,283	—	—	1,283
Other comprehensive income	—	—	—	—	22	22
Net loss	—	—	—	(14,134)	—	(14,134)
Balance at March 31, 2019	32,882,089	$ 33	$ 351,247	$ (161,804)	$ (5,046)	$ 184,430
Issuance of common stock, net of cost	—	—	(5)	—	—	(5)
Stock-based compensation	—	—	8,282	—	—	8,282
Vesting of restricted stock units	25,720	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(1,410)	—	(116)	—	—	(116)
Exercise of stock options	243,920	—	4,741	—	—	4,741
Other comprehensive income	—	—	—	—	271	271
Net loss	—	—	—	(12,063)	—	(12,063)
Balance at June 30, 2019	33,150,319	$ 33	$ 364,149	$ (173,867)	$ (4,775)	$ 185,540

	Common stock		Additional paid-in capital	Accumulated deficit	Accumulated— other comprehensive income (loss)	Total
	Shares	Par value				
Balance at December 31, 2017	28,330,460	$ 28	$ 164,995	$ (109,252)	$ 220	$ 55,991
Cumulative effect of adoption of ASU 2014-09, net of taxes	—	—	—	9,097	—	9,097
Stock-based compensation	—	—	6,694	—	—	6,694
Vesting of restricted stock units	222,624	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(27,771)	—	(1,022)	—	—	(1,022)
Exercise of stock options	153,744	1	1,465	—	—	1,466
Issuance of shares under employee stock purchase plan	44,193	—	881	—	—	881
Other comprehensive loss	—	—	—	—	(267)	(267)
Net loss	—	—	—	(12,342)	—	(12,342)
Balance at March 31, 2018	28,723,250	$ 29	$ 173,013	$ (112,497)	$ (47)	$ 60,498
Stock-based compensation	—	—	10,022	—	—	10,022
Vesting of restricted stock units	221,624	—	—	—	—	—
Restricted stock units withheld to settle employee tax withholding liability	(53,326)	—	(2,750)	—	—	(2,750)
Exercise of stock options	367,819	—	4,369	—	—	4,369
Other comprehensive loss	—	—	—	—	(2,384)	(2,384)
Net loss	—	—	—	(16,918)	—	(16,918)
Balance at June 30, 2018	29,259,367	$ 29	$ 184,654	$ (129,415)	$ (2,431)	$ 52,837

See accompanying notes to condensed consolidated financial statements.

EVERBRIDGE, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Cash flows from operating activities:		
Net loss	$ (26,197)	$ (29,260)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,700	6,328
Amortization of deferred costs	3,607	2,513
Loss on disposal of assets	—	84
Deferred income taxes	83	101
Accretion of interest on convertible senior notes	2,424	2,274
Non-cash investment income	(245)	(228)
Provision for doubtful accounts and sales reserve	389	24
Change in fair value of contingent consideration	—	(250)
Stock-based compensation	15,793	16,512
Changes in operating assets and liabilities:		
Accounts receivable	(1,387)	5,627
Prepaid expenses	(3,461)	(2,011)
Deferred costs	(4,398)	(4,198)
Other assets	83	(1,005)
Accounts payable	3,669	93
Accrued payroll and employee related liabilities	(2,864)	305
Accrued expenses	(719)	566
Deferred revenue	1,523	1,061
Other liabilities	511	12
Net cash used in operating activities	(3,489)	(1,452)
Cash flows from investing activities:		
Capital expenditures	(3,875)	(414)
Proceeds from landlord reimbursement	1,143	—
Payments for acquisition of business, net of acquired cash	(6,764)	(35,857)
Purchase of short-term investments	(1,975)	(30,932)
Maturities of short-term investments	44,265	70,645
Additions to intangibles	—	(168)
Additions to capitalized software development costs	(3,949)	(4,038)
Net cash provided by (used in) investing activities	28,845	(764)
Cash flows from financing activities:		
Restricted stock units withheld to settle employee tax withholding liability	(449)	(3,772)
Payment of contingent consideration	—	(431)
Payment on note payable	(427)	—
Payments on finance lease obligation	(121)	
Proceeds from public offering, net of costs	139,110	—
Payments of debt issuance costs	—	(84)
Proceeds from employee stock purchase plan	1,283	881
Proceeds from stock option exercises	13,487	5,835
Net cash provided by financing activities	152,883	2,429
Effect of exchange rates on cash, cash equivalents and restricted cash	(52)	(665)
Net increase (decrease) in cash, cash equivalents and restricted cash	178,187	(452)
Cash, cash equivalents and restricted cash—beginning of period	60,068	103,051
Cash, cash equivalents and restricted cash—end of period	$ 238,255	$ 102,599
Supplemental disclosures of cash flow information:		
Cash paid during the year for:		
Interest	$ 863	$ 771
Taxes, net of refunds received	—	41
Supplemental disclosure of non-cash activities:		
Capitalized assets included in accounts payable and accrued expenses	217	85
Capitalized development costs included in accounts payable and accrued expenses	14	—
Stock-based compensation capitalized for software development	338	204

See accompanying notes to condensed consolidated financial statements.

Everbridge, Inc.
Notes to the Condensed Consolidated Financial Statements
(Unaudited)

(1) Business and Nature of Operations

Everbridge, Inc., a Delaware corporation (together with its wholly-owned subsidiaries, referred to as Everbridge or the Company), is a global software company that provides critical communications and enterprise safety applications that enable customers to automate and accelerate the process of keeping people safe and businesses running during critical events. The Company's SaaS-based platform enables the Company's customers to quickly and reliably deliver messaging to a large group of people during critical situations. The Company's enterprise applications, such as Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Public Warning, Crisis Management, Community Engagement and Secure Messaging, automate numerous critical communications processes. The Company generates revenue primarily from subscription fees to the Company's enterprise applications. The Company has operations in the United States, Norway, India, the Netherlands, Sweden, England and China.

(2) Summary of Significant Accounting Policies

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America, or GAAP and applicable rules and regulations of the Securities and Exchange Commission, or the SEC, regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Therefore, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2018.

The condensed consolidated balance sheet as of December 31, 2018, included herein, was derived from the audited financial statements as of that date, but does not include all disclosures including certain notes required by GAAP on an annual reporting basis.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, comprehensive loss, statements of stockholders' equity and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for the full year 2019 or any future period.

Effective January 1, 2019, the Company adopted the requirements of Accounting Standards Update ASU, No. 2016-02, *Leases*, as discussed in this Note 2 and Note 16.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

Use of Estimates

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

Assets and liabilities which are subject to judgment and use of estimates include the determination of the period of benefit for deferred commissions, allowances for doubtful accounts, the fair value of assets acquired and liabilities assumed in business combinations, the recoverability of goodwill and long-lived assets, valuation allowances with respect to deferred tax assets, useful lives associated with property and equipment and intangible assets, contingencies, and the valuation and assumptions underlying stock-based compensation. On an ongoing basis, the Company evaluates its estimates compared to historical experience and trends, which form the basis for making judgments about the carrying value of assets and liabilities. In addition, the Company engages valuation specialists to assist with management's determination of the valuation of its fair values of assets acquired and liabilities assumed in business combinations and certain market-based performance equity awards.

Concentrations of Credit and Business Risk

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

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

The Company's accounts receivable are generally unsecured and are derived from revenue earned from customers primarily located in the United States, Norway, Sweden and the United Kingdom and are generally denominated in U.S. dollars, Norwegian Krone, Swedish Kronor or British Pounds. Each reporting period, the Company reevaluates each customer's ability to satisfy credit obligations and maintains an allowance for doubtful accounts based on the evaluations. No single customer comprised more than 10% of the Company's total revenue for the three and six months ended June 30, 2019 and 2018. No single customer comprised more than 10% of the Company's total accounts receivable as of June 30, 2019 and 2018.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with original maturities of three months or less at the date of purchase to be cash equivalents. Cash and cash equivalents are recorded at cost, which approximates fair value. As of June 30, 2019, $225.3 million of the Company's cash equivalents were invested in money market funds.

Restricted Cash

The Company's restricted cash balance primarily consist of cash held at a financial institution for collateral against performance on one of the Company's customer contracts.

Short-Term Investments

Short-term investments consist of highly liquid investments, primarily commercial paper, U.S. Treasury and U.S. agency securities, with maturities over three months from the date of purchase and less than 12 months from the date of the balance sheet. Debt securities, money market funds and U.S. agency bonds that the Company has the ability and positive intent to hold to maturity are carried at amortized cost, which approximates fair value. Short-term investments of $3.5 million and $45.5 million at June 30, 2019 and December 31, 2018, respectively, were classified as held-to-maturity and primarily comprised of U.S. treasury and U.S. government and agency securities. All held-to-maturity securities at June 30, 2019 have maturity dates within one year.

Significant Accounting Policies

Except for the accounting policies for leases that were updated, as set forth below, as a result of adopting ASU No. 2016-02, there have been no changes to the Company's significant accounting policies described in the Annual Report on Form 10-K for the year ended December 31, 2018 filed with the SEC on March 1, 2019, that have had a material impact on the Company's condensed consolidated financial statements and related notes.

Revenue Recognition

The Company derives its revenues primarily from subscription services and professional services. Revenues are recognized when control of these services is transferred to the Company's customers in an amount that reflects the consideration it expects to be entitled to in exchange for those services.

The Company determines revenue recognition through the following steps:

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

Subscription Services Revenues

Subscription services revenues primarily consist of fees that provide customers access to one or more of the Company's hosted applications for critical communications and enterprise safety applications, with routine customer support. Revenue is generally recognized over time on a ratable basis over the contract term beginning on the date that the Company's service is made available to the customer. All services are recognized using an output measure of progress looking at time elapsed as the contract generally provides the customer equal benefit throughout the contract period. The Company's subscription contracts are generally two years or longer in length, billed annually in advance, and non-cancelable. In addition, on occasion we may sell our software for on premise usage. These sales have been to a limited number of customers and is not a significant revenue stream for the Company.

Professional Services Revenues

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

Contracts with Multiple Performance Obligations

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

Returns

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

Customer Acceptance

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

Trade and Other Receivables

Trade and other receivables are primarily comprised of trade receivables that are recorded at the invoice amount, net of an allowance for doubtful accounts, which is not material. Other receivables represent unbilled receivables related to subscription and professional services contracts.

Deferred Costs

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

Deferred Revenue

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

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

Recently Adopted Accounting Pronouncements

ASU No. 2016-02

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

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

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

ASU No. 2018-02

In February 2018, the FASB issued ASU 2018-02, Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income. The amendments in this update allow a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the U.S. Tax Cuts and Jobs Act of 2017. The new standard is effective for the Company beginning on January 1, 2019, with early adoption permitted. The Company adopted ASU 2018-02 effective January 1, 2019. The adoption of this standard did not have an impact on the Company's condensed consolidated financial statements.

ASU No. 2018-07

In June 2018, the FASB issued ASU 2018-07, Improvements to Nonemployee Share Based Payments. The improvement expands stock-based compensation guidance to include share-based payment transactions for acquiring goods and services from nonemployees. The pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2018. The new standard is effective for the Company beginning on January 1, 2019, with early adoption permitted. The Company will adopt ASU 2018-07 effective January 1, 2019. The adoption of this standard did not have an impact on our condensed consolidated financial statements.

Recently Issued Accounting Guidance Not Yet Adopted

ASU 2016-13

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("ASU 2016-13"). ASU 2016-13 introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables and held-to-maturity debt securities, which will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands disclosure requirements. ASU 2016-13 is effective for the Company beginning in the first quarter of 2020 and early adoption is permitted. The guidance will be applied using the modified-retrospective approach. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

ASU 2018-13

In August 2018, the FASB issued ASU 2018-13, Disclosure Framework - Changes to the Disclosure Requirements for Fair Value Measurements ("ASU 2018-13"), which eliminates, adds and modifies certain disclosure requirements for fair value measurements as part of the FASB's disclosure framework project. Adoption of this guidance is required for fiscal years and interim periods within those fiscal years, beginning after December 15, 2019. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

ASU 2018-15

In August 2018, the FASB issued ASU 2018-15, Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract, a new standard on a customer's accounting for implementation, set-up, and other upfront costs incurred in a cloud computing arrangement (CCA). Under the new guidance, customers will assess if a CCA includes a software license and if a CCA does include a software license, implementation and set-up costs will be accounted for consistent with existing internal-use software implementation guidance. Implementation costs associated with a CCA that do not include a software license would be expensed to operating expenses. The standard also provides classification guidance on these implementation costs as well as additional quantitative and qualitative disclosures. The standard is effective for public business entities for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. Entities can choose to adopt the new guidance prospectively or retrospectively. The Company is currently assessing the impact this standard will have on the Company's consolidated financial statements.

Other accounting standard updates effective for interim and annual periods beginning after December 31, 2018 are not expected to have a material impact on the Company's financial position, results of operations or cash flows.

(3) Accounts Receivable, Net

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

	As of June 30, 2019	As of December 31, 2018
Accounts receivable	$ 43,451	$ 41,818
Allowance for doubtful accounts	(1,051)	(711)
Net accounts receivable	$ 42,400	$ 41,107

Bad debt expense was $0.2 million and $0.1 million for the three months ended June 30, 2019 and 2018, respectively. Bad debt expense was an expense of $0.4 million and a credit of $0.1 million for the six months ended June 30, 2019 and 2018, respectively.

The following table summarizes the changes in the allowance for doubtful accounts (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Balance, beginning of period	$ (810)	$ (637)	$ (711)	$ (863)
(Additions)/reductions	(241)	(83)	(389)	109
Write-offs	—	4	49	38
Balance, end of period	$ (1,051)	$ (716)	$ (1,051)	$ (716)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Balance, beginning of period	$ (200)	$ (78)	$ (200)	$ (100)
Additions	—	(133)	—	(133)
Write-offs	5	2	5	24
Balance, end of period	$ (195)	$ (209)	$ (195)	$ (209)

(4) Property and Equipment, Net

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

	Useful life in years	As of June 30, 2019	As of December 31, 2018
Furniture and equipment	5	$ 1,689	$ 1,189
Leasehold improvements	5	3,958	2,776
System hardware	5	1,476	1,404
Office computers	3	4,306	3,745
Computer and system software	3	1,408	1,385
		12,837	10,499
Less accumulated depreciation and amortization		(6,803)	(5,849)
Property and equipment, net		$ 6,034	$ 4,650

Depreciation and amortization expense for property and equipment was $0.6 million and $0.5 million for the three months ended June 30, 2019 and 2018, respectively. Depreciation and amortization expense for property and equipment was $1.1 million and $0.9 million for the six months ended June 30, 2019 and 2018, respectively.

(5) Capitalized Software Development Costs, Net

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

			As of June 30, 2019	
	Gross carrying amount	Amortization period	Accumulated amortization	Net carrying amount
Capitalized software development costs	$ 45,832	3 years	$ (31,982)	$ 13,850
Total capitalized software development costs	$ 45,832		$ (31,982)	$ 13,850

			As of December 31, 2018	
	Gross carrying amount	Amortization period	Accumulated amortization	Net carrying amount
Capitalized software development costs	$ 45,677	3 years	$ (32,784)	$ 12,893
Total capitalized software development costs	$ 45,677		$ (32,784)	$ 12,893

The Company capitalized software development costs of $4.3 million and $4.2 million for the six months ended June 30, 2019 and June 30, 2018, respectively.

Amortization expense for capitalized software development costs was $1.8 million and $1.4 million for the three months ended June 30, 2019 and 2018, respectively. Amortization expense for capitalized software development was $3.3 million and $2.8 million for the six months ended June 30, 2019 and 2018, respectively. Amortization of capitalized software development costs is classified within cost of revenue in the consolidated statements of operations.

The expected amortization of capitalized software development costs, as of June 30, 2019, for each of the following years is as follows (in thousands):

	Amounts
2019 (for the remaining six months)	$ 3,514
2020	4,398
2021	3,915
2022	2,023
	$ 13,850

(6) Fair Value Measurements

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

Certain assets, including long-lived assets, goodwill and intangible assets are also subject to measurement at fair value on a non-recurring basis if they are deemed to be impaired as a result of an impairment review. For the six months ended June 30, 2019 and year ended December 31, 2018, no impairments were identified.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at June 30, 2019 and December 31, 2018 by level within the fair value hierarchy. Financial assets and financial liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement (in thousands):

	As of June 30, 2019			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 225,291	—	—	$ 225,291
Short-term investments:				
U.S. government and agency securities	—	3,496	—	3,496
Total financial assets	**$ 225,291**	**$ 3,496**	**$ —**	**$ 228,787**
Liabilities:				
Contingent consideration	—	—	$ 550	$ 550
Total financial liabilities	**$ —**	**$ —**	**$ 550**	**$ 550**

	At December 31, 2018			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total Fair Value
	(in thousands)			
Assets:				
Cash equivalents:				
Money market funds	$ 47,258	—	—	$ 47,258
U.S. treasury securities	—	—		—
U.S. government and agency securities	—	2,272	—	2,272
Short-term investments:				
U.S. treasury securities	—	38,809	—	38,809
U.S. government and agency securities	—	6,732	—	6,732
Total financial assets	**$ 47,258**	**$ 47,813**	**$ —**	**$ 95,071**

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

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets and liabilities.

Level 2 - Quoted prices in markets that are not active or financial instruments for which all significant inputs are observable, either directly or indirectly.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

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

The Company's assets that are measured by management at fair value on a recurring basis are generally classified within Level 1 or Level 2 of the fair value hierarchy. The Company did not have any transfers into and out of Level 1 or Level 2 during the six months ended June 30, 2019.

The Company considers all highly liquid investments purchased with a remaining maturity of three months or less to be cash equivalents. The fair value of the Company's investments in certain money market funds is their face value and such instruments are classified as Level 1 and are included in cash and cash equivalents on the consolidated balance sheets. At June 30, 2019 the Company's Level 2 securities were priced by pricing vendors. These pricing vendors utilize the most recent observable market information in pricing these securities or, if specific prices are not available for these securities, use other observable inputs like market transactions involving identical or comparable securities.

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

	Amount
Fair Value at December 31, 2018	**$ —**
Additions from acquisition	550
Foreign currency translation	—
Change in fair value	—
Payments made during the year	—
Balance at June 30, 2019	**$ 550**

The Company estimates the fair value of the convertible senior notes based on their last actively traded prices (Level 1) or market-observable inputs (Level 2). As of June 30, 2019 and December 31, 2018 the fair value of the convertible senior notes was determined to be $304.9 million and $189.8 million, respectively and the carrying value of the notes was $96.5 million and $94.1 million, respectively.

(7) Goodwill and Intangible Assets, Net

Goodwill was $51.5 million and $48.4 million as of June 30, 2019 and December 31, 2018, respectively. There were no impairments recorded against goodwill during the six months ended June 30, 2019 and for the year ended December 31, 2018. The following table displays the changes in the gross carrying amount of goodwill (in thousands):

	Amount
Balance at December 31, 2018	**$ 48,382**
Foreign currency translation	166
Increase due to acquisitions	2,918
Balance at June 30, 2019	**$ 51,466**

Intangible assets consisted of the following (in thousands):

			As of June 30, 2019	
	Gross carrying amount	Weighted average life (years)	Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	$ 4,303	3.00	$ (2,815)	$ 1,488
Tradenames	2,768	5.00	(1,290)	1,478
Non-compete	240	2.00	(240)	—
Customer relationships	28,624	6.64	(6,348)	22,276
Total intangible assets	$ 35,935		$ (10,693)	$ 25,242

	Gross carrying amount	Weighted average life (years)	As of December 31, 2018 Accumulated amortization	Net carrying amount
Amortizable intangible assets:				
Developed technology	$ 5,090	3.04	$ (3,225)	$ 1,865
Tradenames	3,193	4.51	(1,526)	1,667
Non-compete	240	2.00	(230)	10
Customer relationships	26,990	6.39	(7,335)	19,655
Total intangible assets	$ 35,513		$ (12,316)	$ 23,197

Amortization expense for intangible assets was $1.6 million and $1.8 million for the three months ended June 30, 2019 and 2018, respectively. Amortization expense for intangible assets was $3.3 million and $2.7 million for the six months ended June 30, 2019 and 2018, respectively.

The expected amortization of the intangible assets, as of June 30, 2019, for each of the next five years and thereafter is as follows (in thousands):

	Amounts
2019 (for the remaining six months)	$ 3,246
2020	5,256
2021	4,866
2022	3,556
2023 and thereafter	8,318
	$ 25,242

(8) Acquisitions

The Company continually evaluates potential acquisitions that either strategically fit within the Company's existing portfolio or expand the Company's portfolio into new product lines or adjacent markets. The Company has completed a number of acquisitions that have been accounted for as business combinations and have resulted in the recognition of goodwill in the Company's financial statements. This goodwill includes the know-how of the assembled workforce, the ability of the workforce to further improve technology and product offerings, customer relationships and the expected cash flows resulting from these efforts. Goodwill may also include expected synergies resulting from the complementary strategic fit these businesses bring to existing operations. The business acquisition discussed below is included in the Company's results of operations from their respective dates of acquisition.

2019 Acquisitions

On April 1, 2019, the Company entered into a Stock Purchase Agreement, or the Purchase Agreement, with Mission Mode Solutions, Inc., or Mission Mode, pursuant to which the Company purchased all of the issued and outstanding shares of stock of Mission Mode for base consideration of $6.8 million. There is also a contingent payment of up to $1.0 million that can be earned in addition to the base consideration by the sellers based on successfully converting Mission Mode's customers to the Company's products. At the date of the acquisition, the Company preliminarily assessed the probabilities of Mission Mode meeting the future sales and billing thresholds and determined them to be probable. Therefore, contingent consideration was recorded as part of the purchase price allocation and the preliminary fair value of the contingent consideration was determined to be $0.6 million. The Company's acquisition of Mission Mode was made primarily to expand the Company's customer base and to a lesser extent to complement some of the existing facets of its business with the Company's existing customers.

The Company accounted for the acquisition of Mission Mode using the acquisition method of accounting for business combinations under ASC 805, *Business Combinations*. The total purchase price is allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date.

As the Company finalizes their estimation of the fair value of the assets acquired and liabilities assumed, additional adjustments may be recorded during the measurement period (a period not to exceed 12 months). Fair value estimates are based on a complex series of judgments about future events and uncertainties and rely heavily on estimates and assumptions. The judgments used to determine the estimated fair value assigned to each class of assets acquired and liabilities assumed, as well as asset lives and the expected future cash flows and related discount rates, can materially impact the Company's results of operations. Significant inputs used for the model included the amount of cash flows, the expected period of the cash flows and the discount rates. The finalization of the acquisition accounting valuation assessment may result in a change in the valuation of the deferred tax assets and liabilities, deferred revenue, contingent consideration and intangible assets, which could have a material impact on the Company's results of operations and financial position.

The following table summarizes the allocation of the purchase consideration and the estimated fair value of the assets acquired and the liabilities assumed for the acquisition of Mission Mode made by the Company. The purchase price allocations for Mission Mode included in the table below are preliminary. The following table summarizes the aggregate consideration for Mission Mode during the three months ended June 30, 2019 (in thousands):

	Mission Mode
Assets acquired	
Accounts receivable	295
Other assets	7
Property and equipment	6
Trade names	220
Acquired technology	310
Customer relationships	4,600
Goodwill	2,918
Total assets acquired	$ 8,356
Liabilities assumed	
Accounts payable and accrued expenses	152
Deferred revenue	880
Other liabilities	10
Net assets acquired	$ 7,314
Consideration paid	
Cash paid, net of cash acquired	6,764
Contingent consideration	550
Total	$ 7,314

The weighted average useful life of all identified acquired intangible assets is 6.90 years. The weighted average useful lives for acquired technologies, customer relationships and trade names are 3.0 years, 7.0 years and 1.0 years, respectively. Identifiable intangible assets with definite lives are amortized over the period of estimated benefit using the straight-line method and the estimated useful lives of one to seven years. The straight-line method of amortization represents the Company's best estimate of the distribution of the economic value of the identifiable intangible assets.

As a result of the acquisition, the Company recorded $2.9 million of goodwill. The goodwill balance is primarily attributed to the anticipated synergies from the acquisition and expanded market opportunities with respect to the integration of Mission Mode's products with the Company's other solutions. The Company believes that the factors listed above in relation to the purchase of Mission Mode support the amount of goodwill recorded as a result of the purchase price paid for the acquisition, in relation to other acquired tangible and intangible assets. The resulting goodwill from the Mission Mode acquisition is not deductible for income tax purposes.

For the three and six months ended June 30, 2019, the Company incurred transaction costs of $0.1 million and $0.1 million, respectively, in connection with the Mission Mode acquisition, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

Neither the investment in the assets nor the results of operations of the acquisition of Mission Mode was significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not presented.

2018 Acquisitions

For the year ended December 31, 2018, the Company acquired Unified Messaging Systems ASA, Respond B.V. and PlanetRisk, Inc. and accounted for the acquisitions using the acquisition method of accounting for business combinations under ASC 805, *Business Combinations*. The acquisitions were not material individually or on a consolidated basis.

Unified Messaging Systems ASA

On April 3, 2018, the Company acquired Unified Messaging Systems ASA, or UMS, in exchange for cash consideration of $31.9 million, net of cash acquired. UMS is an industry leader in the area of critical communication and population alerting systems and is headquartered in Oslo, Norway. The Company acquired UMS for its customer base and to complement some of the existing facets of the Company's business with existing customers.

PlanetRisk, Inc.

On May 1, 2018, the Company acquired certain assets from PlanetRisk, Inc., or PlanetRisk, in exchange for cash consideration of $2.0 million. PlanetRisk is a provider of data analytics and visualization solutions. The Company acquired these assets from PlanetRisk for its customer base and to complement some of the existing facets of the Company's business with existing products.

Respond B.V.

On May 18, 2018, the Company acquired Respond B.V., or Respond, in exchange for current cash consideration of $2.0 million, net of cash acquired and issued a note to be paid one year after the transaction date in the amount of $0.4 million, for a total purchase price of $2.3 million. Respond is a provider of critical communication solutions and is headquartered in the Netherlands. The Company acquired Respond for its customer base and to complement some of the existing facets of the Company's business with its existing customers.

For the three and six months ended June 30, 2018, the Company incurred transaction costs of $0.3 million and $0.6 million, respectively, in connection with the UMS, PlanetRisk and Respond acquisitions, which were expensed as incurred and included in general and administrative expenses within the accompanying consolidated statements of operations.

Neither the investment in the assets nor the results of operations of the acquisition of UMS, PlanetRisk and Respond was significant to the Company's consolidated financial position or results of operations, and thus pro forma information is not presented.

(9) Convertible Senior Notes

In November 2017, the Company issued $115.0 million aggregate principal amount of 1.50% convertible senior notes, or the Notes, due November 1, 2022, unless earlier repurchased by the Company or converted by the holder pursuant to their terms. Interest is payable semiannually in arrears on May 1 and November 1 of each year, commencing on May 1, 2018.

The Notes are governed by an Indenture between the Company, as issuer, and U.S. Bank, National Association, as trustee. The Notes are unsecured and rank: senior in right of payment to the Company's future indebtedness that is expressly subordinated in right of payment to the Notes; equal in right of payment to the Company's existing and future indebtedness that is not so subordinated; effectively subordinated in right of payment to any of the Company's secured indebtedness to the extent of the value of the assets securing such indebtedness; and structurally subordinated to all existing and future indebtedness and other liabilities incurred by the Company's subsidiaries.

Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of the Company's common stock or a combination of cash and shares of common stock, at the Company's election. The Company's current intention is to settle the conversion in shares of common stock if a conversion were to occur.

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

Prior to the close of business on the business day immediately preceding May 1, 2022, the Notes will be convertible at the option of holders during certain periods, only upon satisfaction of certain conditions set forth below. On or after May 1, 2022, until the close of business on the second scheduled trading day immediately preceding the maturity date, holders may convert all or any portion of their Notes at the conversion rate at any time regardless of whether the conditions set forth below have been met.

Holders may convert all or a portion of their Notes prior to the close of business on the business day immediately preceding May 1, 2022, in multiples of $1,000 principal amount, only under the following circumstances:

- during any calendar quarter commencing after the calendar quarter ending on March 31, 2018 (and only during such calendar quarter), if the last reported sale price of the Company's common stock for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period, or the Notes Measurement Period, in which the "trading price" (as the term is defined in the Indenture) per $1,000 principal amount of notes for each trading day of such Notes Measurement Period was less than 98% of the product of the last reported sale price of the Company's common stock on such trading day and the conversion rate on each such trading day;
- If the Company calls any or all of the notes for redemption, at any time prior to the close of business on the scheduled trading day immediately preceding the maturity date; or
- upon the occurrence of specified corporate events.

Based on the market price of the Company's common stock during the 30 trading days preceding June 30, 2018, the Notes are convertible at the option of the debt holder as of September 30, 2018. No debt holders have exercised their right for conversion as of June 30, 2019. The Notes are classified as long-term on the consolidated balance sheet as of June 30, 2019 as it is the Company's intent to settle all of the debt at maturity or to settle in shares if exercised by the debt holder prior to maturity.

Based on market data available for publicly traded, senior, unsecured corporate bonds issued by companies in the same industry and with similar maturity, the Company estimated the implied interest rate of its Notes to be approximately 6.93%, assuming no conversion option. Assumptions used in the estimate represent what market participants would use in pricing the equity component, including market interest rates, credit standing, and yield curves, all of which are defined as Level 2 observable inputs. The estimated implied interest rate was applied to the Notes, which resulted in a fair value of the liability component of $92.1 million upon issuance, calculated as the present value of implied future payments based on the $115.0 million aggregate principal amount. The excess of the principal amount of the liability component over its carrying amount, or the debt discount, is amortized to interest expense over the term of the Notes. The $22.9 million difference between the aggregate principal amount of $115.0 million and the estimated fair value of the liability component was recorded in additional paid-in capital as the Notes were not considered redeemable.

The Notes consist of the following (in thousands):

	As of	
	June 30, 2019	December 31, 2018
Liability component:		
Principal	$ 115,000	$ 115,000
Less: debt discount, net of amortization	(18,479)	(20,903)
Net carrying amount	$ 96,521	$ 94,097
Equity component (a)	22,094	22,094

a) Recorded in the consolidated balance sheet within additional paid-in capital, net of $0.8 million transaction costs in equity as of December 31, 2017.

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

	Three months ended		Six months ended	
	June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
1.50% coupon	$ 433	$ 432	$ 865	$ 868
Amortization of debt discount and transaction costs	1,223	1,140	2,424	2,274
	$ 1,656	$ 1,572	$ 3,289	$ 3,142

As of June 30, 2019 and December 31, 2018, the fair value of the Notes, which was determined based on inputs that are observable in the market or that could be derived from, or corroborated with, observable market data, quoted price of the Notes in an over-the-counter market (Level 2), and carrying value of debt instruments (carrying value excludes the equity component of the Company's convertible notes classified in equity) were as follows (in thousands):

	As of June 30, 2019		As of December 31, 2018	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Convertible senior notes	$ 304,894	$ 96,521	$ 189,802	$ 94,097

In connection with the issuance of the Notes, the Company entered into capped call transactions with certain counterparties affiliated with the initial purchasers and others. The capped call transactions are expected to reduce potential dilution of earnings per share upon conversion of the Notes. Under the capped call transactions, the Company purchased capped call options that in the aggregate relate to the total number of shares of the Company's common stock underlying the Notes, with an initial strike price of approximately $33.71 per share, which corresponds to the initial conversion price of the Notes and is subject to anti-dilution adjustments substantially similar to those applicable to the conversion rate of the Notes, and have a cap price of approximately $47.20. The cost of the purchased capped calls of $12.9 million was recorded to shareholders' equity as of December 31, 2017 and will not be re-measured.

Based on the closing price of the Company's common stock of $89.42 on June 28, 2019, the if-converted value of the Notes was more than their respective principal amounts.

(10) Stockholders' Equity

Preferred Stock

As of June 30, 2019, the Company had authorized 10,000,000 shares of preferred stock, par value $0.001, of which no shares were outstanding.

Common Stock

As of June 30, 2019, the Company had authorized 100,000,000 shares of common stock, par value $0.001. Holders of common stock are entitled to one vote per share. At June 30, 2019 and December 31, 2018, there were 33,150,319 and 29,700,192 shares of common stock issued and outstanding, respectively.

(11) Stock Plans and Stock-Based Compensation

The Company's 2016 Equity Incentive Plan, or the 2016 Plan, became effective on September 15, 2016. The 2016 Plan provides for the grant of incentive stock options, non-qualified stock options, restricted stock awards, restricted stock unit awards, stock appreciation rights and performance share awards to employees, directors and consultants of the Company. A total of 3,893,118 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan, which is the sum of (1) 2,000,000 shares, (2) the number of shares reserved for issuance under the Company's 2008 Equity Incentive Plan or the 2008 Plan, at the time the 2016 Plan became effective (up to a maximum of 42,934 shares) and (3) shares subject to stock options or other stock awards granted under the 2008 Plan that would have otherwise returned to the Company's 2008 Plan (up to a maximum of 1,850,184 shares). The number of shares of common stock reserved for issuance under the 2016 Plan will automatically increase on January 1 of each year, beginning on January 1, 2017, by 3% of the number of shares of the Company's capital stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

As a result of the adoption of the 2016 Plan, no further grants may be made under the 2008 Plan. The 2008 Plan provided for the grant of stock options to the Company's employees, directors and consultants. Stock option awards were granted with an exercise price equal to the fair market value of the Company's common stock at the date of grant as determined by the Company's board of directors. The option awards generally vested over four years and were exercisable any time after vesting. The stock options expire ten years after the date of grant.

2016 Employee Stock Purchase Plan

The Company's Employee Stock Purchase Plan, or the 2016 ESPP, became effective on September 15, 2016. A total of 500,000 shares of the Company's common stock were initially reserved for issuance under the 2016 Plan. The number of shares reserved for issuance under the 2016 ESPP will automatically increase on January 1 of each year, beginning on January 1, 2017, by the lesser of 200,000 shares of the Company's common stock, 1% of the number of shares of the Company's common stock outstanding on the immediately preceding December 31, or such lesser number of shares as determined by the Company's board of directors.

The 2016 ESPP allows eligible employees to purchase shares of the Company's common stock at a discount of up to 15% through payroll deductions of their eligible compensation, subject to any plan limitations. Except for the initial offering period, the 2016 ESPP provides for separate six-month offering periods beginning each March and September of each fiscal year.

On each purchase date, eligible employees will purchase the Company's stock at a price per share equal to 85% of the lesser of (i) the fair market value of the Company's common stock on the offering date or (ii) the fair market value of the Company's common stock on the purchase date.

For the six months ended June 30, 2019 and 2018, 24,266 and 44,193 shares of common stock were purchased under the 2016 ESPP, respectively. The 2016 ESPP is considered compensatory for purposes of stock-based compensation expense. The Company recorded stock-based compensation expense of $0.2 million and $0.2 million for the three months ended June 30, 2019 and 2018, respectively. The Company recorded stock-based compensation expense of $0.5 million and $0.4 million for the six months ended June 30, 2019 and 2018, respectively.

Stock Options

The Company recorded stock-based compensation expense of $1.6 million and $2.1 million for the three months ended June 30, 2019 and 2018, respectively. The Company recorded stock-based compensation expense of $3.5 million and $3.9 million for the six months ended June 30, 2019 and 2018, respectively.

The total intrinsic value of options exercised for the six months ended June 30, 2019 was $37.1 million. This intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each option. Based on the fair market value of the Company's common stock at June 30, 2019, the total intrinsic value of all outstanding options was $61.7 million.

The fair value of stock option grants and ESPP are determined using the Black-Scholes option pricing model with the following weighted average assumptions. In addition, the fair value per share on grant date is presented below:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Employee Stock Options:				
Fair value per share on grant date	—	$43.86	—	$33.06 - $43.86
Expected term (in years)	—	6.00	—	6.00
Expected volatility	—	45%	—	45% - 50%
Risk-free interest rate	—	2.98%	—	2.72% - 2.98%
Dividend rate	—	0%	—	0%
Employee Stock Purchase Plan:				
Expected term (in years)	0.50	0.50	0.50	0.50
Expected volatility	45%	50% - 60%	45%	50% - 60%
Risk-free interest rate	2.52%	1.18% - 1.93%	2.52%	1.18% - 1.93%
Dividend rate	0%	0%	0%	0%

(1) The expected term represents the period that the stock-based compensation awards are expected to be outstanding. Since the Company did not have sufficient historical information to develop reasonable expectations about future exercise behavior, the Company used the simplified method to compute expected term, which reflects the average of the time-to-vesting and the contractual life;

(2) The expected volatility of the Company's common stock on the date of grant is based on the weighted average of the Company's historical volatility as a public company and the volatilities of publicly traded peer companies that are reasonably comparable to the Company's own operations;

(3) The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the expected term of the options; and

(4) The expected dividend yield is assumed to be zero as the Company has never paid dividends and has no current plans to pay any dividends on the Company's common stock.

Total unrecognized compensation cost related to nonvested stock options was approximately $9.6 million as of June 30, 2019 and is expected to be recognized over a weighted average period of 2.29 years.

A summary of activities under the 2008 Plan and the 2016 Plan is shown as follows for the year ended December 31, 2018 and the six months ended June 30, 2019:

	Stock options outstanding	Weighted average exercise price
Outstanding at December 31, 2017	2,440,290	$ 16.55
Granted	557,896	35.01
Exercised	(778,370)	13.04
Forfeited	(473,743)	22.35
Outstanding at December 31, 2018	1,746,073	22.43
Granted	—	—
Exercised	(745,003)	18.10
Forfeited	(32,366)	24.44
Outstanding at June 30, 2019	968,704	$ 25.70

Stock-based compensation expense is recognized over the award's expected vesting schedule, which is reduced for forfeitures.

Stock options outstanding, and options exercisable and vested are as follows:

Outstanding as of June 30, 2019	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of June 30, 2019	Remaining contractual life (years)	Weighted average exercise price
968,704	7.88	$ 25.70	202,126	6.79	$ 17.80

Outstanding as of December 31, 2018	Remaining contractual life (years)	Weighted average exercise price	Exercisable as of December 31, 2018	Remaining contractual life (years)	Weighted average exercise price
1,746,073	7.89	$ 22.43	579,319	6.73	$ 8.13

Vested and nonvested stock option activity was as follows:

	Vested		Nonvested	
	Options outstanding	Weighted average exercise price	Options outstanding	Weighted average exercise price
Outstanding at June 30, 2019	202,126	$ 17.80	766,578	$ 27.78
Outstanding at December 31, 2018	579,319	$ 8.13	1,166,754	$ 26.58

Restricted Stock Units

During the six months ended June 30, 2019, the Company granted 146,216 restricted stock units, or RSUs, to members of its senior management and certain other employees pursuant to the 2016 Plan. The Company accounts for RSUs issued to employees at fair value, based on the market price of the Company's common stock on the date of grant. During the three and six months ended June 30, 2019 the Company recorded $4.6 million and $8.4 million, respectively, of stock-based compensation related to the RSUs that had been issued to-date. During the three and six months ended June 30, 2018 the Company recorded $1.1 million and $2.0 million, respectively, of stock-based compensation related to the RSUs. There were 64,802 and 80,994 RSUs that vested during the three and six months ended June 30, 2019. There were no RSUs that vested during the three and six months ended June 30, 2018.

As of June 30, 2019, there was $22.1 million of unrecognized compensation expense related to unvested employee RSU awards which is expected to be recognized over a weighted-average period of approximately 2.40 years. For RSUs subject to graded vesting, the Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

Performance-Based Restricted Stock Units

During the six months ended June 30, 2019, the Company granted 108,834 performance-based restricted stock units, or PSUs, to members of its management pursuant to the 2016 Plan. The PSUs vest based on the Company achieving certain revenue growth thresholds which range from 20% to 40% compounded annual growth over a measure period of two years for the first 50% of PSUs and three years for the remaining PSUs. The vesting of the PSUs is subject to the employee's continued employment with the Company through the date of achievement. The share price of the Company's common stock on the date of issuance of the PSUs ranged from $54.83 to $85.63 per share. The fair value is based on value of the common stock at the date of issuance and the probability of achieving the performance metric. Compensation cost is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions. For the three and six months ended June 30, 2019, the Company recognized $1.8 million and $3.7 million, in each period for stock compensation expense in connection with the PSU awards. For the three and six months ended June 30, 2018, the Company recognized $0.1 million, in each period for stock compensation expense in connection with the PSUs.

As of June 30, 2019, there was $16.4 million of unrecognized compensation expense related to unvested PSUs which is expected to be recognized over a weighted-average period of approximately 2.01 years. Compensation cost is recognized under the accelerated method and is adjusted in future periods for subsequent changes in the expected outcome of the performance related conditions.

None of the PSUs had vested as of June 30, 2019.

Market-Based Restricted Stock Units

The Company granted no market-based restricted stock units, or market-based RSUs, pursuant to the 2016 Plan for the three and six months ended June 30, 2019. The market-based RSUs vest based on the Company achieving certain stock price thresholds which range from $35 per share to $65 per share for 30 consecutive trading days as reported by The Nasdaq Stock Market, LLC, subject to the employee's continued employment with the Company through the date of achievement. The share price of the Company's common stock on the date of issuance of the market-based RSUs was $23.16 - $51.99 per share. The fair value is based on values calculated under the Monte Carlo simulation model on the grant date. The key estimates used in the Monte-Carlo simulation were a risk-free rate of 2.26% - 2.85%, dividend yield of zero, expected term of 10 years and volatility of 50% - 60%. Compensation cost is not adjusted in future periods for subsequent changes in the expected outcome of market related conditions. For the three and six months ended June 30, 2018, the Company recognized $6.7 million and $10.3 million, respectively, of stock compensation expense in connection with these awards. No stock-based compensation expense was recorded for the three and six months ended June 30, 2019, respectively as all previously issued market-based RSUs were fully vested previously.

As of June 30, 2019, there was no unrecognized compensation expense related to unvested market-based awards. The Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

There were 657 and 444,248 market-based RSUs which had vested during the six months ended June 30, 2019 and 2018, respectively.

A summary of activity in connection with the Company's RSUs, market-based RSUs and PSUs for the six-month period ended June 30, 2019 is as follows:

	Number of Shares
Outstanding as of December 31, 2018	904,033
Granted	255,050
Vested	(42,569)
Forfeited	(27,098)
Outstanding as of June 30, 2019	1,089,416

Stock-Based Compensation Expense

The Company recorded the total stock-based compensation expense as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Cost of revenue	$ 412	$ 940	$ 847	$ 1,565
Sales and marketing	2,547	3,532	4,915	5,967
Research and development	2,692	3,205	4,166	4,515
General and administrative	2,631	2,345	6,203	4,669
Total	$ 8,282	$ 10,022	$ 16,131	$ 16,716

(12) Basic and Diluted Net Loss per Share

Basic net loss per common share is computed by dividing net loss by the weighted-average number of shares of common stock outstanding during the period. Diluted net loss per share is computed by giving effect to all potential dilutive shares of common stock. Basic and diluted net loss per share of common stock were the same for all periods presented as the impact of all potentially dilutive securities outstanding was anti-dilutive. The Company uses the if converted method for calculating any potential dilutive effect on diluted loss per share.

The following common equivalent shares were excluded from the diluted net loss per share calculation because their inclusion would have been anti-dilutive:

	As of June 30,	
	2019	2018
Stock options	968,704	2,407,796
Convertible senior notes	3,411,199	3,411,199
Non-vested performance-based restricted stock units	392,606	9,000
Non-vested market-based restricted stock units	—	110,829
Non-vested restricted stock units	696,810	458,500
Total	5,469,319	6,397,324

The Company is required to reserve and keep available from the Company's authorized but unissued shares of common stock a number of shares equal to the number of shares subject to outstanding awards under the 2008 Plan and the number of shares reserved for issuance under each of the 2016 Plan and 2016 ESPP.

The amount of such shares of the Company's common stock reserved for these purposes at June 30, 2019 is as follows:

	Number of Shares
Stock options issued and outstanding	968,704
Additional shares available for grant under equity plans	1,813,973
Total	2,782,677

In connection with the issuance of the Notes in November 2017, the Company paid $12.9 million to enter into capped call option agreements to reduce the potential dilution to holders of the Company's common stock upon conversion of the Notes. The capped call option agreements are excluded from the calculation of diluted net loss per share attributable to common stockholders, as their effect is antidilutive.

(13) Income Taxes

The Company is subject to income tax in the United States as well as other tax jurisdictions in which it conducts business. Earnings from non-U.S. activities are subject to local country income tax. The Company does not provide for U.S. deferred income taxes on the undistributed earnings of its foreign subsidiaries as such earnings are reinvested indefinitely.

The Company's tax provision for interim periods is determined using an estimate of its annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, the Company updates its estimate of the annual effective tax rate, and if the estimated annual tax rate changes, the Company makes a cumulative adjustment in that quarter. The Company's quarterly tax provision, and its quarterly estimate of its annual effective tax rate, are subject to significant volatility due to several factors, including the Company's ability to accurately predict its pre-tax income and loss in multiple jurisdictions.

For the three months ended June 30, 2019 and 2018, the Company recorded a provision for income taxes of $138,000 and $189,000, respectively, resulting in an effective tax rate of 1.16% and 1.13%, respectively. For the six months ended June 30, 2019 and 2018, the Company recorded a provision for income taxes of $432,000 and $285,000, respectively, resulting in an effective tax rate of 1.68% and 0.98%, respectively. During the current year periods, the effective tax rate is lower than the statutory federal tax rate as the Company was not able to benefit from its net operating losses due to its full valuation allowance.

As of June 30, 2019, the Company had gross tax-effected unrecognized tax benefits of $0.6 million, of which $0.6 million, if recognized, would favorably impact the effective tax rate. The Company's existing tax positions will continue to generate an increase in unrecognized tax benefits in subsequent periods. The Company's policy is to record interest and penalties related to unrecognized tax benefits as income tax expense. During the three months ended June 30, 2019 and 2018, the amounts recorded related to the accrual of interest and penalties were immaterial in each period.

(14) Segment information

The Company operates as one operating segment. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the chief operating decision maker, or CODM, who is the Company's chief executive officer, in deciding how to allocate resources and assess the Company's financial and operational performance. While the Company has applications that address multiple use cases, all of the Company's applications operate on and leverage a single technology platform and are deployed and sold in an identical way. In addition, the Company's CODM evaluates the Company's financial information and resources and assesses the performance of these resources on a consolidated basis. As a result, the Company has determined that the Company's business operates in a single operating segment. Since the Company operates as one operating segment, all required financial segment information can be found in the consolidated financial statements.

(15) Revenue Recognition

The following table disaggregates the Company's revenue by geography which provides information as to the major source of revenue (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
Primary Geographic Markets	2019	2018	2019	2018
United States	$ 36,591	$ 31,267	$ 70,675	$ 55,785
International	11,814	4,555	20,549	10,556
Total	$ 48,405	$ 35,822	$ 91,224	$ 66,341

The following table presents the Company's revenues disaggregated by revenue source (in thousands).

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Subscription services	$ 45,183	$ 33,804	$ 85,658	$ 62,329
Professional services	3,222	2,018	5,566	4,012
Total revenues	$ 48,405	$ 35,822	$ 91,224	$ 66,341

Contract Assets

The Company does not have material amounts of contract assets since revenue is recognized as control of goods is transferred or as services are performed. There are a small number of professional services that may occur over a period of time, but that period of time is generally very short in duration. Any contract assets that may arise are recorded in other assets in the Company's consolidated balance sheet. As of June 30, 2019, the Company had $1.1 million in unbilled receivables related to services performed which were not billed.

Contract Liabilities

The Company's contract liabilities consist of advance payments and deferred revenue. The Company's contract liabilities are reported in a net position on a contract-by-contract basis at the end of each reporting period. The Company classifies advance payments and deferred revenue as current or noncurrent based on the timing of when it expects to recognize revenue. Generally, all contract liabilities are expected to be recognized within one year and are included in deferred revenue in the Company's consolidated balance sheet. The noncurrent portion of deferred revenue is included and separately disclosed in the Company's consolidated balance sheet.

Deferred Costs

Deferred costs, which primarily consist of deferred sales commissions, were $17.6 million and $16.8 million as of June 30, 2019 and December 31, 2018, respectively. For the three and six months ended June 30, 2019, amortization expense for the deferred costs was $2.0 million and $3.6 million, respectively. For the three and six months ended June 30, 2018, amortization expense for the deferred costs was $1.3 million and $2.6 million, respectively. There was no impairment loss in relation to the costs capitalized for the six months ended June 30, 2019 and year ended December 31, 2018, respectively.

Deferred Revenue

$35.0 million and $62.9 million of subscription services revenue was recognized during the three and six months ended June 30, 2019 and was included in the deferred revenue balances at the beginning of the respective period. Professional services revenue recognized in the same period from deferred revenue balances at the beginning of the respective periods was not material.

As of June 30, 2019, approximately $200.8 million of revenue is expected to be recognized from remaining performance obligations for subscription contracts.

The Company expects to recognize revenue on approximately $119.8 million of these remaining performance obligations over the next 12 months, with the balance recognized thereafter. Revenue from remaining performance obligations for professional services contracts as of June 30, 2019 was not material.

(16) Leases

The Company's leases relate primarily to office facilities that expire on various dates from 2019 through 2024. The terms of the Company's non-cancelable operating lease arrangements typically contain fixed lease payment which increases over the term of the lease at fixed rates, rent holidays and provide for additional renewal periods. Lease expense is recognized over the term of the lease on a straight-line basis. All of the Company's leases are classified as operating leases. The Company has determined that periods covered by options to extend our leases are excluded from the lease term as the Company is not reasonably certain we will exercise such options. Operating lease expense, including expenses related to short-term leases, were $1.1 million and $0.9 million for the three months ended June 30, 2019 and 2018, respectively. Operating lease expense, including expenses related to short-term leases, were $2.3 million and $1.6 million for the six months ended June 30, 2019 and 2018, respectively.

The Company records its ROU Assets within other assets (long term) and its operating lease liabilities within other current and long term liabilities.

Additional information related to the Company's leases as of and for the six months ended June 30, 2019, is as follows:

(in thousands, except lease term and discount rate)		**June 30, 2019**
Balance sheet information		
ROU assets	$	14,660
Lease liabilities, current	$	3,503
Lease liabilities, non-current		13,637
Total lease liabilities	$	17,140
Supplemental data		
Weighted average remaining lease term		4.75 years
Weighted average discount rate		7.00%
Cash paid for amounts included in lease liabilities	$	1,286
ROU assets obtained in exchange for lease obligations	$	22,379

Maturities of lease liabilities as of June 30, 2019 were as follows:

(in thousands)		**June 30, 2019**
Year ending December 31,		
2019 (for the remaining six months)	$	2,320
2020		5,233
2021		4,953
2022		3,890
2023		3,776
Thereafter		1,354
Total undiscounted lease payments		21,526
Less: imputed interest		(4,386)
Total lease liabilities	$	17,140

The following table presents components of lease expense for the three and six months ended June 30, 2019 (in thousands):

	Three Months Ended June 30, 2019	Six Months Ended June 30, 2019
Operating lease expense	$ 991	$ 1,733
Short-term lease expense(a)	151	552
	1,142	2,285
Less: Sublease income	(9)	(12)
Total lease expense	$ 1,133	$ 2,273

(a) Short-term lease expense includes all leases with lease terms ranging from less than one month to one year.

As of June 30, 2019, we do not have any leases that have not yet commenced that create significant rights and obligations.

Fiscal year 2018 lease commitments in accordance with prior guidance

Future minimum lease payments under non-cancelable operating leases, including short-term leases as of June 30, 2019 were as follows (in thousands):

	Amounts
2019 (for the remaining six months)	$ 2,320
2020	5,233
2021	4,953
2022	3,890
2023	3,776
2024 and thereafter	1,354
Total minimum lease payments	$ 21,526

(17) Commitments and Contingencies

Litigation

From time to time the Company may become involved in legal proceedings or be subject to claims arising in the ordinary course of business. Although the results of litigation and claims cannot be predicted with certainty, the Company currently believes that the final outcome of these ordinary course matters will not have a material adverse effect on its business, operating results, financial condition or cash flows. Regardless of the outcome, litigation can have an adverse impact because of defense and settlement costs, diversion of management resources and other factors.

Employee Contracts

The Company has entered into employment contracts with certain of the Company's executive officers which provide for at-will employment. However, under the provisions of the contracts, the Company would incur severance obligations of up to twelve months of the executive's annual base salary for certain events, such as involuntary terminations.

(18) Subsequent Events

On August 1, 2019, the Company entered into a Membership Interest Purchase Agreement, or the Purchase Agreement, with NC4 Inc., NC4 Public Sector LLC, and Celerium Group Inc., pursuant to which the Company purchased all of the issued and outstanding membership interests of NC4 Inc. and NC4 Public Sector LLC for total consideration of $83.0 million. The Company paid approximately $51.7 million in cash at closing and paid the remaining purchase price with 320,998 newly issued shares of the Company's common stock. On the closing date of this acquisition the closing price of the Company's common stock on the Nasdaq Global Market was $100.37 price per share. The Company's acquisition of NC4 Inc. and NC4 Public Sector LLC was made primarily to expand the Company's customer base and to a lesser extent to complement some of the existing facets of its business with the Company's existing customers.

On July 15, 2019, David Meredith was appointed the Chief Executive Officer and member of the Board of Directors of the Company. As part of his employment agreement, Mr. Meredith was awarded 100,000 RSUs and 100,000 PSUs. The RSUs and PSUs vest over periods ranging from one to three years. The estimated total stock-based compensation associated with these grants of $19.8 million is expected to be recognized over a weighted average period of 2.9 years.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with (i) our condensed consolidated financial statements and related notes appearing elsewhere in this Quarterly Report on Form 10-Q and (ii) our audited consolidated financial statements and the related notes and management's discussion and analysis of financial condition and results of operations for the fiscal year ended December 31, 2018 included in our Annual Report on Form 10-K filed with the SEC on March 1, 2019. This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements are often identified by the use of words such as "anticipate," "believe," "continue," "could," "estimate," "expect," "intend," "may," "plan," "project," "will," "would" or the negative or plural of these words or similar expressions or variations. Such forward-looking statements include, but are not limited to, statements with respect to our outlook; the impact of new accounting standards; our ability to service our debt; our business strategy, including with respect to potential acquisitions; plans and objectives of future operations; and our future financial and business performance. The events described in these forward-looking statements are subject to a number of risks, uncertainties, assumptions and other factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified herein, and those discussed in the section titled "Risk Factors", set forth in Part II, Item 1A of this Quarterly Report on Form 10-Q and in our other SEC filings. You should not rely upon forward-looking statements as predictions of future events. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

Overview

Everbridge is a global software company that provides enterprise software applications that automate and accelerate organizations' operational response to critical events in order to keep people safe and businesses running. During public safety threats such as active shooter situations, terrorist attacks or severe weather conditions, as well as critical business events including IT outages, cyber-attacks or other incidents such as product recalls or supply-chain interruptions, over 4,600 global customers rely on the company's Critical Event Management Platform to quickly and reliably aggregate and assess threat data, locate people at risk and responders able to assist, automate the execution of pre-defined communications processes through the secure delivery to over 100 different communication devices, and track progress on executing response plans. Our customers use our platform to identify and assess hundreds of different types of threats to their organizations, people, assets or brand. Our solutions enable organizations to deliver intelligent, contextual messages to, and receive verification of delivery from, hundreds of millions of recipients, across multiple communications modalities such as voice, SMS and e-mail, in over 200 countries and territories, in 22 languages and dialects – all simultaneously. Our Critical Event Management platform is comprised of a comprehensive set of software applications that address the full spectrum of tasks an organization has to perform to manage a critical event, including Mass Notification, Incident Management, Safety Connection, IT Alerting, Visual Command Center, Public Warning, Crisis Management, Community Engagement and Secure Messaging. We believe that our broad suite of integrated, enterprise applications delivered via a single global platform is a significant competitive advantage in the market for Critical Event Management solutions, which we refer to generally as CEM.

Our customer base has grown from 867 customers at the end of 2011 to more than 4,600 customers as of June 30, 2019. As of June 30, 2019, our customers were based in 50 countries and included 9 of the 10 largest U.S. cities, 8 of the 10 largest U.S.-based investment banks, 46 of the 50 busiest North American airports, 6 of the 10 largest global consulting firms, 6 of the 10 largest global automakers, all 4 of the largest global accounting firms, 9 of the 10 largest U.S.-based health care providers and 5 of the 10 largest U.S.-based health insurers. We provide our applications to customers of varying sizes, including enterprises, small businesses, non-profit organizations, educational institutions and governmental agencies. Our customers span a wide variety of industries including technology, energy, financial services, healthcare and life sciences, manufacturing, media and entertainment, retail, higher education and professional services.

We sell all of our critical communications applications on a subscription basis. We generally enter into contracts that range from one to three years in length, with an average contract duration of 2.3 years as of June 30, 2019, and generally bill and collect payment annually in advance. We derive most of our revenue from subscriptions to applications. Over 90% of the revenue that we recognized in each of the eight most recently completed quarters was generated from contracts entered into in prior quarters or renewals of those contracts; the balance of the revenue that we recognized in each such quarter was generated from contracts entered into with new customers or new contracts, other than renewals, entered into with existing customers in such quarter. Historically, we derived more than 64% of our revenue in each of the last three fiscal years from sales of our Mass Notification application. Our pricing model is based on the number of applications subscribed to and, per application, the number of people, locations and things connected to our platform as well as the volume of communications. We also offer premium services including data feeds for social media, threat intelligence and weather. We generate additional revenue by expanding the number of applications that our customers subscribe to and the number of contacts and devices connected to our platform.

We generated revenue of $48.4 million and $35.8 million for the three months ended June 30, 2019 and 2018, respectively, representing a period-over-period increase of 35%. We generated revenue of $91.2 million and $66.3 million for the six months ended June 30, 2019 and 2018, respectively, representing a period-over-period increase of 38%. We had net losses of $12.1 million and $16.9 million for the three months ended June 30, 2019 and 2018, respectively. We had net losses of $26.2 million and $29.3 million for the six months ended June 30, 2019 and 2018, respectively. Our adjusted EBITDA, which is a measure that is not calculated and presented in accordance with generally accepted accounting principles in the United States, or GAAP, was $0.4 million and $(1.8) million for the three months ended June 30, 2019 and 2018, respectively. Adjusted EBITDA was $(1.5) million and $(3.6) million for the six months ended June 30, 2019 and 2018, respectively. See “Other Metrics” below for a discussion of the limitations of adjusted EBITDA and a reconciliation of adjusted EBITDA to net loss, the most directly comparable financial measure calculated and presented in accordance with GAAP.

As of June 30, 2019 and 2018, 29% and 28% of our customers, respectively, were located outside of the United States and these customers generated 24% and 13% of our total revenue for the three months ended June 30, 2019 and 2018, respectively. These customers generated 23% and 16% of our total revenue for the six months ended June 30, 2019 and 2018, respectively.

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

Recent Developments

In April 2019, we acquired Mission Mode Solutions, Inc., or Mission Mode, pursuant to which we purchased all of the issued and outstanding shares of stock of Mission Mode for base consideration of $6.8 million. There is also a potential contingent payment of up to $1.0 million that can be earned in addition to the base consideration by the sellers based on successfully converting the Mission Mode’s customers to our product. Our acquisition of Mission Mode was made primarily to expand the Company’s customer base and to a lesser extent to complement some of the existing facets of its business with the Company’s existing customers.

In August 2019, we entered into a Membership Interest Purchase Agreement, or the Purchase Agreement, with NC4 Inc., NC4 Public Sector LLC, and Celerium Group Inc., pursuant to which we purchased all of the issued and outstanding membership interest of NC4 Inc. and NC4 Public Sector LLC for total consideration of $83.0 million. We paid approximately $51.7 million in cash at closing and paid the remaining purchase price with 320,998 newly issued shares of our common stock. On the closing date of this acquisition, the closing price of our common stock on the Nasdaq Global Market was $101.32 per share. Our acquisition of NC4 Inc. and NC4 Public Sector LLC was made primarily to expand the Company’s customer base and to a lesser extent to complement some of the existing facets of its business with the Company’s existing customers.

Presentation of Financial Statements

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

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

Components of Results of Operations

Revenue

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

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

We also sell professional services which primarily consist of fees for deployment and optimization services, as well as training. In addition, on occasion we may sell our software for on premise usage. These sales have been to a limited number of customers and is not a significant revenue stream for the Company.

Cost of Revenue

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

Operating Expenses

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

Sales and Marketing

Sales and marketing expense primarily consists of employee-related expenses for sales, marketing and public relations employees, including salaries, bonuses, commissions, benefits and stock-based compensation expense. Sales and marketing expense also includes trade show, market research, advertising and other related external marketing expense as well as office and software related costs to support sales. We defer certain sales commissions related to acquiring new customers and amortize these expenses ratably over the period of benefit that we have determined to be four years. We plan to continue to expand our sales and marketing functions to grow our customer base and increase sales to existing customers. This growth will include adding sales personnel and expanding our marketing activities to continue to generate additional leads and build brand awareness. In the near term, we expect our sales and marketing expense to increase on an absolute dollar basis as we hire new sales representatives in the United States and worldwide and grow our marketing staff.

Research and Development

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

General and Administrative

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

Interest and Investment Income

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

Interest Expense

Interest expense consists of interest on our outstanding debt obligations.

Other Income and Expense, Net

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

Results of Operations

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Revenue	$ 48,405	$ 35,822	$ 91,224	$ 66,341
Cost of revenue(1) (2)	14,739	11,532	28,720	21,192
Gross profit	33,666	24,290	62,504	45,149
Operating expenses:				
Sales and marketing(1)(2)	$ 22,015	$ 19,179	$ 42,086	$ 34,955
Research and development(1) (2)	12,802	12,027	24,287	20,198
General and administrative(1) (2)	10,464	8,635	21,022	16,479
Total operating expenses	45,281	39,841	87,395	71,632
Operating loss	(11,615)	(15,551)	(24,891)	(26,483)
Other income (expenses), net	(310)	(1,178)	(874)	(2,492)
Loss before income taxes	(11,925)	(16,729)	(25,765)	(28,975)
Provision for income taxes	(138)	(189)	(432)	(285)
Net loss attributable to common stockholders	$ (12,063)	$ (16,918)	$ (26,197)	$ (29,260)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Cost of revenue	$ 412	$ 940	$ 847	$ 1,565
Sales and marketing	2,547	3,532	4,915	5,967
Research and development	2,418	3,205	3,828	4,515
General and administrative	2,631	2,345	6,203	4,669
Total	$ 8,008	$ 10,022	$ 15,793	$ 16,716

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Cost of revenue	$ 2,248	$ 1,992	$ 4,261	$ 3,822
Sales and marketing	194	78	341	159
Research and development	133	69	241	136
General and administrative	1,420	1,551	2,857	2,211
Total	$ 3,995	$ 3,690	$ 7,700	$ 6,328

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
Consolidated Statements of Operations, as a percentage of revenue(1)				
Revenue	100%	100%	100%	100%
Cost of revenue	30%	32%	31%	32%
Gross profit	70%	68%	69%	68%
Operating expenses:				
Sales and marketing	45%	54%	46%	53%
Research and development	26%	34%	27%	30%
General and administrative	22%	24%	23%	25%
Total operating expenses	94%	111%	96%	108%
Operating loss	(24)%	(43)%	(27)%	(40)%
Other income (expenses), net	(1)%	(3)%	(1)%	(4)%
Loss before income taxes	(25)%	(47)%	(28)%	(44)%
(Provision for) benefit from income taxes	*	*	*	*
Net loss attributable to common stockholders	(25)%	(47)%	(28)%	(44)%

(1) Columns may not add up to 100% due to rounding.
* Represents less than 0.5% of revenue.

Comparison of the Three Months Ended June 30, 2019 and 2018

Revenue

	Three Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Revenue	$ 48,405	$ 35,822	$ 12,583	35.1%

Revenue increased by $12.6 million for the three months ended June 30, 2019 compared to the same period in 2018. The increase was due to a $12.6 million increase in sales of our historical solutions driven by expansion of our customer base from 4,158 customers as of June 30, 2018 to 4,667 customers as of June 30, 2019, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

	Three Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Cost of revenue	$ 14,739	$ 11,532	$ 3,207	27.8%
Gross margin %	70%	68%		

Cost of revenue increased by $3.2 million for the three months ended June 30, 2019 compared to the same period in 2018. The increase was due to a $0.3 million increase in employee-related costs associated with our increased headcount from 163 employees as of June 30, 2018 to 180 employees as of June 30, 2019. In addition, $2.6 million of the increase was attributed to an increase in hosting, software and messaging costs, $0.2 million increase in depreciation and amortization expense attributed to our fixed assets, acquired intangibles and capitalized software and $0.1 million attributed to an increase in office related expenses to support revenue generating activities.

Gross margin percentage increased due to revenue growth outpacing the increase in cost along with a reduction of stock compensation expense.

Operating Expenses

Sales and Marketing Expense

	Three Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Sales and marketing	$ 22,015	$ 19,179	$ 2,836	14.8%
% of revenue	45%	54%		

Sales and marketing expense increased by $2.8 million for the three months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to a $2.1 million increase in stock compensation and employee-related costs associated with our increased headcount from 284 employees as of June 30, 2018 to 328 employees as of June 30, 2019. The remaining increase was principally the result of a $0.3 million increase in advertising related cost and trade show expense and a $0.4 million increase in office related expenses to support the sales team.

Research and Development Expense

	Three Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Research and development	$ 12,802	$ 12,027	$ 775	6.4%
% of revenue	26%	34%		

Research and development expense increased by $0.8 million for the three months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to a $0.4 million increase in employee-related costs associated with our increased headcount from 237 employees as of June 30, 2018 to 243 employees as of June 30, 2019. The remaining increase was principally the result of a $0.1 million increase in office related expenses and support fees. A total of $2.2 million of internally developed software costs during the three months ended June 30, 2018 and $1.9 million of internally developed software costs during the three months ended June 30, 2019 were capitalized, resulting in an increase of the expense by $0.3 million in the second quarter of 2019.

General and Administrative Expense

	Three Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
General and administrative	$ 10,464	$ 8,635	$ 1,829	21.2%
% of revenue	22%	24%		

General and administrative expense increased by $1.8 million for the three months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to a $0.8 million increase in stock compensation and employee-related costs associated with our increased headcount from 88 employees as of June 30, 2018 to 106 employees as of June 30, 2019. The remaining increase was due to a $1.0 million increase in software cost to support the administrative team and a $0.6 million increase in depreciation and amortization. These increases were offset by a decrease of $0.6 million in public company cost as audit and tax services were reduced.

Other Income (Expense), Net

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Change $	Change %
	(dollars in thousands)			
Other income (expense), net	$ (310)	$ (1,178)	$ 868	(73.7)%
% of revenue	(1)%	(3)%		

Other expense decreased by $0.9 million for the three months ended June 30, 2019 compared to the same period in 2018 as we raised $139.1 million, net of cost in January 2019 from our follow on offering, resulting in a $0.9 million increase in interest income.

Comparison of the Six Months Ended June 30, 2019 and 2018

Revenue

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Change $	Change %
	(dollars in thousands)			
Revenue	$ 91,224	$ 66,341	$ 24,883	37.5%

Revenue increased by $24.9 million for the six months ended June 30, 2019 compared to the same period in 2018. The increase was due to an $24.9 million increase in sales of our historical solutions driven by expansion of our customer base from 4,158 customers as of June 30, 2018 to 4,667 customers as of June 30, 2019, including increased sales to larger organizations with greater numbers of contacts and locations.

Cost of Revenue

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Change $	Change %
	(dollars in thousands)			
Cost of revenue	$ 28,720	$ 21,192	$ 7,528	35.5%
Gross margin %	69%	68%		

Cost of revenue increased by $7.5 million for the six months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to a $1.5 million increase in employee-related costs associated with our increased headcount from 163 employees as of June 30, 2018 to 180 employees as of June 30, 2019. In addition, $5.7 million of the increase was attributed to an increase in hosting, software and messaging costs, a $0.3 million increase in office related expenses to support revenue generating activities.

Gross margin percentage increased due to revenue growth outpacing the increase in cost along with a reduction of stock compensation expense.

Operating Expenses

Sales and Marketing Expense

	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018	Change $	Change %
	(dollars in thousands)			
Sales and marketing	$ 42,086	$ 34,955	$ 7,131	20.4%
% of revenue	46%	53%		

Sales and marketing expense increased by $7.1 million for the six months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to an $5.6 million increase in employee-related costs associated with our increased headcount from 284 employees as of June 30, 2018 to 328 employees as of June 30, 2019. The remaining increase was principally the result of a $0.6 million increase in advertising costs, a $0.6 million increase in office related expenses to support revenue generating activities and a $0.3 million increase in software cost to support the sales team.

Research and Development Expense

	Six Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Research and development	$ 24,287	$ 20,198	$ 4,089	20.2%
% of revenue	27%	30%		

Research and development expense increased by $4.1 million for the six months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to a $2.7 million increase in employee-related costs associated with our increased headcount from 237 employees as of June 30, 2018 to 243 employees as of June 30, 2019. The remaining increase was principally the result of a $0.6 million increase in hosting and software cost to support research and development activities and a $0.7 million increase in office related expenses to support research and development activities. A total of $4.1 million of internally developed software costs during the six months ended June 30, 2018 and $4.0 million of internally developed software costs during the six months ended June 30, 2019 were capitalized, resulting in a increase of the expense by $0.1 million in the 2019 period.

General and Administrative Expense

	Six Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
General and administrative	$ 21,022	$ 16,479	$ 4,543	27.6%
% of revenue	23%	25%		

General and administrative expense increased by $4.5 million for the six months ended June 30, 2019 compared to the same period in 2018. The increase was primarily due to a $2.5 million increase in employee-related costs associated with our increased headcount from 88 employees as of June 30, 2018 to 106 employees as of June 30, 2019. The remaining increase was due to a $1.0 million increase in depreciation and amortization expense attributable to our acquired intangible assets and a $0.9 million increase in cost to operate as a public company.

Other Income (Expense), Net

	Six Months Ended June 30,		Change	
	2019	2018	$	%
	(dollars in thousands)			
Other income (expense), net	$ (874)	$ (2,492)	$ 1,618	(64.9)%
% of revenue	(1)%	(4)%		

Other expense decreased by $1.6 million for the six months ended June 30, 2019 compared to the same period in 2018 as we raised $139.1 million as a result of proceeds invested from our public offerings increasing interest and investment income by $1.6 million.

Other Metrics

We regularly monitor a number of financial and operating metrics in order to measure our current performance and estimate our future performance. Our other business metrics may be calculated in a manner different than similar other business metrics used by other companies.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(dollars in thousands)			
Adjusted EBITDA	$ 400	$ (1,845)	$ (1,492)	$ (3,643)
Adjusted gross margin	$ 34,435	$ 25,611	$ 64,041	$ 47,347
Free cash flow	$ (15,209)	$ (11,160)	$ (11,313)	$ (5,904)

- ***Adjusted EBITDA***. Adjusted EBITDA represents our net loss before interest and investment income and interest expense, income tax expense and benefit, depreciation and amortization expense and stock-based compensation expense. We do not consider these items to be indicative of our core operating performance. The items that are non-cash include depreciation and amortization expense and stock-based compensation expense. Adjusted EBITDA is a measure used by management to understand and evaluate our core operating performance and trends and to generate future operating plans, make strategic decisions regarding the allocation of capital and invest in initiatives that are focused on cultivating new markets for our solutions. In particular, the exclusion of certain expenses in calculating adjusted EBITDA facilitates comparisons of our operating performance on a period-to-period basis. Adjusted EBITDA is not a measure calculated in accordance with GAAP. We believe that adjusted EBITDA provides useful information to investors and others in understanding and evaluating our operating results in the same manner as our management and board of directors. Nevertheless, use of adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our financial results as reported under GAAP. Some of these limitations are: (1) although depreciation and amortization are non-cash charges, the capitalized software that is amortized will need to be replaced in the future, and adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements or for new capital expenditure requirements; (2) adjusted EBITDA does not reflect changes in, or cash requirements for, our working capital needs; (3) adjusted EBITDA does not reflect the potentially dilutive impact of equity-based compensation; (4) adjusted EBITDA does not reflect tax payments or receipts that may represent a reduction or increase in cash available to us; and (5) other companies, including companies in our industry, may calculate adjusted EBITDA or similarly titled measures differently, which reduces the usefulness of the metric as a comparative measure. Because of these and other limitations, you should consider adjusted EBITDA alongside our other GAAP-based financial performance measures, net loss and our other GAAP financial results. The following table presents a reconciliation of adjusted EBITDA to net loss, the most directly comparable GAAP measure, for each of the periods indicated:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Net loss	$ (12,063)	$ (16,918)	$ (26,197)	$ (29,260)
Interest and investment (income) expense, net	322	1,172	780	2,288
Provision for income taxes	138	189	432	285
Depreciation and amortization expense	3,995	3,690	7,700	6,328
Stock-based compensation expense	8,008	10,022	15,793	16,716
Adjusted EBITDA	$ 400	$ (1,845)	$ (1,492)	$ (3,643)

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Gross profit	$ 33,666	$ 24,290	$ 62,504	$ 45,149
Amortization of acquired intangibles	357	381	690	633
Stock-based compensation expense	412	940	847	1,565
Adjusted gross margin	$ 34,435	$ 25,611	$ 64,041	$ 47,347

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Net cash used in operating activities	$ (12,176)	$ (8,960)	$ (3,489)	$ (1,452)
Capital expenditures	(1,102)	(161)	(3,875)	(414)
Capitalized software development costs	(1,931)	(2,039)	(3,949)	(4,038)
Free cash flow	$ (15,209)	$ (11,160)	$ (11,313)	$ (5,904)

Additional Supplemental Non-GAAP Financial Measures

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

We exclude stock-based compensation expense because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact our non-cash expense. We believe that providing non-GAAP financial measures that exclude stock-based compensation expense allow for more meaningful comparisons between our operating results from period to period. We believe that excluding the impact of amortization of acquired intangibles allows for more meaningful comparisons between operating results from period to period as the intangibles are valued at the time of acquisition and are amortized over a period of several years after the acquisition. Accordingly, we believe that excluding these expenses provides investors and management with greater visibility of the underlying performance of our business operations, facilitates comparison of our results with other periods and may also facilitate comparison with the results of other companies in our industry.

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

The following table reconciles our GAAP to non-GAAP numbers for the three and six months ended June 30, 2019 and 2018:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
	(in thousands)			
Cost of revenue	$ 14,739	$ 11,532	$ 28,720	$ 21,192
Amortization of acquired intangibles	(357)	(381)	(690)	(633)
Stock-based compensation expense	(412)	(940)	(847)	(1,565)
Non-GAAP cost of revenue	13,970	10,211	27,183	18,994
Gross profit	33,666	24,290	62,504	45,149
Amortization of acquired intangibles	357	381	690	633
Stock-based compensation expense	412	940	847	1,565
Non-GAAP gross profit	34,435	25,611	64,041	47,347
Non-GAAP gross margin	71.1%	71.5%	70.2%	71.4%
Sales and marketing expense	22,015	19,179	42,086	34,955
Stock-based compensation expense	(2,547)	(3,532)	(4,915)	(5,967)
Non-GAAP sales and marketing	19,468	15,647	37,171	28,988
Research and development expense	12,802	12,027	24,287	20,198
Stock-based compensation expense	(2,418)	(3,205)	(3,828)	(4,515)
Non-GAAP research and development	10,384	8,822	20,459	15,683
General and administrative expense	10,464	8,635	21,022	16,479
Amortization of acquired intangibles	(1,255)	(1,426)	(2,552)	(1,997)
Stock-based compensation expense	(2,631)	(2,345)	(6,203)	(4,669)
Non-GAAP general and administrative	6,578	4,864	12,267	9,813
Total operating expenses	45,281	39,841	87,395	71,632
Amortization of acquired intangibles	(1,255)	(1,426)	(2,552)	(1,997)
Stock-based compensation expense	(7,596)	(9,082)	(14,946)	(15,151)
Non-GAAP total operating expenses	$ 36,430	$ 29,333	$ 69,897	$ 54,484
Operating loss	$ (11,615)	$ (15,551)	$ (24,891)	$ (26,483)
Amortization of acquired intangibles	1,612	1,807	3,242	2,630
Stock-based compensation expense	8,008	10,022	15,793	16,716
Non-GAAP operating loss	$ (1,995)	$ (3,722)	$ (5,856)	$ (7,137)
Net loss	$ (12,063)	$ (16,918)	$ (26,197)	$ (29,260)
Amortization of acquired intangibles	1,612	1,807	3,242	2,630
Stock-based compensation expense	8,008	10,022	15,793	16,716
Non-GAAP net loss	$ (2,443)	$ (5,089)	$ (7,162)	$ (9,914)

Liquidity and Capital Resources

To date, we have financed our operations primarily through cash from operating activities, along with equity issuances and debt financing arrangements. Our principal source of liquidity is cash and cash equivalents totaling $235.1 million and short-term investments of $3.5 million as of June 30, 2019, which includes $139.1 million received in January 2019 as a result of our public offering of common stock. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future.

We believe that our cash and cash equivalent balances and the cash flows generated by our operations will be sufficient to satisfy our anticipated cash needs for working capital and capital expenditures for at least the next 12 months. However, our belief may prove to be incorrect, and we could utilize our available financial resources sooner than we currently expect. Our future capital requirements and the adequacy of available funds will depend on many factors, including those set forth in the section of this Quarterly Report on Form 10-Q titled "Risk Factors." We cannot assure you that we will be able to raise additional capital on acceptable terms or at all. In addition, if we fail to meet our operating plan during the next 12 months, our liquidity could be adversely affected.

Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2019	2018	2019	2018
	(in thousands)			
Cash, cash equivalents and restricted cash at beginning of period	$ 235,349	$ 103,633	$ 60,068	$ 103,051
Cash used in operating activities	(12,176)	(8,960)	(3,489)	(1,452)
Cash provided by (used in) investing activities	10,861	7,364	28,845	(764)
Cash provided by financing activities	4,245	1,188	152,883	2,429
Effects of exchange rates on cash	(24)	(626)	(52)	(665)
Cash and cash equivalents at end of period	$ 238,255	$ 102,599	$ 238,255	$ 102,599

Uses of Funds

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

Operating Activities

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

Operating activities used $3.5 million in cash in the six months ended June 30, 2019, primarily from $7.0 million in cash used by operations as a result of changes in operating assets and liabilities, which was increased by $29.8 million of non-cash operating expenses and partially offset by our net loss of $26.2 million. Specifically, we recognized non-cash charges aggregating to $7.7 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, $15.8 million for stock-based compensation, $3.6 million for amortization of deferred commissions and $2.4 million related to the accretion of interest on our convertible senior notes which was offset by a decrease of $0.2 million of investment income. The change in operating assets and liabilities reflected a $2.9 million increase in accounts payable and accrued expenses as a result of timing of payments made to vendors, a $1.5 million increase in deferred revenue and a $1.0 million increase in other liabilities. These increases were partially offset by a $1.4 million increase in accounts receivable, a $3.5 million increase in prepaid expenses for upfront payments made for prepaid software and insurance, a $4.4 million increase in deferred cost and a $2.9 million decrease in accrued employee related expenses due to timing of payments to employees.

Operating activities used $1.5 million in cash in the six months ended June 30, 2018, primarily from $0.5 million in cash provided by operations as a result of changes in operating assets and liabilities, which was decreased by $27.4 million of non-cash operating expenses and partially offset by our net loss of $29.3 million. Specifically, we recognized non-cash charges aggregating to $6.3 million for depreciation and amortization of intangible assets, capitalized software development costs and property and equipment, $16.5 million for stock-based compensation, $2.5 million for amortization of deferred commissions and $2.3 million related to the accretion of interest on our convertible senior notes which was offset by a decrease of $0.3 million for our change in fair value of contingent consideration and $0.2 million of investment income. The change in operating assets and liabilities reflected a $5.6 million decrease in accounts receivable, a $0.6 million increase in accrued expenses as a result of timing of payments made to vendors, a $0.3 million increase in accrued employee related expenses due to timing of payments to employees and a $1.1 million increase in deferred revenue. These increases were partially offset by a $4.2 million increase in deferred cost, $2.0 million increase in prepaid expenses for upfront payments made for prepaid software and insurance, and a $1.0 million increase in other assets.

Investing Activities

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

Investing activities provided $28.8 million in cash in the six months ended June 30, 2019, cash provided due to maturities of short-term investments of $44.3 million and $1.1 million attributed to a landlord reimbursement. This was offset by our investment in software development of $4.0 million, our purchase of property and equipment of $3.9 million, $6.8 million in cash used for acquisitions and a $2.0 million in purchases of short-term investments.

Investing activities used $0.8 million in cash in the six months ended June 30, 2018, primarily from our purchase of short-term investments of $30.9 million, investment in software development of $4.0 million, our purchase of property and equipment of $0.4 million, $35.9 million in cash used for acquisitions and a $0.2 million in purchases of intangible assets. This was offset by cash provided of $70.6 million in maturities of our short-term investments.

Financing Activities

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

Financing activities provided $152.9 million of cash in the six months ended June 30, 2019, which reflects proceeds of $139.1 million from our common stock offering, $1.3 million from the issuance of stock under our employee stock purchase plan and proceeds of $13.5 million from the exercise of stock options. This amount was offset by a $0.5 million payment for employee withholding taxes, $0.1 million in payments on finance leases and $0.4 million payment on note payables.

Financing activities provided $2.4 million of cash in the six months ended June 30, 2018, which reflects proceeds of $0.9 million from the issuance of stock under our employee stock purchase plan and proceeds of $5.8 million from the exercise of stock options. This amount was offset by a $3.8 million payment for employee withholding taxes and $0.4 million of contingent consideration related to our acquisition of IDV Solutions, LLC in January 2017.

Critical Accounting Policies

Our condensed consolidated financial statements are prepared in accordance with GAAP. The preparation of these condensed consolidated financial statements requires us to make certain estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, costs and expenses, and related disclosures. On an ongoing basis, we evaluate our estimates and assumptions. Our actual results may differ from these estimates under different assumptions or conditions.

Except for the accounting policies for leases that were updated, as set forth in footnote 2 and 16, as a result of adopting ASU No. 2016-02, there have been no changes to our critical accounting policies and estimates described in the Annual Report on Form 10-K for the year ended December 31, 2018, filed with the SEC on March 1, 2019, that have had a material impact on our condensed consolidated financial statements and related notes.

Recently Issued Accounting Pronouncements

See Note 2 of the notes to our unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for a summary of recently issued and adopted accounting pronouncements.

Contractual Obligations and Commitments

As of June 30, 2019, there were no material changes in our commitments under contractual obligations except for scheduled payments from the ongoing business, as disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2018.

Off-Balance Sheet Arrangements

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

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

Interest Rate Risk

Our investment portfolio is exposed to market risk from changes in interest rates. The fair market value of fixed rate securities may be adversely impacted by fluctuations in interest rates while income earned on floating rate securities may decline as a result of decreases in interest rates. Under our current policies, we do not use interest rate derivative instruments to manage exposure to interest rate changes. We attempt to ensure the safety and preservation of our invested principal funds by limiting default risk, market risk and reinvestment risk. We mitigate default risk by investing in investment grade securities. We have historically maintained a relatively short average maturity for our investment portfolio, and we believe a hypothetical 100 basis point adverse move in interest rates along the entire interest rate yield curve would change the fair value of our interest sensitive financial instruments by approximately $0.6 million. In addition, if a 100 basis point change in overall interest rates were to occur in 2019, our interest income would not change significantly in relation to amounts we would expect to earn, based on our cash, cash equivalents, and investments as of June 30, 2019.

Changes in interest rates may also impact gains or losses from the conversion of our outstanding convertible senior notes. In November 2017, we issued $115 million in aggregate principal amount of our 1.50% convertible senior notes due 2022, or the Notes. At our election, the Notes are convertible into cash, shares of our common stock, or a combination of cash and shares of our common stock in each case under certain circumstances, including trading price conditions related to our common stock. In the second quarter of 2018, the trading price of our common stock reached a price for a sustained period at 130% above the conversion price of $33.71, resulting in the Notes becoming convertible at the option of the holder during the third quarter of 2018. No Note holders have exercised their right for conversion as of June 30, 2019. Upon conversion, we are required to record a gain or loss for the difference between the fair value of the debt to be extinguished and its corresponding net carrying value. The fair value of the debt to be extinguished depends on our then-current incremental borrowing rate. If our incremental borrowing rate at the time of conversion is higher or lower than the implied interest rate of the Notes, we will record a gain or loss in our consolidated statement of operations during the period in which the Notes are converted. An incremental borrowing rate that is a hypothetical 100 basis points lower than the implicit interest rate upon conversion of $115 million aggregate principal amount of the Notes would result in a loss of approximately $1.2 million.

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

We had cash and cash equivalents of $235.1 million as of June 30, 2019, which consisted of bank deposits and money market funds. To date, fluctuations in interest income have not been significant.

We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our financial statements.

Foreign Currency Exchange Risk

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

Inflation Risk

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

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

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

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

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on Effectiveness of Controls

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

We operate in a rapidly changing environment that involves a number of risks which could materially affect our business, financial condition or future results, some of which are beyond our control. In addition to the other information set forth in this Quarterly Report on Form 10-Q, the risks and uncertainties that we believe are most important for you to consider are discussed in Part I-Item 1A under the heading "Risk Factors" in our Annual Report on Form 10-K for the year ended December 31, 2018, as filed with the SEC on March 1, 2019. During the six months ended June 30, 2019, there were no material changes to the risk factors that were disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

(a) Recent Sales of Unregistered Equity Securities

None.

(b) Use of Proceeds

None

(c) Issuer Purchase of Equity Securities

None

Item 3. Defaults Upon Senior Securities.

None

Item 4. Mine Safety Disclosures.

Not applicable

Item 5. Other Information.

None

Item 6. Exhibits.

3.1(1)	Amended and Restated Certificate of Incorporation of Everbridge, Inc.
3.2(2)	Amended and Restated Bylaws of Everbridge, Inc.
10.1*+	2019 Management Incentive Plan of Everbridge, Inc.
10.2(3)+	Employment Agreement, dated as of May 25, 2019, by and between Everbridge, Inc. and David Meredith.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File - the cover page interactive data is embedded within the Inline XBRL document or included within the Exhibit 101 attachments.

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(1) Previously filed as Exhibit 3.1 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange on September 21, 2016, and incorporated herein by reference.
(2) Previously filed as Exhibit 3.2 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange on September 21, 2016, and incorporated herein by reference.
(3) Previously filed as Exhibit 10.1 to the Registrant's Current Report on Form 8-K (File No. 001-37874), filed with the Securities and Exchange on June 18, 2019, and incorporated herein by reference.

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

SIGNATURES

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

	Everbridge, Inc.
Date: August 9, 2019	By: /s/ David Meredith David Meredith *Chief Executive Officer*
Date: August 9, 2019	By: /s/ Patrick Brickley Patrick Brickley *Senior Vice President and* *Chief Financial Officer*

Exhibit 10.1

Everbridge, Inc.
2019 Management Incentive Plan

Introduction

The 2019 Management Incentive Plan ("The Plan") is designed as an incentive to participants to perform at their most effective level, as a reward for strong performance and as a way of sharing in the success of the Company. The Plan is designed to be self-funded and is incorporated in the business targets and budgets.

The Plan is one element of Everbridge's total compensation package, inclusive of base salary, equity, benefits and other variable compensation plans. The Plan is designed to reward high performance – corporate, team and individual. Awards payable under the Plan will be determined through a combination overall bonus pool funding which will be based upon predefined corporate financial objectives and achievement of specific team and individual/development goals.

This Plan is CONFIDENTIAL, and details may not be disclosed by any participants.

Eligibility for Participation

Designated employees ("Participants") are eligible for inclusion in The Plan for the calendar year January 1, 2019 to December 31, 2019. Participation in The Plan is at the discretion of the Company. Employees considered for participation include management level employees and individual contributors in functions who meet established criteria. Eligibility for participation is not automatic and will be reviewed annually.

Participation for new hires designated as eligible to participate will be pro-rated based on days in The Plan during the plan year.

There is no contractual commitment on the part of the Company in relation to future years of participation and in this respect the Plan does not confer on any employees any rights to future participation, future employment, or give rise to any cause of action against the Company.

Operation of The Plan

For each Participant a fixed cash amount will be specified for the purposes of participation in The Plan. The overall Plan funding will be based on the achievement of corporate targets and/or business unit/departmental business plans. Individual bonus achievement will be based upon achievement of team, individual and development-based performance goals as agreed to by you and your manager and maintained within Reflektive. A copy of the business plan will be on file with the Human Resources Department and each participant will be provided a copy.

Each participant must sign a copy of The Plan document acknowledging that the document was reviewed.

Everbridge management reserves the right to modify the Plan at any time. Notification of changes to the Plan will be made in writing to affected participants. Changes may be made to the Plan periodically in order to revise goals, update strategies or correct errors.

Performance against business targets will be assessed at the end of the fiscal year once all financial results of the Company have been prepared and approved. Everbridge management will have the discretion to adjust, up or down, any employee's payout based on subjective assessment of the employee's individual performance throughout the year. Any adjustment to individual bonus target will not increase the overall bonus pool funding relative to the level of achievement of the Company.

All metrics will be measured independently. For most Plan elements, a minimum threshold between 85-90% must be achieved for each element to be qualified for payout. If any individual element is not achieved, other elements of the plan may still payout, if the requisite minimum threshold is met.

Payment

Bonus payments will be made annually after the official close of the operating year, estimated to occur no later than May of the year following. Payment will be made to each participant provided that the participant:

- Has not given notice to resign employment before any payment is made, and
- Remains an active employee at the time of payout.

Any payment to which participants in the following categories may be entitled will be pro-rated:

- Employees whose eligibility for participation in The Plan begins after January 1, 2019, or
- Employees who are transferred to another position, business unit, department or group within the Company during the plan year and their new position does not qualify them as eligible to participate in The Plan.
- Employees who transfer to a position and become eligible to participate in the Plan during the plan year.

Any payment in whole or in part shall be made through the Company's normal payroll process and will be net of any appropriate Income Tax, Social Security Contributions or other relevant deductions.

The Chief Executive Officer and Board of Directors of Everbridge, Inc. reserves the right to amend the plan at any time based on business conditions.

Contractual Status

Payments under The Plan are not contractual. No legally enforceable right to payment will arise under The Plan, nor any right to compensation or damages for non-payment as a result of the termination of employment (however caused), or for any other reason.

The Plan is not a guarantee of employment for a definite period of time. The participant acknowledges and understands that she or he, or Everbridge, may terminate the employment relationship at any time with or without cause.

The Plan terminates, for the participant, on the date the participant's employment with Everbridge is terminated.

This Plan shall be construed and governed in accordance with the laws of the Commonwealth of Massachusetts.

Validity

The Plan is valid only for the calendar year January 1, 2019 – December 31, 2019. At the expiration of this Plan, Everbridge will establish a new Plan for Participants.

Exhibit 31.1

CERTIFICATIONS

I, David Meredith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everbridge, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

By: /s/ David Meredith
Name: David Meredith
Title: Chief Executive Officer (*Principal Executive Officer*)

Exhibit 31.2

CERTIFICATIONS

I, Patrick Brickley, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Everbridge, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2019

By: /s/ Patrick Brickley
Name: Patrick Brickley
Title: Senior Vice President and Chief Financial Officer
(Principal Financial Officer and Principal Accounting Officer)

Exhibit 32.1

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, David Meredith, Chief Executive Officer of Everbridge, Inc., do hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Everbridge, Inc. for the quarter ended June 30, 2019 (the "Report"):

(1) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Everbridge, Inc. for the period presented herein.

Date: August 9, 2019

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

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

Exhibit 32.2

CERTIFICATION

Pursuant to the requirement set forth in Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended, (the “Exchange Act”) and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. §1350), I, Patrick Brickley, Senior Vice President and Chief Financial Officer of Everbridge, Inc., do hereby certify that, to the best of my knowledge, the Quarterly Report on Form 10-Q of Everbridge, Inc. for the quarter ended June 30, 2019 (the “Report”):

(1) fully complies with the requirements of Section 13(a) or Section 15(d) of the Exchange Act; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of Everbridge, Inc. for the period presented herein.

Date: August 9, 2019

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

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