

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 31, 2024
OR

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

For the transition period from to
Commission File Number 001-38675

Elastic N.V.

(Exact name of registrant as specified in its charter)

The Netherlands
(State or other jurisdiction of
incorporation or organization)

98-1756035
(I.R.S. Employer
Identification No.)

Not Applicable¹

(Address of principal executive offices, including zip code)

Registrant's telephone number, including area code: Not Applicable¹

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

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

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

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

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

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of February 26, 2024, the registrant had 100,807,523 ordinary shares, par value €0.01 per share, outstanding.

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

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Note Regarding Forward-Looking Statements

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

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

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

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

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

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

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

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

	As of January 31, 2024	As of April 30, 2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 526,893	\$ 644,167
Restricted cash	2,774	2,473
Marketable securities	488,133	271,041
Accounts receivable, net of allowance for credit losses of \$3,865 and \$3,409 as of January 31, 2024 and April 30, 2023, respectively	229,946	260,919
Deferred contract acquisition costs	68,937	55,813
Prepaid expenses and other current assets	45,440	39,867
Total current assets	1,362,123	1,274,280
Property and equipment, net	5,512	5,092
Goodwill	319,546	303,642
Operating lease right-of-use assets	23,088	19,997
Intangible assets, net	23,822	29,104
Deferred contract acquisition costs, non-current	100,389	95,879
Deferred tax assets	218,693	7,412
Other assets	5,749	8,076
Total assets	\$ 2,058,922	\$ 1,743,482
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,935	\$ 35,151
Accrued expenses and other liabilities	64,835	63,532
Accrued compensation and benefits	78,049	76,483
Operating lease liabilities	12,788	12,749
Deferred revenue	561,665	528,704
Total current liabilities	728,272	716,619
Deferred revenue, non-current	23,521	34,248
Long-term debt, net	568,341	567,543
Operating lease liabilities, non-current	15,297	13,942
Other liabilities, non-current	15,654	12,233
Total liabilities	1,351,085	1,344,585
Commitments and contingencies (Notes 8 and 9)		
Shareholders' equity:		
Preference shares, €0.01 par value; 165,000,000 shares authorized, 0 shares issued and outstanding as of January 31, 2024 and April 30, 2023	—	—
Ordinary shares, par value €0.01 per share; 165,000,000 shares authorized; 100,792,010 shares issued and outstanding as of January 31, 2024 and 97,366,947 shares issued and outstanding as of April 30, 2023	1,060	1,024
Treasury stock	(369)	(369)
Additional paid-in capital	1,676,493	1,471,584
Accumulated other comprehensive loss	(18,840)	(20,015)
Accumulated deficit	(950,507)	(1,053,327)
Total shareholders' equity	707,837	398,897
Total liabilities and shareholders' equity	\$ 2,058,922	\$ 1,743,482

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

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2024	2023	2024	2023
Revenue				
Subscription	\$ 307,632	\$ 255,613	\$ 865,622	\$ 728,638
Services	20,325	18,953	66,700	60,410
Total revenue	327,957	274,566	932,322	789,048
Cost of revenue				
Subscription	63,976	56,146	181,238	164,798
Services	20,666	19,062	60,970	58,146
Total cost of revenue	84,642	75,208	242,208	222,944
Gross profit	243,315	199,358	690,114	566,104
Operating expenses				
Research and development	87,202	77,472	248,000	231,689
Sales and marketing	141,621	126,717	408,020	379,902
General and administrative	40,896	34,711	117,530	103,724
Restructuring and other related charges	—	29,805	754	29,805
Total operating expenses	269,719	268,705	774,304	745,120
Operating loss	(26,404)	(69,347)	(84,190)	(179,016)
Other income (expense), net				
Interest expense	(6,368)	(6,265)	(19,023)	(18,875)
Other income, net	8,568	5,460	24,107	20,774
Loss before income taxes	(24,204)	(70,152)	(79,106)	(177,117)
(Benefit from) provision for income taxes	(200,328)	2,422	(181,926)	12,313
Net income (loss)	\$ 176,124	\$ (72,574)	\$ 102,820	\$ (189,430)
Net earnings (loss) per share attributable to ordinary shareholders				
Basic	\$ 1.76	\$ (0.76)	\$ 1.04	\$ (1.99)
Diluted	\$ 1.69	\$ (0.76)	\$ 1.00	\$ (1.99)
Weighted-average shares used to compute net earnings (loss) per share attributable to ordinary shareholders				
Basic	100,282,179	96,052,025	99,099,210	95,327,131
Diluted	104,503,290	96,052,025	103,149,384	95,327,131

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

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

	Three Months Ended January 31,		Nine Months Ended January 31,	
	2024	2023	2024	2023
Net income (loss)	\$ 176,124	\$ (72,574)	\$ 102,820	\$ (189,430)
Other comprehensive income (loss):				
Unrealized gain on available-for-sale securities	2,606	—	999	—
Foreign currency translation adjustments	2,362	7,032	176	(1,874)
Other comprehensive income (loss)	4,968	7,032	1,175	(1,874)
Total comprehensive income (loss)	\$ 181,092	\$ (65,542)	\$ 103,995	\$ (191,304)

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

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

	Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balances as of October 31, 2023	99,599,262	\$ 1,048	\$ (369)	\$ 1,604,896	\$ (23,808)	\$ (1,126,631)	\$ 455,136
Issuance of ordinary shares upon exercise of stock options	485,203	6	—	8,841	—	—	8,847
Issuance of ordinary shares upon release of restricted stock units	707,545	6	—	(6)	—	—	—
Stock-based compensation	—	—	—	62,762	—	—	62,762
Net income	—	—	—	—	—	176,124	176,124
Other comprehensive income	—	—	—	—	4,968	—	4,968
Balances as of January 31, 2024	100,792,010	\$ 1,060	\$ (369)	\$ 1,676,493	\$ (18,840)	\$ (950,507)	\$ 707,837

	Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balances as of October 31, 2022	95,575,775	\$ 1,005	\$ (369)	\$ 1,351,987	\$ (27,036)	\$ (934,022)	\$ 391,565
Issuance of ordinary shares upon exercise of stock options	289,098	3	—	4,507	—	—	4,510
Issuance of ordinary shares upon release of restricted stock units	570,403	6	—	(6)	—	—	—
Stock-based compensation	—	—	—	54,456	—	—	54,456
Net loss	—	—	—	—	—	(72,574)	(72,574)
Other comprehensive income	—	—	—	—	7,032	—	7,032
Balances as of January 31, 2023	96,435,276	\$ 1,014	\$ (369)	\$ 1,410,944	\$ (20,004)	\$ (1,006,596)	\$ 384,989

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

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

	Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balances as of April 30, 2023	97,366,947	\$ 1,024	\$ (369)	\$ 1,471,584	\$ (20,015)	\$ (1,053,327)	\$ 398,897
Issuance of ordinary shares upon exercise of stock options	1,200,589	13	—	19,477	—	—	19,490
Issuance of ordinary shares upon release of restricted stock units	2,030,369	21	—	(21)	—	—	—
Issuance of ordinary shares under employee stock purchase plan	194,105	2	—	9,109	—	—	9,111
Stock-based compensation	—	—	—	176,344	—	—	176,344
Net income	—	—	—	—	—	102,820	102,820
Other comprehensive income	—	—	—	—	1,175	—	1,175
Balances as of January 31, 2024	100,792,010	\$ 1,060	\$ (369)	\$ 1,676,493	\$ (18,840)	\$ (950,507)	\$ 707,837

	Ordinary Shares		Treasury Shares Amount	Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total Shareholders' Equity
	Shares	Amount					
Balances as of April 30, 2022	94,174,914	\$ 990	\$ (369)	\$ 1,250,108	\$ (18,130)	\$ (817,166)	\$ 415,433
Issuance of ordinary shares upon exercise of stock options	773,174	9	—	12,225	—	—	12,234
Issuance of ordinary shares upon release of restricted stock units	1,487,188	15	—	(15)	—	—	—
Stock-based compensation	—	—	—	148,626	—	—	148,626
Net loss	—	—	—	—	—	(189,430)	(189,430)
Other comprehensive loss	—	—	—	—	(1,874)	—	(1,874)
Balances as of January 31, 2023	96,435,276	\$ 1,014	\$ (369)	\$ 1,410,944	\$ (20,004)	\$ (1,006,596)	\$ 384,989

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

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

	Nine Months Ended January 31,	
	2024	2023
Cash flows from operating activities		
Net income (loss)	\$ 102,820	\$ (189,430)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	13,853	15,475
Amortization of premium and accretion of discount on marketable securities, net	(6,396)	—
Amortization of deferred contract acquisition costs	56,392	51,495
Amortization of debt issuance costs	798	763
Non-cash operating lease cost	8,148	8,354
Asset impairment charges	—	6,242
Stock-based compensation expense	176,344	148,626
Deferred income taxes	(210,278)	68
Foreign currency transaction loss	2,267	2,261
Other	(34)	67
Changes in operating assets and liabilities, net of impact of business acquisitions:		
Accounts receivable, net	31,044	14,050
Deferred contract acquisition costs	(74,089)	(68,184)
Prepaid expenses and other current assets	(5,512)	7,671
Other assets	639	7,106
Accounts payable	(25,212)	511
Accrued expenses and other liabilities	1,428	(6,272)
Accrued compensation and benefits	1,509	(161)
Operating lease liabilities	(9,096)	(8,404)
Deferred revenue	23,189	17,869
Net cash provided by operating activities	87,814	8,107
Cash flows from investing activities		
Purchases of property and equipment	(2,605)	(1,019)
Business acquisitions, net of cash acquired	(18,951)	—
Purchases of marketable securities	(358,273)	—
Maturities of marketable securities	150,223	—
Net cash used in investing activities	(229,606)	(1,019)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares under employee stock purchase plan	9,111	—
Proceeds from issuance of ordinary shares upon exercise of stock options	19,490	12,234
Net cash provided by financing activities	28,601	12,234
Effect of exchange rate changes on cash, cash equivalents, and restricted cash	(3,782)	(2,914)
Net (decrease) increase in cash, cash equivalents, and restricted cash	(116,973)	16,408
Cash, cash equivalents, and restricted cash, beginning of period	646,640	863,637
Cash, cash equivalents, and restricted cash, end of period	\$ 529,667	\$ 880,045
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 24,156	\$ 24,041
Cash paid for income taxes, net	\$ 19,764	\$ 6,536
Cash paid for operating lease liabilities	\$ 10,510	\$ 9,814
Supplemental disclosures of non-cash investing and financing information		
Changes in property and equipment included in accounts payable	\$ 359	\$ 25
Operating lease right-of-use assets for new lease obligations	\$ 11,235	\$ 10,901
Acquisition-related indemnity holdback	\$ 3,125	\$ —

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