

**FORM 6-K**

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

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**REPORT OF FOREIGN ISSUER  
PURSUANT TO RULE 13a-16 OR 15d-16  
UNDER THE SECURITIES EXCHANGE ACT OF 1934**

For the month of May 2024

Commission File Number: 001-40394

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**Similarweb Ltd.**  
(Translation of registrant's name into English)

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33 Yitzhak Rabin Rd.,  
Givatayim 5348303, Israel  
(Address of principal executive offices)

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Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F ☒ Form 40-F ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ☐

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ☐

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## EXHIBIT INDEX

On May 8, 2024, Similarweb Ltd. will hold a conference call regarding its financial results for the first quarter ended March 31, 2024. A copy of the related press release is furnished as Exhibit 99.1 hereto.

Exhibit 99.1, other than the portions of Exhibit 99.1 under the caption "Financial Outlook", is hereby expressly incorporated by reference into the registrant's registration statements on Form S-8 filed with the Securities and Exchange Commission on February 28, 2024 (File no. 333-277449), on March 23, 2023 (File no. 333-270793), on April 15, 2022 (File no. 333-264307) and on May 20, 2021 (File No. 333-256324).

Exhibit No.	Description
99.1	<a href="#">Press Release of Similarweb Ltd., dated May 7, 2024</a>
99.2	<a href="#">Shareholder letter, dated May 7, 2024</a>

## SIGNATURES

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

**Similarweb Ltd.**

Date: May 7, 2024

By: /s/ Jason Schwartz  
Jason Schwartz  
Chief Financial Officer

**SIMILARWEB ANNOUNCES FIRST QUARTER 2024 RESULTS**

*Sustained momentum in both top line and bottom line performance*

*Delivering consecutive quarters of positive free cash flow and non-GAAP operating profit*

**TEL AVIV, ISRAEL** -- May 7, 2024 -- Similarweb Ltd. (NYSE: SMWB) ("Similarweb" or the "Company"), a leading digital data and analytics company powering critical business decisions, today announced financial results for its first quarter ended March 31, 2024. The Company published a letter to shareholders from management discussing these results, which can be accessed at the link: <https://ir.similarweb.com/financials/quarterly-results>, located on the Company's investor relations website.

"Demand for our solutions from customers who value Similarweb Digital Data to make critical business decisions, supported 16% growth in customers and 12% growth in revenue, relative to Q1 2023" said Or Offer, Co-Founder and CEO of Similarweb. "We delivered strong momentum on the bottom line, with a third consecutive quarter of non-GAAP operating profit, and a second consecutive quarter of positive free cash flow. Our recent acquisition of Admetricks and the launch of SAM, our AI-powered Sales Assistant Module demonstrates our continued investment in the enhancement of our unique data and solutions."

**First Quarter 2024 Financial Highlights**

- Total revenue was \$59.0 million, an increase of 12% compared to \$52.8 million for the first quarter of 2023.
  - GAAP operating loss was \$(2.7) million or (5)% of revenue, compared to \$(13.1) million or (25)% of revenue for the first quarter of 2023.
  - GAAP net loss per share was \$(0.03), compared to \$(0.15) for the first quarter of 2023.
  - Non-GAAP operating profit was \$2.8 million or 5% of revenue, compared to non-GAAP operating loss of \$(7.2) million or (14)% of revenue for the first quarter of 2023.
  - Non-GAAP operating profit per share was \$0.04, compared to non-GAAP operating loss of \$(0.09) for the first quarter of 2023.
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**Recent Business Highlights**

- Generated \$9.7 million of free cash flow, reflecting a record 16% free cash flow margin.
- Grew number of customers to 4,844 as of March 31, 2024, an increase of 16% compared to March 31, 2023.
- Grew number of customers with ARR of \$100,000 or more to 378, an increase of 10% compared to March 31, 2023.
- Customers with ARR of \$100,000 or more contributed 58% of the total ARR as of March 31, 2024, compared to 55% as of March 31, 2023.
- Dollar-based net retention rate for customers with ARR of \$100,000 or more was 107% in the first quarter of 2024, consistent with the fourth quarter of 2023.
- Overall dollar-based net retention rate was 98% in the first quarter of 2024, consistent with the fourth quarter of 2023.
- Multi-year subscriptions now comprise 42% of our overall ARR as of March 31, 2024, as compared to 40% as of March 31, 2023.
- Remaining performance obligations increased 23% year-over-year, to \$213.6 million as of March 31, 2024, as compared to \$174.0 million as of March 31, 2023.
- Announced the acquisition of Admetricks, a leading digital ad intelligence provider based in Santiago, Chile.

**Financial Outlook**

"We remain focused on generating profitable growth as demonstrated in the first quarter with accelerating top line growth as well as continued positive free cash flow and non-GAAP operating profit," said Jason Schwartz, Chief Financial Officer of Similarweb. "We are maintaining our revenue outlook and improving our outlook for non-GAAP operating profit for the full year 2024. We remain disciplined to support our goal of positive free cash flow and non-GAAP operating profit on a quarterly basis in 2024, while continuing to invest to support the realization of Similarweb's potential."

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- Q2 2024 Guidance
  - Total revenue estimated between \$60.0 million and \$60.5 million, representing approximately 12% growth year over year at the mid-point of the range.
  - Non-GAAP operating profit estimated between \$1.5 million and \$2.0 million.
- FY 2024 Guidance
  - Total revenue estimated between \$242.0 million and \$246.0 million, representing approximately 12% growth year over year at the mid-point of the range.
  - Non-GAAP operating profit estimated between \$7.0 million and \$9.0 million.

The Company's second quarter and full year 2024 financial outlook is based upon a number of assumptions that are subject to change and many of which are outside the Company's control. Actual results may vary from these assumptions, and the Company's expectations may change. There can be no assurance that the Company will achieve these results.

The Company does not provide guidance for operating loss and gross margin, the most directly comparable GAAP measures to non-GAAP operating loss and non-GAAP gross margin, respectively, and similarly cannot provide a reconciliation of these measures to their closest GAAP equivalents without unreasonable effort due to the unavailability of reliable estimates for certain items. These items are not within the Company's control and may vary greatly between periods and could significantly impact future financial results.

#### **Conference Call Information**

The financial results and business highlights will be discussed on a conference call and webcast scheduled at 8:30 a.m. Eastern Time on Wednesday, May 8, 2024. A live webcast of the call can be accessed from Similarweb's Investor Relations website at <https://ir.similarweb.com>. An archived webcast of the conference call will also be made available on the Similarweb website following the call. The live call may also be accessed via telephone at (888) 645-4404 toll-free and at (862) 298-0702 internationally.

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**About Similarweb:** Similarweb powers the data-driven decisions that help businesses win their market by revealing what is happening online. Similarweb provides businesses with the essential digital data & analytics needed to build strategy, optimize customer acquisition and increase monetization. We enable our users to become the first to discover and capture the best business opportunities and to stay alert and react instantly to emerging threats to their business. Similarweb products are easy to use and integrated into users' workflow, powered by the most advanced technology, and based on what we believe to be the most comprehensive digital data on the planet.

### **Forward-Looking Statements**

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to our guidance for the second quarter and full year of 2024 described under "Financial Outlook". Forward-looking statements include all statements that are not historical facts. Such statements may be preceded by the words "intends," "may," "will," "plans," "expects," "anticipates," "projects," "predicts," "estimates," "aims," "believes," "hopes," "potential" or similar words. These forward-looking statements reflect our current views regarding our intentions, products, services, plans, expectations, strategies and prospects, which are based on information currently available to us and assumptions we have made. Actual results may differ materially from those described in such forward-looking statements and are subject to a number of known and unknown risks, uncertainties, other factors and assumptions that are beyond our control. Such risks and uncertainties include, without limitation, risks and uncertainties associated with: (i) our expectations regarding our revenue, expenses and other operating results; (ii) our ability to acquire new customers and successfully retain existing customers; (iii) our ability to increase usage of our solutions and upsell and cross-sell additional solutions; (iv) our ability to achieve or sustain profitability; (v) anticipated trends, growth rates, rising interest rates, rising global inflation and current macroeconomic conditions, challenges in our business and in the markets in which we operate, and the impact of Israel's war with Hamas and other terrorist organizations on geopolitical and macroeconomic conditions or on our company and business; (vi) future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements; (vii) the costs and success of our sales and marketing efforts and our ability to promote our brand; (viii) our reliance on key personnel and our ability to identify, recruit and retain skilled personnel; (ix) our ability to effectively manage our growth, including continued international expansion; (x) our reliance on certain third party platforms and sources for the collection of data necessary for our solutions; (xi) our ability to protect our intellectual property rights and any

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costs associated therewith; (xii) our ability to identify and complete acquisitions that complement and expand our reach and platform; (xiii) our ability to comply or remain in compliance with laws and regulations that currently apply or become applicable to our business, including in Israel, the United States, the European Union, the United Kingdom and other jurisdictions where we elect to do business; (xiv) our ability to compete effectively with existing competitors and new market entrants; and (xv) the growth rates of the markets in which we compete.

These risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission, including in the section entitled “Risk Factors” in our Form 20-F filed with the Securities and Exchange Commission on February 28, 2024, and subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, we cannot guarantee future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur.

Forward-looking statements represent our beliefs and assumptions only as of the date of this press release. Except as required by law, we undertake no duty to update any forward-looking statements contained in this release as a result of new information, future events, changes in expectations or otherwise.

#### **Non-GAAP Financial Measures**

This press release contains certain financial measures that are expressed on a non-GAAP basis. We use these non-GAAP financial measures internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We believe these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial measures have limitations as an analytical tool and are presented for supplemental informational purposes only. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Free cash flow represents net cash provided by (used in) operating activities less capital expenditures and capitalized internal-use software costs. Normalized free cash flow represents free cash flow less capital investments related to the Company's new headquarters, payments received in connection with these capital investments and deferred

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payments related to business combinations. Non-GAAP operating income (loss), non-GAAP gross profit, non-GAAP gross margin, non-GAAP operating margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses and non-GAAP general and administrative expenses represent the comparable GAAP financial figure operating income (loss) or expense, less share-based compensation, adjustments and payments related to business combinations, amortization of intangible assets and certain other non-recurring items, as applicable and indicated in the below tables.

**Other Metrics**

Customer acquisition costs (CAC) represent the portion of sales and marketing expenses allocated to acquire new customers. Customer retention costs (CRC) represent the portion of sales and marketing expenses allocated to retain existing customers and to increase existing customers' subscriptions. Annual recurring revenue (ARR) represents the annualized subscription revenue we would contractually expect to receive from customers assuming no increases or reductions in their subscriptions. CAC payback period is the estimated time in months to recover CAC in terms of incremental gross profit that newly acquired customers generate. Net retention rate (NRR) represents the comparison of our ARR from the same set of customers as of a certain point in time, relative to the same point in time in the previous year ago period, expressed as a percentage.

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**Similarweb Ltd.**  
**Consolidated Balance Sheets**

U.S. dollars in thousands (except share and per share data)

	December 31,	March 31,
	2023	2024
		(Unaudited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 71,732	\$ 54,890
Restricted deposits	10,020	10,188
Accounts receivable, net	47,869	41,257
Deferred contract costs	11,165	11,085
Prepaid expenses and other current assets	5,599	6,410
<b>Total current assets</b>	<b>146,385</b>	<b>123,830</b>
Property and equipment, net	28,630	27,620
Deferred contract costs, non-current	9,845	9,512
Operating lease right-of-use assets	36,007	36,828
Goodwill and Intangible assets, net	17,652	21,192
Other non-current assets	494	461
<b>Total assets</b>	<b>\$ 239,013</b>	<b>\$ 219,443</b>
<b>Liabilities and Shareholders' equity</b>		
Current liabilities:		
Borrowings under Credit Facility	\$ 25,000	\$ —
Accounts payable	8,422	5,968
Payroll and benefit related liabilities	20,437	15,757
Deferred revenue	99,968	107,643
Other payables and accrued expenses	23,263	25,853
Operating lease liabilities	7,095	6,412
<b>Total current liabilities</b>	<b>184,185</b>	<b>161,633</b>
Deferred revenue, non-current	878	723
Operating lease liabilities, non-current	35,329	34,562
Other long-term liabilities	3,074	3,420
<b>Total liabilities</b>	<b>223,466</b>	<b>200,338</b>
Shareholders' equity		
Ordinary Shares, NIS 0.01 par value 500,000,000 shares authorized as of December 31, 2023 and March 31, 2024 (unaudited), 78,653,046 and 80,314,588 shares issued as of December 31, 2023 and March 31, 2024 (unaudited), 78,650,878 and 80,312,420 outstanding as of December 31, 2023 and March 31, 2024 (unaudited), respectively;	216	221
Additional paid-in capital	367,558	374,361
Accumulated other comprehensive income	872	355
Accumulated deficit	(353,099)	(355,832)
<b>Total shareholders' equity</b>	<b>15,547</b>	<b>19,105</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 239,013</b>	<b>\$ 219,443</b>

**Similarweb Ltd.****Consolidated Statements of Comprehensive Income (Loss)**

U.S. dollars in thousands (except share and per share data)

	Three Months Ended March 31,	
	2023	2024
	(Unaudited)	
Revenue	\$ 52,750	\$ 58,982
Cost of revenue	12,076	12,696
Gross profit	40,674	46,286
Operating expenses:		
Research and development	14,351	13,539
Sales and marketing	28,666	25,240
General and administrative	10,737	10,191
Total operating expenses	53,754	48,970
<b>Loss from operations</b>	(13,080)	(2,684)
Finance income, net	1,355	455
<b>Loss before income taxes</b>	(11,725)	(2,229)
Provision for income taxes	109	504
<b>Net loss</b>	\$ (11,834)	\$ (2,733)
Net loss per share attributable to ordinary shareholders, basic and diluted	\$ (0.15)	\$ (0.03)
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted	76,862,020	79,361,522
<b>Net loss</b>	\$ (11,834)	\$ (2,733)
<b>Other comprehensive loss, net of tax</b>		
Change in unrealized loss on cashflow hedges	(277)	(517)
Total other comprehensive loss, net of tax	(277)	(517)
<b>Total comprehensive loss</b>	\$ (12,111)	\$ (3,250)

**Share-based compensation costs included above:**

U.S. dollars in thousands

	Three Months Ended March 31,	
	2023	2024
	(Unaudited)	
Cost of revenue	\$ 155	\$ 167
Research and development	1,390	1,444
Sales and marketing	1,374	1,185
General and administrative	1,490	1,331
<b>Total</b>	<b>\$ 4,409</b>	<b>\$ 4,127</b>

**Similarweb Ltd.**  
**Consolidated Statements of Cash Flows**

U.S. dollars in thousands

	Three Months Ended March 31,	
	2023	2024
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (11,834)	\$ (2,733)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,540	2,520
Finance expense	207	236
Unrealized (gain) loss from hedging future transactions	(27)	31
Share-based compensation	4,409	4,127
Loss (gain) from sale of equipment	2	(4)
Changes in operating assets and liabilities:		
Change in operating lease right-of-use assets and liabilities, net	(1,225)	(2,271)
Decrease in accounts receivable, net	644	6,993
Decrease in deferred contract costs	1,449	413
Decrease (increase) in other current assets	250	(1,324)
Decrease in other non-current assets	431	33
Decrease in accounts payable	(1,059)	(2,463)
Increase in deferred revenue	7,243	6,988
(Decrease) increase in other non-current liabilities	(94)	194
Decrease in other liabilities and accrued expenses	(2,610)	(2,676)
Net cash provided by operating activities	326	10,064
Cash flows from investing activities:		
Purchase of property and equipment, net	(1,132)	(364)
Capitalized internal-use software costs	(433)	—
Increase in restricted deposits	(44)	(168)
Payment for business combinations, net of cash acquired	—	(3,809)
Net cash used in investing activities	(1,609)	(4,341)
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,392	2,671
Repayment of Credit Facility	—	(25,000)
Payments of contingent consideration, net	(2,363)	—
Net cash used in financing activities	(971)	(22,329)
Effect of exchange rates on cash and cash equivalents	(207)	(236)
Net decrease in cash and cash equivalents	(2,461)	(16,842)
Cash and cash equivalents, beginning of period	77,810	71,732
Cash and cash equivalents, end of period	\$ 75,349	\$ 54,890

**Supplemental disclosure of cash flow information:**

Interest paid (received), net	\$	6	\$	(235)
Taxes paid	\$	55	\$	831

**Supplemental disclosure of non-cash financing activities:**

Additions to operating lease right-of-use assets and liabilities	\$	170	\$	2,398
Deferred proceeds from exercise of share options included in other current assets	\$	16	\$	20
Deferred costs of property and equipment incurred during the period included in accounts payable	\$	121	\$	142
Deferred payments in relation to business combinations held in escrow	\$	1,269	\$	—

**Schedule A: Business combinations**

Working capital (deficit), net (excluding cash and cash equivalents)	\$	—	\$	(217)
Property, plant and equipment		—		18
Goodwill and other intangible assets		—		4,660
Deferred taxes, net		—		(152)
		—		4,309
Less non-cash:				
Deferred cash payments		—		(500)
Total	\$	—	\$	3,809

## Reconciliation of Non-GAAP Financial Measures to the Most Directly Comparable GAAP Financial Measures

### Reconciliation of GAAP gross profit to non-GAAP gross profit

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
GAAP gross profit	\$ 40,674	\$ 46,286
Add:		
Share-based compensation expenses	155	167
Retention payments related to business combinations	88	—
Amortization of intangible assets related to business combinations	1,168	1,087
<b>Non-GAAP gross profit</b>	<b>\$ 42,085</b>	<b>\$ 47,540</b>
<b>Non-GAAP gross margin</b>	<b>80 %</b>	<b>81 %</b>

### Reconciliation of Loss from operations (GAAP) to Non-GAAP operating (loss) income

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
Loss from operations	\$ (13,080)	\$ (2,684)
Add:		
Share-based compensation expenses	4,409	4,127
Retention payments related to business combinations	282	228
Amortization of intangible assets related to business combinations	1,202	1,121
Non-recurring expenses related to termination of lease agreement and others	13	—
<b>Non-GAAP operating (loss) income</b>	<b>\$ (7,174)</b>	<b>\$ 2,792</b>
<b>Non-GAAP operating margin</b>	<b>(14)%</b>	<b>5 %</b>

**Reconciliation of GAAP operating expenses to non-GAAP operating expenses**

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
GAAP research and development	\$ 14,351	\$ 13,539
Less:		
Share-based compensation expenses	1,390	1,444
<b>Non-GAAP research and development</b>	<b>\$ 12,961</b>	<b>\$ 12,095</b>
<b>Non-GAAP research and development margin</b>	<b>25 %</b>	<b>21 %</b>
GAAP sales and marketing	\$ 28,666	\$ 25,240
Less:		
Share-based compensation expenses	1,374	1,185
Retention payments related to business combinations	194	228
Amortization of intangible assets related to business combinations	34	34
Non-recurring expenses related to termination of lease agreement and others	13	—
<b>Non-GAAP sales and marketing</b>	<b>\$ 27,051</b>	<b>\$ 23,793</b>
<b>Non-GAAP sales and marketing margin</b>	<b>51 %</b>	<b>40 %</b>
GAAP general and administrative	\$ 10,737	\$ 10,191
Less:		
Share-based compensation expenses	1,490	1,331
<b>Non-GAAP general and administrative</b>	<b>\$ 9,247</b>	<b>\$ 8,860</b>
<b>Non-GAAP general and administrative margin</b>	<b>18 %</b>	<b>15 %</b>



**Reconciliation of Net cash provided by operating activities (GAAP) to Free cash flow and Normalized free cash flow**

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
Net cash provided by operating activities	\$ 326	\$ 10,064
Purchases of property and equipment, net	(1,132)	(364)
Capitalized internal use software costs	(433)	—
<b>Free cash flow</b>	<b>\$ (1,239)</b>	<b>\$ 9,700</b>
Purchases of property and equipment related to the new headquarters	1,048	—
Payments received from escrow in relation to contingent consideration	(380)	—
<b>Normalized free cash flow</b>	<b>\$ (571)</b>	<b>\$ 9,700</b>

## Dear Shareholders,

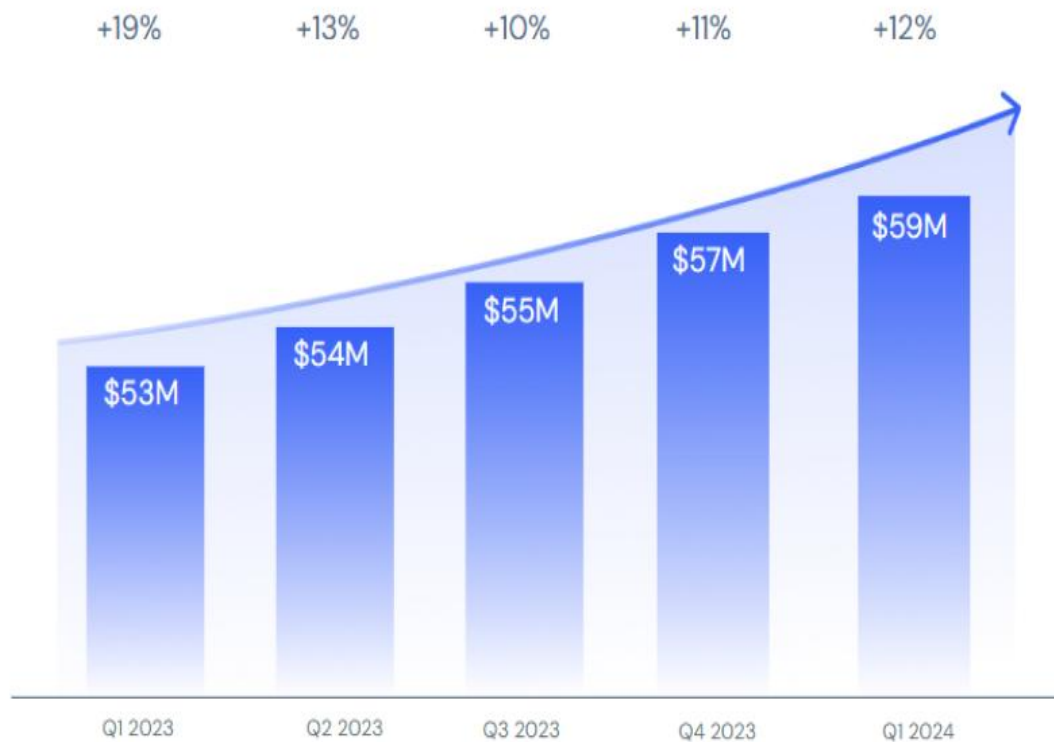
We kicked off 2024 with continued momentum in both top line and bottom line performance and delivered strong first quarter 2024 results. We are proud of generating \$9.7 million of free cash flow in the quarter, the second consecutive quarter of positive free cash flow, and the third consecutive quarter of non-GAAP operating profit. Our focus on disciplined execution enabled us to generate revenue growth and increase our customer base efficiently and profitably.

We are thrilled to welcome Susan Dunn as our new Chief Revenue Officer who will lead our GTM teams and drive our growth. Having spent 32 years at NielsenIQ, most recently as its Chief Revenue Officer, Susan knows the market research world well. She has deep experience delivering the business value and operating impact of market intelligence to many of the largest consumer brands in the world. We are excited to welcome Susan to the team and are confident that she is the ideal sales leader to drive our next phase of growth and expansion.

## Our Business Performance

Total revenue for the first quarter of 2024 (Q1-24) was \$59.0 million, an increase of 12% compared to \$52.8 million for the first quarter of 2023 (Q1-23), at the high end of our estimate range.





We continue to see strong demand at the top-of-funnel from companies of all sizes who appreciate the criticality of our digital data for their business. The graph above illustrates that our revenue growth has begun to accelerate.

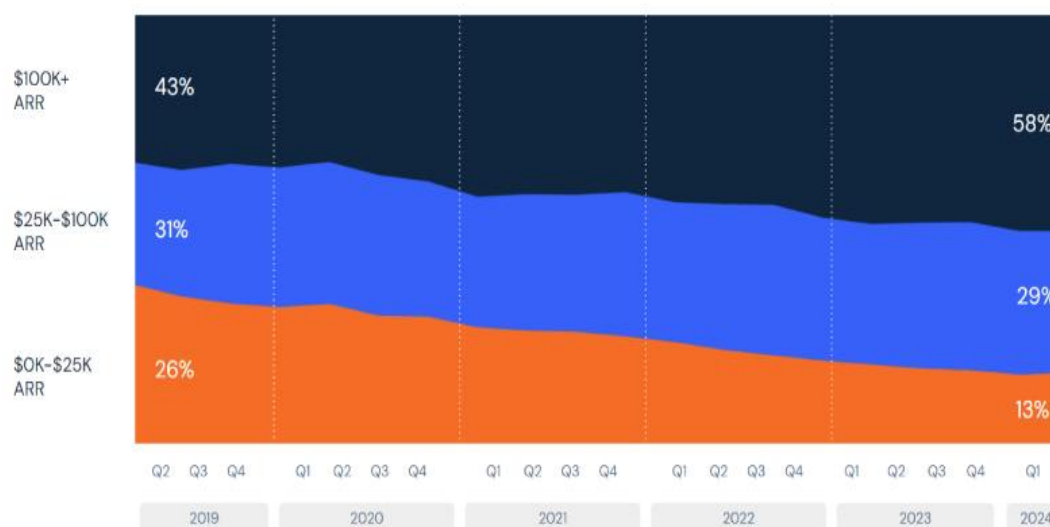
During the quarter we closed 4 customer contracts each in excess of \$1 million in booking value, continuing the momentum we experienced at the end of 2023. At the same time, our ARR customer base increased to 4,844 accounts as of March 31, 2024, representing 16% growth year-over-year.

The average annual revenue per customer was approximately \$49 thousand, slightly lower than Q1-23. As we shared previously, this trend follows the launch of Similarweb 3.0 which enables new customers to begin realizing value from our solutions at lower entry-level pricing and packaging and expand over time, based on their data consumption and increased usage.



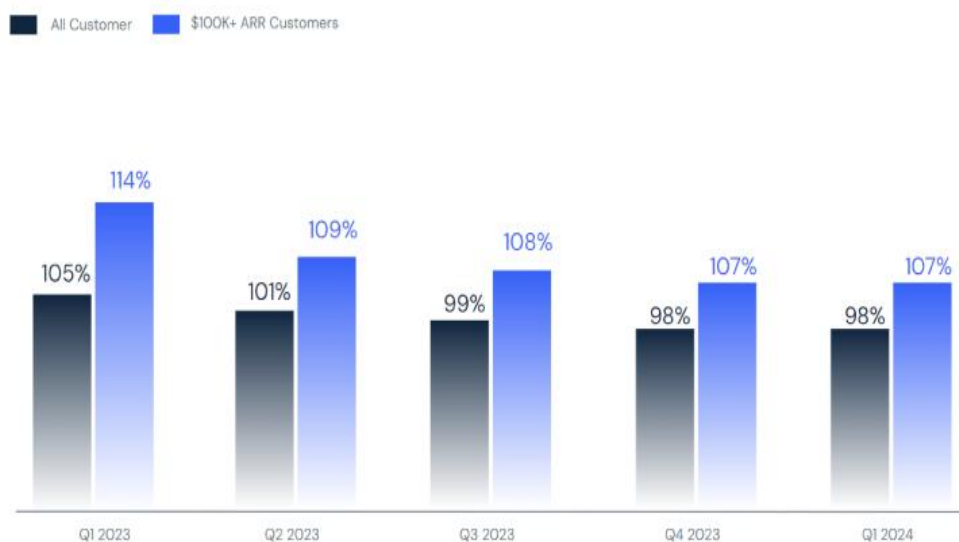


As our global customer base continued to expand overall in Q1-24, the number of customers who generate more than \$100K in ARR grew from 344, as of March 31, 2023, to 378, as of March 31, 2024, representing an increase of 10% YoY. The ARR from this important customer segment has grown nearly 18% versus Q1-2023 and represents 58% of our total ARR, as of March 31, 2024.



In Q1-24, we achieved an overall net revenue retention (NRR) rate of 98% and an NRR rate of 107% for our \$100K+ annual recurring revenue customer segment, consistent with the results in Q4-23.





## Our Strategy

We believe that our growth and innovation in the constantly evolving and rapidly growing digital landscape demonstrates that we have remained a recognized leader in digital intelligence for over a decade and continues into 2024. Our overall strategy consists of three pillars:

1. Establishing, maintaining, and enhancing substantial advantages in digital data and technology innovation
2. Delivering considerable return on investment (ROI) for our customers through our digital intelligence solutions
3. Executing our go-to-market strategies, catalyzed by smart investments and operational discipline

At our core, we are a data and analytics company. Our unique data asset, [Similarweb Digital Data](#), consists of our proprietary estimations of the performance of companies, markets, products, consumer behavior and trends in the digital world. Our world-class team of over 250 data scientists, engineers, developers and analysts gathers billions of unrefined data points amounting to close to one percent of online transactions and interactions, and then transforms them into a comprehensive view of the internet across the web and mobile continuum. We deliver Similarweb Digital Data to our customers via Software-as-a-Service (SaaS) solutions, Data-as-a-Service (DaaS), and recurring Advisory Services. Our customers rely on our mission-critical offerings to power data-driven growth





decisions that they make in their businesses, to devise strategy, acquire customers, and increase monetization.

We continue to invest in and enhance the comprehensiveness of Similarweb Digital Data. One highlight of Q1-24 was the acquisition of [Admetricks](#) in March. Based in Santiago, Chile, Admetricks is renowned among corporates and marketing agencies for its rich ad intelligence data in the Latin American market. Online display advertising is estimated to attract \$174.4 billion of spending in 2024 [according to Statista](#), and, for certain global brands, already comprises 60% of the global advertising budget. Ad intelligence is an important tool for corporates and marketing agencies as it enables brands to optimize their customer acquisition and brand strategies across a variety of platforms.

This acquisition complements our technological strengths and broadens our customer reach, offering a more comprehensive solution for digital marketing and display advertising analytics. Over the next few quarters, we intend to leverage our existing digital data along with the Admetricks team's expertise to enhance our Similarweb Digital Data and launch what we believe will be the best and most comprehensive digital advertising intelligence offering in the market.

This new and improved data set will be used across our product portfolio to expand all of our solutions across all the use cases we serve. We are building a global ad Intelligence module within our [Digital Marketing Intelligence solution](#). We will leverage ad intelligence data to deepen our brand and product-level insights within [Shopper Intelligence](#), enrich [Stock Intelligence](#) with additional digital signals into company performance for investors, and enhance [Sales Intelligence](#) with ad spend intelligence to enable our customers to improve their sales efficiency. Our ability to leverage and monetize our Similarweb Digital Data across all of our solutions is differentiated and something that we are uniquely positioned to realize.

Building on the transformative impact of generative AI and following the successful launch of SimilarAsk, our AI-driven digital intelligence assistant last year, we are excited to introduce [SAM](#), Similarweb's AI-powered Sales Assistant Module. SAM is designed to enhance sales efficiency and effectiveness by automatically delivering precise, data-driven insights about prospects directly into our customers' sales workflows. SAM uses AI text generation to suggest sales messages that are more likely to resonate with potential customers. We expect this capability to have a great impact on the way Sales representatives communicate online as they approach prospects. The mix of Similarweb's



Digital Data and LLM (Large Language Model) delivers unique value that we are still uncovering. Since launching the beta version, early adopters such as DHL and Visualsoft have optimized their sales prospecting and realized substantial increases in outreach response rates. Another customer, one of the largest global payment companies, experienced an increase of approximately 20X in response rates to their personalized outreach powered by SAM, compared to other solutions. The SAM beta is now open to our users and we are looking forward to seeing its adoption and impact over time.

As we meet with our customers around the world, we are encouraged to learn about the tangible ROI that they are realizing from Similarweb and the impact it is making on their businesses. Recently, a leading global beauty brand determined that its branded search traffic and resulting product purchases were being captured by its competitors. Using the Similarweb Search Tracker and our [Keyword Analysis](#) features, the customer adapted its marketing strategy and prevented the loss of millions of dollars of revenue while strengthening its position in the highly dynamic marketplace. This is a typical use case that cannot be performed with traditional campaign management systems.

In its Spring 2024 Report, G2 recognized us as a leader across six categories in multiple regions and across businesses of all sizes, highlighting our dedication to product innovation and customer-centric solutions.







## Our Financial Results

When examining our financial results, please note that references to expenses and operating results (other than revenue) are presented both on a GAAP and on a non-GAAP basis below, and that all non-GAAP results are reconciled to the most directly comparable GAAP results in the financial statements exhibits presented at the end of this letter.

Revisiting our top line results, in Q1-24 we delivered revenue of \$59.0 million, reflecting 12% YoY growth driven primarily by an increase in the number of customers.

The vast majority of our revenue is annual recurring revenue with minimum subscription terms of one year. We continue to increase the number of customers with multi-year subscription terms. As of the end of Q1-24, 42% of our ARR was generated from customers with multi-year subscription commitments, compared to 40% at the same time last year. We continue to believe this is a strong indicator of the long-term durability of our customer relationships and demand for our solutions.

Our GAAP gross profit totaled \$46.3 million and our non-GAAP gross profit totaled \$47.5 million in Q1-24, compared to \$40.7 million and \$42.1 million in Q1-23, respectively. Non-GAAP gross margin expanded to 81% in Q1-24, versus 80% in Q1-23.

Our GAAP operating expenses decreased to \$49.0 million and our non-GAAP operating expenses decreased to \$44.7 million in Q1-24, down from \$53.8 million and \$49.3 million in Q1-23, respectively, largely reflecting our focus on operating efficiency. Non-GAAP operating expenses represented 76% of revenue in Q1-24 as compared to 93% of revenue in Q1-23.

Specific components of our first quarter 2024 operating expenses:

Our GAAP research and development investment decreased to \$13.5 million and our non-GAAP research and development investment decreased to \$12.1 million in Q1-24, down from \$14.4 million and \$13.0 million in Q1-23, respectively. As a percentage of revenue, non-GAAP research & development expense was 21% in Q1-24, an improvement of 4 percentage points versus Q1-23.

GAAP sales and marketing expenses decreased to \$25.2 million and non-GAAP sales and marketing expenses decreased to \$23.8 million in Q1-24, down from \$28.7 million and



\$27.1 million in Q1-23, respectively, driven primarily by our ongoing efforts to align our resources with our growth trajectory. As a percentage of revenue, non-GAAP sales & marketing expense was 40% in Q1-24, as compared to 51% in Q1-23.

An operating tenet in our model is that our sales and marketing costs are divided with approximately 50% to 55% attributable to new customer acquisition (land), and the remaining 45% to 50% attributable to retention, upselling and cross-selling (expand) of our existing customer base. When analyzing our investment in customer acquisition costs (CAC) for growth efficiency, we track an estimated payback period. This metric has historically averaged between 15 and 16 months on a gross profit basis over the trailing four quarters. As of Q1-24, the average payback is ranging between 20 and 21 months, primarily due to longer sales cycles over the last year. Payback from expansion and customer retention costs (CRC) is faster than payback on new customer CAC such that we are generating a 55%-60% contribution margin on our recurring customer base which contributes meaningfully to our growth efficiency. We intend to continue to invest in customer acquisition to support future growth, as well as in customer retention to drive NRR and to increase the lifetime value of our customers.

GAAP general and administrative costs decreased to \$10.2 million from \$10.7 million in Q1-23, and our non-GAAP general and administrative costs decreased to \$8.9 million in Q1-24 from \$9.2 million in Q1-23. As a percentage of revenue, non-GAAP general & administrative expense was 15% in Q1-24, an improvement of 3 percentage points compared to Q1-23.

Looking at our bottom line, Q1-24 GAAP operating loss was (\$2.7) million or (5%) of revenue, compared to (\$13.1) million or (25%) of revenue for the first quarter of 2023. Q1-24 non-GAAP operating profit was \$2.8 million or 5% of revenue, compared to operating loss of (\$7.2) million or (14%) of revenue for the first quarter of 2023, and exceeded our forecast. This is our third consecutive profitable quarter on a non-GAAP basis. Our dedication to achieving profitable growth over the last year, yielded significant operating efficiencies across the business, which drove operating margin improvement of 19 percentage points year over year in Q1-24.







\* non-GAAP

We believe that a strong indication of future performance is our deferred revenue, which was \$108.4 million at the end of Q1-24, compared to \$101.4 million at the same time last year. Our Remaining Performance Obligations (RPO) totaled \$213.6 million at the end of Q1-24, up from \$174.0 million at the end of Q1-23. We expect to recognize approximately 75% of total Q1-24 RPO as revenue over the next 12 months.

We ended the first quarter with \$54.9 million in cash and cash equivalents and no outstanding debt. Net cash generated from operating activities was an all-time high of \$10.1 million in Q1-24, compared to \$0.3 million in Q1-23. Normalized free cash flow was a record \$9.7 million in Q1-24, compared to negative \$0.6 million in Q1-23. Importantly, this is our second consecutive quarter in which we achieved positive free cash flow, which we aim to sustain going forward.

## Our Business Outlook

In the second quarter of 2024 (Q2-24), we expect total revenue in the range of \$60.0 million to \$60.5 million, representing approximately 12% YoY growth at the midpoint of the range. For the full year of 2024, we expect total revenue in the range of \$242.0 million to \$246.0 million, representing approximately 12% growth YoY at the midpoint of the range.

We expect non-GAAP operating profit for Q2-24 to be in the range of \$1.5 million to \$2.0 million. For the full year of 2024, we expect non-GAAP operating profit to be between \$7.0 million and \$9.0 million, an increase from our previous outlook.



We are focused on making progress towards becoming a "[Rule of 40](#)" company on an annual basis over time and we aim to achieve non-GAAP operating profit and positive free cash flow on a normalized basis in each quarter of 2024.

### Our Focus on Profitable Growth

We continue to be focused on generating profitable growth. Our strategic objectives for the year have not changed and we are pleased at the progress that we have made. First, we seek to land more new strategic accounts and to retain and expand our current strategic accounts. Second, we are focused on increasing net retention across our customers. Third, we intend to continue to innovate in our product line. Lastly, we will continue to operate efficiently.

While we anticipate that global macroeconomic conditions may continue to present some challenges for our customers and us for the remainder of the year, we believe that much of our strategic objectives to capture positive trends and improve our execution are within our control. We are proud of our dedicated team who never cease to challenge one another to ideate, innovate and deliver.

Thank you for your continued support as a shareholder.

Sincerely,

A handwritten signature in black ink, appearing to read "Or Offer".

**Or Offer**  
Founder and Chief Executive Officer

A handwritten signature in black ink, appearing to read "Jason Schwartz".

**Jason Schwartz**  
Chief Financial Officer



### Consolidated Balance Sheets

	December 31, 2023	March 31, 2024 (Unaudited)
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 71,732	\$ 54,890
Restricted deposits	10,020	10,188
Accounts receivable, net	47,869	41,257
Deferred contract costs	11,165	11,085
Prepaid expenses and other current assets	5,599	6,410
<b>Total current assets</b>	<b>146,385</b>	<b>123,830</b>
Property and equipment, net	28,630	27,620
Deferred contract costs, non-current	9,845	9,512
Operating lease right-of-use assets	36,007	36,828
Goodwill and Intangible assets, net	17,652	21,192
Other non-current assets	494	461
<b>Total assets</b>	<b>\$ 239,013</b>	<b>\$ 219,443</b>
<b>Liabilities and Shareholders' equity</b>		
<b>Current liabilities:</b>		
Borrowings under Credit Facility	\$ 25,000	\$ —
Accounts payable	8,422	5,968
Payroll and benefit related liabilities	20,437	15,757
Deferred revenue	99,968	107,643
Other payables and accrued expenses	23,263	25,853
Operating lease liabilities	7,095	6,412
<b>Total current liabilities</b>	<b>184,185</b>	<b>161,633</b>
Deferred revenue, non-current	878	723
Operating lease liabilities, non-current	35,329	34,562
Other long-term liabilities	3,074	3,420
<b>Total liabilities</b>	<b>223,466</b>	<b>200,338</b>
<b>Shareholders' equity</b>		
Ordinary Shares, NIS 0.01 par value 500,000,000 shares authorized as of December 31, 2023 and March 31, 2024 (unaudited), 78,653,046 and 80,314,588 shares issued as of December 31, 2023 and March 31, 2024 (unaudited), 78,650,878 and 80,312,420 outstanding as of December 31, 2023 and March 31, 2024 (unaudited), respectively;	216	221
Additional paid-in capital	367,558	374,361
Accumulated other comprehensive income	872	355
Accumulated deficit	(353,099)	(355,832)
<b>Total shareholders' equity</b>	<b>15,547</b>	<b>19,105</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$ 239,013</b>	<b>\$ 219,443</b>





## Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended March 31,	
	2023	2024
	(Unaudited)	
Revenue .....	\$ 52,750	\$ 58,982
Cost of revenue .....	12,076	12,696
Gross profit .....	40,674	46,286
Operating expenses:		
Research and development .....	14,351	13,539
Sales and marketing .....	28,666	25,240
General and administrative .....	10,737	10,191
Total operating expenses .....	53,754	48,970
<b>Loss from operations</b> .....	<b>(13,080)</b>	<b>(2,684)</b>
Finance income, net .....	1,355	455
<b>Loss before income taxes</b> .....	<b>(11,725)</b>	<b>(2,229)</b>
Provision for income taxes .....	109	504
<b>Net loss</b> .....	<b>\$ (11,834)</b>	<b>\$ (2,733)</b>
Net loss per share attributable to ordinary shareholders, basic and diluted .....	\$ (0.15)	\$ (0.03)
Weighted-average shares used in computing net loss per share attributable to ordinary shareholders, basic and diluted .....	76,862,020	79,361,522
<b>Net loss</b> .....	<b>\$ (11,834)</b>	<b>\$ (2,733)</b>
<b>Other comprehensive loss, net of tax</b> .....		
Change in unrealized loss on cashflow hedges .....	(277)	(517)
<b>Total other comprehensive loss, net of tax</b> .....	<b>(277)</b>	<b>(517)</b>
<b>Total comprehensive loss</b> .....	<b>\$ (12,111)</b>	<b>\$ (3,250)</b>





Share-based compensation costs included above:

	Three Months Ended March 31,	
	2023	2024
	(Unaudited)	
Cost of revenue	\$ 155	\$ 167
Research and development	1,390	1,444
Sales and marketing	1,374	1,185
General and administrative	1,490	1,331
<b>Total</b>	<b>\$ 4,409</b>	<b>\$ 4,127</b>



## Consolidated Statements of Cash Flows

	Three Months Ended March 31,	
	2023	2024
	(Unaudited)	
Cash flows from operating activities:		
Net loss	\$ (11,834)	\$ (2,733)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,540	2,520
Finance expense	207	236
Unrealized (gain) loss from hedging future transactions	(27)	31
Share-based compensation	4,409	4,127
Loss (gain) from sale of equipment	2	(4)
Changes in operating assets and liabilities:		
Change in operating lease right-of-use assets and liabilities, net	(1,225)	(2,271)
Decrease in accounts receivable, net	644	6,993
Decrease in deferred contract costs	1,449	413
Decrease (increase) in other current assets	250	(1,324)
Decrease in other non-current assets	431	33
Decrease in accounts payable	(1,059)	(2,463)
Increase in deferred revenue	7,243	6,988
(Decrease) increase in other non-current liabilities	(94)	194
Decrease in other liabilities and accrued expenses	(2,610)	(2,676)
Net cash provided by operating activities	326	10,064
Cash flows from investing activities:		
Purchase of property and equipment, net	(1,132)	(364)
Capitalized internal-use software costs	(433)	—
Increase in restricted deposits	(44)	(168)
Payment for business combinations, net of cash acquired	—	(3,809)
Net cash used in investing activities	(1,609)	(4,341)
Cash flows from financing activities:		
Proceeds from exercise of stock options	1,392	2,671
Repayment of Credit Facility	—	(25,000)
Payments of contingent consideration, net	(2,363)	—
Net cash used in financing activities	(971)	(22,329)
Effect of exchange rates on cash and cash equivalents	(207)	(236)
Net decrease in cash and cash equivalents	(2,461)	(16,842)
Cash and cash equivalents, beginning of period	77,810	71,732
Cash and cash equivalents, end of period	\$ 75,349	\$ 54,890



**Supplemental disclosure of cash flow information:**

Interest paid (received), net	\$	6	\$	(235)
Taxes paid	\$	55	\$	831

**Supplemental disclosure of non-cash financing activities:**

Additions to operating lease right-of-use assets and liabilities	\$	170	\$	2,398
Deferred proceeds from exercise of share options included in other current assets	\$	16	\$	20
Deferred costs of property and equipment incurred during the period included in accounts payable	\$	121	\$	142
Deferred payments in relation to business combinations held in escrow	\$	1,269	\$	—

**Schedule A: Business combinations**

Working capital (deficit), net (excluding cash and cash equivalents)	\$	—	\$	(217)
Property, plant and equipment		—		18
Goodwill and other intangible assets		—		4,660
Deferred taxes, net		—		(152)
		—		4,309
Less non-cash:				
Deferred cash payments		—		(500)
Total	\$	—	\$	3,809



Reconciliation of GAAP gross profit  
to Non-GAAP gross profit

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
GAAP gross profit	\$ 40,674	\$ 46,286
Add:		
Share-based compensation expenses	155	167
Retention payments related to business combinations	88	—
Amortization of intangible assets related to business combinations	1,168	1,087
<b>Non-GAAP gross profit</b>	<b>\$ 42,085</b>	<b>\$ 47,540</b>
<b>Non-GAAP gross margin</b>	<b>80 %</b>	<b>81 %</b>





Reconciliation of GAAP operating loss  
to Non-GAAP operating (loss) income

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
Loss from operations	\$ (13,080)	\$ (2,684)
Add:		
Share-based compensation expenses	4,409	4,127
Retention payments related to business combinations	282	228
Amortization of intangible assets related to business combinations	1,202	1,121
Non-recurring expenses related to termination of lease agreement and others	13	—
<b>Non-GAAP operating (loss) income</b>	<b>\$ (7,174)</b>	<b>\$ 2,792</b>
<b>Non-GAAP operating margin</b>	<b>(14)%</b>	<b>5 %</b>



Reconciliation of GAAP operating expenses  
to non-GAAP operating expenses

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
GAAP research and development	\$ 14,351	\$ 13,539
Less:		
Share-based compensation expenses	1,390	1,444
<b>Non-GAAP research and development</b>	<b>\$ 12,961</b>	<b>\$ 12,095</b>
<b>Non-GAAP research and development margin</b>	<b>25 %</b>	<b>21 %</b>
GAAP sales and marketing	\$ 28,666	\$ 25,240
Less:		
Share-based compensation expenses	1,374	1,185
Retention payments related to business combinations	194	228
Amortization of intangible assets related to business combinations	34	34
Non-recurring expenses related to termination of lease agreement and others	13	—
<b>Non-GAAP sales and marketing</b>	<b>\$ 27,051</b>	<b>\$ 23,793</b>
<b>Non-GAAP sales and marketing margin</b>	<b>51 %</b>	<b>40 %</b>
GAAP general and administrative	\$ 10,737	\$ 10,191
Less:		
Share-based compensation expenses	1,490	1,331
<b>Non-GAAP general and administrative</b>	<b>\$ 9,247</b>	<b>\$ 8,860</b>
<b>Non-GAAP general and administrative margin</b>	<b>18 %</b>	<b>15 %</b>



Reconciliation of net cash provided by operating activities (GAAP)  
to Free cash flow and Normalized free cash flow

	Three Months Ended March 31,	
	2023	2024
	(In thousands)	
Net cash provided by operating activities	\$ 326	\$ 10,064
Purchases of property and equipment, net	(1,132)	(364)
Capitalized internal use software costs	(433)	—
<b>Free cash flow</b>	<b>\$ (1,239)</b>	<b>\$ 9,700</b>
Purchases of property and equipment related to the new headquarters	1,048	—
Payments received from escrow in relation to contingent consideration	(380)	—
<b>Normalized free cash flow</b>	<b>\$ (571)</b>	<b>\$ 9,700</b>

### Forward-Looking Statements

This letter to shareholders contains “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, or the Securities Act, and Section 21E of the Securities Exchange Act of 1934, as amended, including statements relating to our guidance for the second quarter and full year of 2024 described under “Business Outlook,” the expected performance of our business, future financial results, strategy, long-term growth and overall future prospects, and our acquisitions and our offerings, our customers’ continued investment in digital transformation and reliance on digital intelligence and the size of, and our ability to capitalize on, our market opportunity. Forward-looking statements include all statements that are not historical facts. Such statements may be preceded by the words “intends,” “may,” “will,” “plans,” “expects,” “anticipates,” “projects,” “predicts,” “estimates,” “aims,” “believes,” “hopes,” “potential,” or similar words. These forward-looking statements reflect our current views regarding our intentions, products, services, plans, expectations, strategies and prospects, which are based on information currently available to us and assumptions we have made. Actual results may differ materially from those described in such forward-looking statements and are subject to a number of known and unknown risks, uncertainties, other factors and assumptions that are beyond our control. Such risks and uncertainties include, without limitation, risks and uncertainties associated with: (i) our expectations regarding our revenue, expenses and other operating results; (ii) our ability to acquire new customers and successfully retain existing customers; (iii) our ability to increase usage of our solutions and upsell and cross-sell additional solutions; (iv) our





ability to achieve or sustain profitability; (v) anticipated trends, growth rates, rising interest rates, rising global inflation and current macroeconomic conditions, and challenges in our business and in the markets in which we operate, and the impact of Israel's war with Hamas and other terrorist organizations on geopolitical and macroeconomic conditions or on our company and business; (vi) future investments in our business, our anticipated capital expenditures and our estimates regarding our capital requirements; (vii) the costs and success of our sales and marketing efforts and our ability to promote our brand; (viii) our reliance on key personnel and our ability to identify, recruit and retain skilled personnel; (ix) our ability to effectively manage our growth, including continued international expansion; (x) our reliance on certain third party platforms and sources for the collection of data necessary for our solutions; (xi) our ability to protect our intellectual property rights and any costs associated therewith; (xii) our ability to identify and complete acquisitions that complement and expand our reach and platform; (xiii) our ability to comply or remain in compliance with laws and regulations that currently apply or become applicable to our business, including in Israel, the United States, the European Union, the United Kingdom and other jurisdictions where we elect to do business; (xiv) our ability to compete effectively with existing competitors and new market entrants; and (xv) the growth rates of the markets in which we compete.

These risks and uncertainties are more fully described in our filings with the Securities and Exchange Commission, including in the section entitled "Risk Factors" in our Form 20-F filed with the Securities and Exchange Commission on February 28, 2024, and subsequent reports that we file with the Securities and Exchange Commission. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties, and assumptions, we cannot guarantee future results, levels of activity, performance, achievements, or events and circumstances reflected in the forward-looking statements will occur. Forward-looking statements represent our beliefs and assumptions only as of the date of this letter, May 7, 2024. Except as required by law, we undertake no duty to update any forward-looking statements contained in this letter as a result of new information, future events, changes in expectations, or otherwise.

Certain information contained in this letter relates to or is based on studies, publications, surveys, and other data obtained from third-party sources and the Company's own internal estimates and research. While the Company believes these third-party sources to be reliable as of the date of this letter, it has not independently verified, and makes no representation as to the adequacy, fairness, accuracy, or completeness of any information obtained from third-party sources. In addition, all of the market data included in this letter involves a number of assumptions and limitations, and there can be no guarantee as to the accuracy or reliability of such assumptions. Finally, while we believe our own internal research is reliable, such research has not been verified by any independent source.





## Non-GAAP Financial Measures

This letter to shareholders contains certain financial measures that are expressed on a non-GAAP basis. We use these non-GAAP financial measures internally to facilitate analysis of our financial and business trends and for internal planning and forecasting purposes. We believe these non-GAAP financial measures, when taken collectively, may be helpful to investors because they provide consistency and comparability with past financial performance by excluding certain items that may not be indicative of our business, results of operations, or outlook. However, non-GAAP financial measures have limitations as an analytical tool and are presented for supplemental informational purposes only. They should not be considered in isolation from, or as a substitute for, financial information prepared in accordance with GAAP. Free cash flow represents net cash provided by (used in) operating activities less capital expenditures and capitalized internal-use software costs. Normalized free cash flow represents free cash flow less capital investments related to the Company's headquarters, payments received in connection with these capital investments and deferred payments related to business combinations. Non-GAAP operating income (loss), non-GAAP operating margin, non-GAAP gross profit, non-GAAP gross margin, non-GAAP research and development expenses, non-GAAP sales and marketing expenses, and non-GAAP general and administrative expenses represents the comparable GAAP financial figures, less share-based compensation, adjustments, and payments related to business combinations, amortization of intangible assets, and certain other non-recurring items, as applicable and indicated in the above tables.

## Other Metrics

Customer acquisition costs (CAC) represent the portion of sales and marketing expenses allocated to acquire new customers. Customer retention costs (CRC) represent the portion of sales and marketing expenses allocated to retain existing customers and to increase existing customers' subscriptions. Annual recurring revenue (ARR) represents the annualized subscription revenue we would contractually expect to receive from customers assuming no increases or reductions in their subscriptions. CAC payback period is the estimated time in months to recover CAC in terms of incremental gross profit that newly acquired customers generate. Net retention rate (NRR) represents the comparison of our ARR from the same set of customers as of a certain point in time, relative to the same point in time in the previous year, expressed as a percentage.



