CyberArk Software Ltd.
Form F-1/A
June 08, 2015
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As filed with the Securities and Exchange Commission on June 8, 2015

Registration No. 333-204516

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Amendment No. 1

to

Form F-1

REGISTRATION STATEMENT

UNDER

THE SECURITIES ACT OF 1933

CyberArk Software Ltd.

(Exact Name of Registrant as Specified in its Charter)

State of Israel	**7372**	**Not Applicable**
(State or Other Jurisdiction of Incorporation or Organization)	**(Primary Standard Industrial Classification Code Number)**	**(I.R.S. Employer Identification No.)**

CyberArk Software Ltd.

94 Em-Ha moshavot Road

Park Ofer, P.O. Box 3143

Petach Tikva 4970602, Israel

+972 (3) 918-0000

(Address, including zip code, and telephone number, including area code, of Registrant s principal executive offices)

Cyber-Ark Software, Inc.

60 Wells Avenue

Suite 103

Newton, MA 02459

(617) 965-1544

(Name, address, including zip code, and telephone number, including area code, of agent for service)

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Approximate date of commencement of proposed sale to the public: As soon as practicable after effectiveness of this registration statement.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. ¨

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. ¨

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	**Amount to be Registered(1)**	**Proposed Maximum Aggregate Offering Price Per Share(2)**	**Proposed Maximum Aggregate Offering Price(2)**	**Amount of Registration Fee(3)**
Ordinary shares, par value NIS 0.01 per share	5,635,000	$64.60	$364,021,000	$42,300

(1) Includes shares granted pursuant to the underwriters option to purchase additional shares.
(2)

Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933 as amended based on the average high and low prices of an ordinary share on the NASDAQ Global Select Market on June 5, 2015.

(3) $29,050 previously paid.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this prospectus is not complete and may be changed. Neither we nor the selling shareholders may sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and neither we nor the selling shareholders are soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

Subject to completion, dated June 8, 2015.

Preliminary Prospectus

4,900,000 Shares

Ordinary Shares

We are offering 900,000 ordinary shares and the selling shareholders are offering an additional 4,000,000 ordinary shares. We will not receive any of the proceeds from the sale of the shares being offered by the selling shareholders.

Our ordinary shares are listed on the NASDAQ Global Select Market under the symbol CYBR . On June 5, 2015, the last reported sales price of our ordinary shares was $66.24 per share.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions(1)	$	$
Proceeds to us (before expenses)	$	$
Proceeds to the selling shareholders (before expenses)	$	$

(1) See Underwriting (Conflicts of Interest) for a description of compensation payable to the underwriters.

The selling shareholders have granted the underwriters an option to purchase up to 735,000 additional ordinary shares from the selling shareholders, at the public offering price, less the underwriting discount, for 30 days after the date of this prospectus.

We are an emerging growth company as defined under the federal securities laws and, as such, may elect to comply with certain reduced public company reporting requirements.

Investing in our ordinary shares involves a high degree of risk. See Risk Factors beginning on page 12.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the ordinary shares to purchasers on or about , 2015.

Goldman, Sachs & Co. Deutsche Bank Securities Barclays BofA Merrill Lynch UBS Investment Bank

William Blair Nomura Oppenheimer & Co.

, 2015

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Neither we, the selling shareholders nor the underwriters have authorized anyone to provide information different from that contained in this prospectus, any amendment or supplement to this prospectus or in any free writing prospectus prepared by us or on our behalf. Neither we, the selling shareholders nor the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any information other than the information in this prospectus and any free writing prospectus prepared by us or on our behalf. Neither the delivery of this prospectus nor the sale of our ordinary shares means that information contained in this prospectus is correct after the date of this prospectus. This prospectus is not an offer to sell or the solicitation of an offer to buy these ordinary shares in any circumstances under which such offer or solicitation is unlawful.

(i)

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SUMMARY

This summary highlights selected information contained elsewhere in this prospectus. This summary does not contain all the information that you should consider before deciding to invest in our ordinary shares. You should read the entire prospectus carefully, including Risk Factors and our consolidated financial statements and notes to those consolidated financial statements, before making an investment decision. In this prospectus, the terms CyberArk, we, us, our and the company refer to CyberArk Software Ltd. and its subsidiaries.

Overview

We are a global leader and pioneer of a new layer of IT security solutions that protects organizations from cyber attacks that have made their way inside the network perimeter to strike at the heart of the enterprise. Our software solution is focused on protecting privileged accounts, which have become a critical target in the lifecycle of today s cyber attacks. Privileged accounts are pervasive and act as the keys to the IT kingdom, providing complete access to, and control of, all parts of IT infrastructure, industrial control systems and critical business data. In the hands of an external attacker or malicious insider, privileged accounts allow attackers to take control of and disrupt an organization s IT and industrial control infrastructures, steal confidential information and commit financial fraud. Our comprehensive solution proactively protects privileged accounts, monitors privileged activity and detects malicious privileged behavior. Our customers use our innovative solution to introduce this new security layer to protect against, detect and respond to cyber attacks before they strike vital systems and compromise sensitive data.

Organizations worldwide are experiencing an unprecedented increase in the sophistication, scale and frequency of cyber attacks. The challenge this presents is intensified by the growing adoption of new technologies, such as cloud computing, virtualization, software-defined networking, enterprise mobility and social networking, which has resulted in increasingly complex and distributed IT environments with significantly larger attack surfaces. Organizations have historically relied upon perimeter-based threat protection solutions such as network, web and endpoint security tools as the predominant defense against cyber attacks, yet these traditional solutions have a limited ability to stop today s advanced threats. As a result, an estimated 90% of organizations have suffered a cybersecurity breach according to a 2011 survey of approximately 580 U.S. IT practitioners by the Ponemon Institute, a research center focused on privacy, data protection and information security policy. Organizations are just beginning to adapt their security strategies to address this new threat environment and are evolving their approaches based on the assumption that their network perimeter has been or will be breached. They are therefore increasingly implementing new layers of security inside the network to disrupt attacks before they result in the theft of confidential information or other serious damage. Regulators are also continuing to mandate rigorous new compliance standards and audit requirements in response to this evolving threat landscape.

We believe that the implementation of a privileged account security solution is one of the most critical layers of an effective security strategy. Privileged accounts represent one of the most vulnerable aspects of an organization s IT infrastructure. Privileged accounts are used by system administrators, third-party and cloud service providers, applications and business users, and they exist in nearly every connected device, server, hypervisor, operating system, database, application and industrial control system. Due to the broad access and control they provide, exploiting privileged accounts has become a critical stage of the cyber attack lifecycle. The typical cyber attack involves attackers effecting an initial breach, escalating privileges to access target systems, moving laterally through the IT infrastructure to identify valuable targets, and exfiltrating, or stealing, the desired information. According to Mandiant, credentials of authorized users were hijacked in 100% of the breaches that Mandiant investigated, and privileged accounts were targeted whenever possible.

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We have architected our solution from the ground up to address the challenges of protecting privileged accounts and an organization s sensitive information. Our solution provides proactive protection against cyber attacks from both external and internal sources and allows for real-time detection and neutralization of such threats. It can be deployed in traditional on-premise data centers, cloud environments and industrial control systems. Our innovative software solution is the result of over 15 years of research and expertise, combined with valuable knowledge we have gained from working with our diverse population of customers.

Our Privileged Account Security Solution is built on our shared technology platform and consists of several products:

- *Enterprise Password Vault*: proactively protects and manages all privileged accounts across an entire organization

- *SSH Key Manager*: securely stores, rotates and controls access to SSH keys to prevent unauthorized access to privileged accounts

- *Privileged Session Manager*: enables live monitoring and command-line keystroke level recording of privileged sessions, isolates the target asset from malware and establishes a single point of control for all privileged activity

- *Application Identity Manager*: secures application to application interfaces by enabling proactive controls on privileged credentials embedded in applications, service accounts and scripts

- *On-Demand Privileges Manager*: limits the breadth of access of administrative accounts by restricting the use of specified commands and functions

- *Privileged Threat Analytics*: profiles and analyzes individual privileged user behavior and creates prioritized alerts when abnormal activity is detected

As of March 31, 2015, we had approximately 1,850 customers, including approximately 40% of the Fortune 100 and approximately 18% of the Global 2000. We define a customer to include a distinct entity, division or business unit of a company. Our customers include leading enterprises in a diverse set of industries, including energy and utilities, financial services, healthcare, manufacturing, retail, technology and telecommunications, as well as government agencies. We sell our solution through a high touch, channel fulfilled hybrid sales model that combines the leverage of channel sales with the account control of direct sales, and therefore provides us with significant opportunities to grow our current customer base. This approach allows us to maintain close relationships with our customers and benefit from the global reach of our channel partners. Additionally, we are enhancing our product offerings and go-to-market strategy by establishing technology alliances within the IT infrastructure and security vendor ecosystem.

Our business has rapidly grown in recent years. During 2012, 2013 and 2014, our revenues were $47.2 million, $66.2 million and $103.0 million, respectively, representing year-over-year growth of 40.1% and 55.7% in 2013 and 2014, respectively. Our net income for 2012, 2013 and 2014 was $7.9 million, $6.6 million and $10.0 million, respectively. Our revenues for the three months ended March 31, 2014 and 2015 were $17.4 million and $32.9 million, respectively, representing year-over-year growth of 89.2%. Our net income for the three months ended March 31, 2015 was $4.2 million compared with a net loss of $1.2 million for the same period in 2014.

Industry Overview

The recent increase in sophisticated, targeted security threats by both external attackers and malicious insiders, along with an increase in the attack surface due to the growing complexity and distributed nature of IT environments, have made it extremely challenging for enterprises and governments around the world to protect their sensitive information. These challenges are driving the need for a new layer of security that complements traditional threat protection technologies by securing access to privileged accounts and preventing the exploitation of organizations critical systems and data.

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Privileged accounts represent one of the most vulnerable aspects of an organization s IT infrastructure. Privileged escalation is a critical stage of the cyber attack because, if privileged credentials are compromised, the attacker is able to move closer to sensitive data while remaining undetected. Today s advanced cyber attacks are typically designed to evade traditional threat prevention technologies that are focused on protecting the perimeter from outside breach. Furthermore, compliance requirements continue to become more stringent in response to the complex and evolving threat landscape.

Challenges in Protecting Privileged Accounts

The increasing sophistication, scale and frequency of advanced cyber attacks challenge traditional cybersecurity methods and create a need for a comprehensive approach to securing privileged accounts from use by external or internal attackers to gain access to and exploit an organization s confidential data and IT systems. Such an approach must address a range of challenges presented by privileged accounts, including:

- traditional security solutions limited ability to protect privileged credentials and critical assets from cyber attacks;

- insufficient visibility and lack of automation in the management of privileged accounts;

- inability to monitor and audit all privileged activity;

- inadequate or delayed response time in detecting malicious and high risk behaviors; and

- limited scalability of existing point solutions.

Our Solution

Our Privileged Account Security Solution provides organizations with the following benefits:

- ***Comprehensive platform for proactive protection of privileged credentials and target assets from cyber attacks***. Our comprehensive solution for privileged account security enables our customers to proactively protect against and automatically detect and respond to in-progress cyber attacks before they strike vital systems and compromise sensitive data. Our unified solution to these previously disparate security needs enables our customers to preemptively remediate vulnerabilities and improve their security effectiveness from a central command and control point.

- ***Automatic identification and understanding of the scope of privileged account risk***. Our solution automatically detects privileged accounts across the enterprise and helps customers visualize the resulting compliance gaps and security vulnerabilities. This automated process reduces the time-consuming and error-prone task of manually tracking and updating privileged credentials, thereby decreasing IT operational costs. This enhanced visibility significantly improves the security posture of our customers and facilitates adherence to rigorous audit and compliance standards.

Continuous monitoring, recording and secure storage of privileged account activity. Our solution monitors, collects and records individual privileged session activity down to every mouse click and keystroke. It also provides highly secure storage of privileged session recordings, robust search capabilities and full forensics records to facilitate a more rapid and precise response to malicious activity.

Real-time detection, alerting and response to malicious privileged activity. Our Privileged Threat Analytics product uses proprietary algorithms to profile and analyze individual privileged user behavior and creates prioritized alerts in real-time when abnormal activity is detected. This allows our customers incident response teams to investigate and prioritize threatening activity and respond by terminating the active session.

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Purpose-built solution, architected for privileged account security. Our Digital Vault offers multiple layers of security including robust segregation of duties, a secure proprietary communications protocol and military-grade encryption. Our Privileged Session Manager product establishes a single point of control for all privileged activity, effectively decreasing the attack surface by providing only proxy-based access to IT assets through our platform.

Scalable and flexible platform that enables modular deployment. Our solution is scalable and flexible to enable deployment in large-scale distributed environments for on-premise, cloud environments and industrial control systems. Our solution enables enterprises to leverage their existing investments with out of the box support for many devices, networks, applications and servers, including web sites and social media.

Our Market Opportunity

We believe that the security market is in the midst of a significant transition as enterprises are investing in a new generation of security solutions to help protect them against today s sophisticated and targeted cyber threats from both external attackers and malicious insiders. Gartner estimates that by 2020, 60% of enterprise information security budgets will be allocated to rapid detection and response approaches, up from less than 10% in 2014. Recognizing that traditional perimeter-based threat protection solutions are not sufficient to protect against today s advanced cyber threats, enterprises are investing in security solutions within the datacenter to protect the inside of their networks. According to a 2012 report by International Data Corporation (IDC), worldwide spending on datacenter security solutions was $10.7 billion in 2011 and is expected to grow to $16.5 billion by 2016, representing a compound annual growth rate of 9.3%. According to the same report, worldwide spending for IT security solutions was $28.4 billion in 2011 and is expected to grow to $40.8 billion in 2016, representing a compound annual growth rate of 7.6%.

We believe that privileged account security is a new, critical layer of security that is benefitting from this transition. Privileged accounts represent one of the most vulnerable aspects of an organization s IT infrastructure and exist in nearly every connected device, server, hypervisor, operating system, database, application and industrial control system throughout on-premise and cloud-based datacenters. As a result, we believe that an increasing portion of the IT security budget, and specifically datacenter security spend, will be allocated for privileged account security solutions.

Our Competitive Strengths

Our mission is to protect the heart of the enterprise from advanced cyber attacks. We have established a leadership position in protecting high-value data and critical IT assets by securing privileged accounts, and have several key competitive strengths including:

Trusted expert in privileged account security. We are a recognized brand name and a leader in privileged account security, protecting organizations worldwide against external threats that have already penetrated the perimeter, as well as threats that originate from within the perimeter by malicious or careless insiders.

Technology leader driven by vision and focus on innovation. Our history of innovation is the cornerstone of our technology leadership. We pioneered Digital Vault technology and introduced patented technology for application identity management, secure connectivity for remote vendors, integrated privileged activity monitoring, private and public cloud privileged account management and privileged threat analytics.

Global reach driven by direct and indirect sales organization. We have a broadly dispersed global hybrid sales channel as evidenced by our existing customer implementations in 65 countries, a broad network of over 200 channel and technology alliance partners worldwide, and local presence in more than 20 countries.

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Strong management team with significant IT security expertise. We have a highly talented management team and a strong research and development organization with significant IT security expertise from past experience in leading IT security companies and Israel s military technology units.

Corporate culture committed to our customers success. Our commitment to our customers success is ingrained in our business strategy and is brought to life through constant customer interactions, employee functions and our engaging annual customer conferences attended by hundreds of customers and channel partners.

Our Growth Strategy

Our goal is to be the global leader in IT security solutions that protect organizations from cyber attacks that have made their way inside the network perimeter to strike at the heart of the enterprise. The key elements of our strategy to extend our global leadership include:

continue innovating and enhancing our solution;

growing our customer base;

further penetrating our existing customer base;

continuing to expand our global presence by leveraging systems integrators and distribution partnerships; and

selectively pursuing strategic transactions.

Risks Associated With Our Business

Investing in our ordinary shares involves risks. You should carefully consider the risks described in Risk Factors beginning on page 12 before making a decision to invest in our ordinary shares. If any of these risks actually occur, our business, financial condition or results of operations would likely be materially adversely affected. In such case, the trading price of our ordinary shares would likely decline, and you may lose all or part of your investment. The following is a summary of some of the principal risks we face:

The IT security market is rapidly evolving within the increasingly challenging cyber threat landscape. If the industry does not continue to develop as we anticipate, our sales will not grow as quickly as expected and our share price could decline.

If we fail to effectively manage our growth, our business and operations will be negatively affected, and as we invest in the growth of our business, we expect our operating and net profit margins to decline in the near-term.

Our quarterly results of operations may fluctuate for a variety of reasons, including our failure to close significant sales before the end of a particular quarter.

Our reputation and business could be harmed based on real or perceived shortcomings, defects or vulnerabilities in our solution or the failure of our solution to meet customers expectations.

If we are unable to acquire new customers, our future revenues and operating results will be harmed.

If we are unable to sell additional products and services to our existing customers, our future revenues and operating results will be harmed.

We face intense competition from IT security vendors, some of which are larger and better known than we are, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

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If our internal network system is compromised by cyber attackers or other data thieves, public perception of our products and services will be harmed.

Corporate Information

We are incorporated under the laws of the State of Israel. Our principal executive offices are located at 94 Em-Ha moshavot Road, Park Ofer, P.O. Box 3143, Petach Tikva 4970602, Israel, and our telephone number is +972 (3) 918-0000. Our website address is www.cyberark.com. Information contained on, or that can be accessed through, our website does not constitute a part of this prospectus and is not incorporated by reference herein. We have included our website address in this prospectus solely for informational purposes. Our agent for service of process in the United States is Cyber-Ark Software, Inc., located at 60 Wells Avenue, Suite 103, Newton, MA 02459, and our telephone number is (617) 965-1544.

Throughout this prospectus, we refer to various trademarks, service marks and trade names that we use in our business. The CyberArk design logo is the property of CyberArk Software Ltd. CyberArk® is our registered trademark in the United States. We have several other trademarks, service marks and pending applications relating to our products. In particular, although we have omitted the ® and trademark designations in this prospectus from each reference to Cyber-Ark DNA, Inter-Business Vault, Network Vault, Password Vault, Privileged Session Manager and Vaulting Technology, all rights to such trademarks are nevertheless reserved. Other trademarks and service marks appearing in this prospectus are the property of their respective holders.

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The Offering

Ordinary shares offered by us	900,000 ordinary shares
Ordinary shares offered by the selling shareholders	4,000,000 ordinary shares
Ordinary shares to be outstanding after this offering	31,657,908 ordinary shares
Underwriters option	The selling shareholders have granted the underwriters an option for a period of 30 days after the date of this prospectus to purchase up to 735,000 additional ordinary shares.
Use of proceeds	We estimate that the net proceeds to us from this offering will be approximately $56.7 million, based on an assumed public offering price of $66.24 per share, the closing price of our ordinary shares on the NASDAQ Global Select Market on June 5, 2015, after deducting the underwriting discount and estimated offering expenses. We intend to use the net proceeds for general corporate purposes, including sales and marketing expenditures aimed at growing our business and research and development expenditures focused on product development. We may also use net proceeds to make acquisitions or investments in complementary companies or technologies. Consistent with our growth strategy, we are currently engaged in discussions, negotiations and diligence evaluations with respect to possible acquisitions, although we do not have any agreement or understanding with respect to any material acquisition or investment at this time.

We will not receive any of the proceeds from the sale of ordinary shares by the selling shareholders.

See Use of Proceeds, Principal and Selling Shareholders and Underwriting (Conflicts of Interest).

Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in our ordinary shares.
NASDAQ Global Select Market symbol	CYBR

Conflicts of interest	Goldman, Sachs & Co. and/or its affiliates own in the aggregate in excess of 10% of our issued and outstanding ordinary shares. As a result, Goldman, Sachs & Co. is deemed to have a conflict of interest with us within the meaning of Rule 5121 of the Financial Industry Regulatory Authority (Rule 5121). Accordingly, this offering will be made in compliance with the applicable provisions of Rule 5121. In accordance with that rule, the appointment of a qualified independent underwriter is not required in connection with this offering because a bona fide public market exists for our ordinary shares. Any underwriter that has a conflict of interest pursuant to Rule 5121 will not confirm sales to accounts in which it

exercises discretionary authority without the prior written consent of the customer. See Underwriting (Conflicts of Interest).

The number of ordinary shares to be outstanding after this offering and, unless otherwise indicated, the information in this prospectus are based on 30,757,908 ordinary shares outstanding as of March 31, 2015 and excludes 5,144,755 ordinary shares reserved for issuance under our equity incentive plans as of March 31, 2015, of which there were outstanding options to purchase 4,338,682 shares at a weighted average exercise price of $2.93 per share and 43,040 unvested restricted stock units, or RSUs. In addition, our shareholders have been asked to approve at our annual general meeting of shareholders scheduled to be held on June 10, 2015 amendments to our 2014 Share Incentive Plan (1) to increase the number of shares reserved for issuance under the plan by 610,027 shares, representing 2% of our outstanding ordinary shares as of December 31, 2014, and (2) to increase from 2% to 4% the percentage of our outstanding share capital as of each year end by which the pool of ordinary shares may increase on an annual basis under the evergreen provision of the plan.

Unless otherwise indicated, this prospectus assumes (1) no exercise of the underwriters option to purchase up to 735,000 additional ordinary shares from the selling shareholders and (2) no exercise of outstanding options or vesting of RSUs after March 31, 2015.

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Summary Consolidated Financial Data

The following tables set forth our summary consolidated financial data. You should read the following summary consolidated financial and other data in conjunction with Selected Consolidated Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected in the future. Our financial statements have been prepared in accordance with U.S. Generally Accepted Accounting Principles, or U.S. GAAP.

The summary consolidated statements of operations data for each of the years in the three-year period ended December 31, 2014 is derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The summary consolidated statement of operations data for the three months ended March 31, 2014 and 2015 and the summary balance sheet data as of March 31, 2015 are derived from our unaudited interim consolidated financial statements presented elsewhere in this prospectus. In the opinion of management, these unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of our financial position and operating results for these periods. Results for interim periods are not necessarily indicative of the results that may be expected for the entire year.

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands, except share and per share amounts)				
Consolidated Statements of Operations:					
Revenues:					
License	$ 27,029	$ 38,907	$ 61,320	$ 9,120	$ 19,978
Maintenance and professional services	20,179	27,250	41,679	8,275	12,937
Total revenues	47,208	66,157	102,999	17,395	32,915
Cost of revenues:					
License	1,002	1,216	2,654	628	550
Maintenance and professional services	5,922	7,860	12,053	2,425	3,707
Total cost of revenues(1)	6,924	9,076	14,707	3,053	4,257
Gross profit	40,284	57,081	88,292	14,342	28,658
Operating expenses:					
Research and development(1)	7,273	10,404	14,400	3,237	4,117
Sales and marketing(1)	22,081	32,840	44,943	9,433	13,460
General and administrative(1)	3,297	4,758	8,495	1,481	3,578
Total operating expenses	32,651	48,002	67,838	14,151	21,155

Operating income		7,633		9,079		20,454		191		7,503
Financial income (expenses), net		4		(1,124)		(5,988)		(1,356)		(1,631)
Income (loss) before taxes on income		7,637		7,955		14,466		(1,165)		5,872
Tax benefit (taxes on income)		225		(1,320)		(4,512)		(83)		(1,706)
Net income (loss)	$	7,862	$	6,635	$	9,954	$	(1,248)	$	4,166
Basic net income (loss) per ordinary share(2)	$	0.51	$	0.25	$	0.46	$	(0.35)	$	0.14
Diluted net income (loss) per ordinary share(2)	$	0.31	$	0.14	$	0.34	$	(0.35)	$	0.12
Weighted average number of ordinary shares used in computing basic net income (loss) per ordinary share(2)		6,592,997		6,900,433		13,335,059		7,073,239		30,563,888
Weighted average number of ordinary shares used in computing diluted net income (loss) per ordinary share(2)		25,245,790		10,765,914		29,704,730		7,073,239		34,786,581

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	As of March 31, 2015	
	Actual	As Adjusted(4)
	(in thousands)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term bank deposits	$ 191,668	$248,349
Deferred revenue, current and long-term	41,331	41,331
Working capital(3)	168,856	225,663
Total assets	222,060	279,119
Total shareholders equity	160,440	217,499

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
			(in thousands)		
Supplemental Financial Data:					
Non-GAAP operating income(5)	$ 7,917	$ 9,482	$ 22,027	$ 347	$ 9,049
Non-GAAP net income(5)	8,322	8,484	15,836	304	5,712
Net cash provided by operating activities	13,657	20,159	23,840	8,898	14,869

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

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015
			(in thousands)		
Cost of revenues	$ 32	$ 39	$ 137	$ 20	$ 63
Research and development	58	73	172	30	82
Sales and marketing	81	126	347	42	139
General and administrative	113	165	917	64	181
Total share-based compensation expense	$ 284	$ 403	$ 1,573	$ 156	$ 465

(2) Basic and diluted net income (loss) per ordinary share is computed based on the weighted average number of ordinary shares outstanding during each period. For additional information, see note 10 to our consolidated financial statements included elsewhere in this prospectus.

(3) We define working capital as total current assets minus total current liabilities.

(4) As adjusted gives effect to the issuance and sale of ordinary shares by us in this offering at the assumed public offering price set forth on the cover page of this prospectus after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

(5) Non-GAAP operating income and non-GAAP net income are non-GAAP financial measures. We define non-GAAP operating income as operating income excluding share-based compensation expense and expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders. We define non-GAAP net income as net income excluding (i) share-based compensation expense, (ii) expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders and (iii) financial expenses resulting from the revaluation of warrants to purchase preferred shares. Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company s non-cash expense, we

believe that providing non-GAAP financial measures that exclude non-cash share-based compensation expenses and expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders allows for more meaningful comparisons between our operating results from period to period. In addition, we believe that excluding financial expenses with respect to revaluation of warrants to purchase preferred shares allows for more meaningful comparison between our net income from period to period. As these warrants were exercised in connection with our initial public offering, they will no longer be revalued at each balance sheet date. Each of our non-GAAP financial measures is an important tool for financial and operational decision making and for evaluating our operating results over different periods of time. The following tables reconcile operating income and net income, the most directly comparable U.S. GAAP measure, to non-GAAP operating income and non-GAAP net income for the periods presented:

	Year ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands)				
Reconciliation of Operating Income to Non-GAAP Operating Income:					
Operating income	$ 7,633	$ 9,079	$ 20,454	$ 191	$ 7,503
Secondary offering related expenses					1,081
Share-based compensation	284	403	1,573	156	465
Non-GAAP operating income	$ 7,917	$ 9,482	$ 22,027	$ 347	$ 9,049

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	Year ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
			(in thousands)		
Reconciliation of Net Income (Loss) to Non-GAAP Net Income:					
Net income (loss)	$ 7,862	$ 6,635	$ 9,954	$ (1,248)	$ 4,166
Secondary offering related expenses					1,081
Share-based compensation	284	403	1,573	156	465
Warrant adjustment	176	1,446	4,309	1,396	
Non-GAAP net income	$ 8,322	$ 8,484	$ 15,836	$ 304	$ 5,712

For a description of how we use non-GAAP operating income and non-GAAP net income to evaluate our business, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Metrics. We believe that these non-GAAP financial measures are useful in evaluating our business because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company s non-cash expenses, and we believe that providing non-GAAP operating income and non-GAAP net income that exclude share-based compensation expenses, expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders and warrant awards allows for more meaningful comparisons between our operating results from period to period.

Other companies, including companies in our industry, may calculate non-GAAP operating and non-GAAP net income differently or not at all, which reduces their usefulness as a comparative measure. You should consider non-GAAP operating income and non-GAAP net income along with other financial performance measures, including operating income and net income, and our financial results presented in accordance with U.S. GAAP.

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RISK FACTORS

This offering and an investment in our ordinary shares involve a high degree of risk. You should consider carefully the risks described below and all other information contained in this prospectus before you decide to buy our ordinary shares. If any of the following risks actually occur, our business, financial condition and results of operations could be materially and adversely affected. In that event, the trading price of our ordinary shares would likely decline and you might lose all or part of your investment.

Risks Related to Our Business and Our Industry

The IT security market is rapidly evolving within the increasingly challenging cyber threat landscape. If the industry does not continue to develop as we anticipate, our sales will not grow as quickly as expected and our share price could decline.

We operate in a rapidly evolving industry focused on securing organizations IT systems and sensitive business data. Our solution focuses on safeguarding privileged accounts, which are those accounts within an organization that give the user high levels of access, or privileged access, to IT systems, infrastructure, industrial control systems, applications and data. While breaches of such privileged accounts have gained media attention in recent years, IT security spending within enterprises is often concentrated on endpoint and web security products designed to stop threats from penetrating corporate networks. Organizations that use these security products may allocate all or most of their IT security budgets to these products and may not adopt our solution in addition to such products. Further, a security solution such as ours, which is focused on disrupting cyber attacks by insiders and external perpetrators that have penetrated the organization s perimeter, is a relatively new technology that has been developed to respond to advanced threats and more rigorous compliance standards and audit requirements. However, advanced cyber attackers are skilled at adapting to new technologies and developing new methods of gaining access to organizations sensitive business data. Changes in the nature of advanced cyber threats could result in a shift in IT budgets away from solutions such as ours. In addition, any changes in compliance standards or audit requirements that deemphasize the types of controls, storage, monitoring and analysis that our solution provides would adversely impact demand for our offerings. It is therefore difficult to predict how large the market will be for our solution. If solutions such as ours are not viewed by organizations as necessary, or if customers do not recognize the benefit of our solution as a critical layer of an effective security strategy, then our revenues may not grow as quickly as expected, or may decline, and our share price could suffer.

If we fail to effectively manage our growth, our business and operations will be negatively affected, and as we invest in the growth of our business, we expect our operating and net profit margins to decline in the near-term.

We have experienced significant growth in a relatively short period of time and intend to continue to aggressively grow our business. Our revenues grew from $47.2 million in 2012 to $103.0 million in 2014 and from $17.4 million in the three months ended March 31, 2014 to $32.9 million in the same period in 2015. Our headcount has increased from 317 as of December 31, 2013 to 487 as of March 31, 2015, and we plan to continue to hire additional employees during the remainder of 2015 across all areas of the organization. Our rapid growth has placed significant demands on our management, sales and operational and financial infrastructure, and our growth will continue to place significant demands on these resources. Further, in order to manage our current and future growth effectively, we must continue to improve and expand our IT and financial infrastructure, operating and administrative systems and controls and efficiently manage headcount, capital and processes. We may not be able to successfully implement these improvements in a timely or efficient manner, and our failure to do so may materially impact our projected growth rate.

As we invest in the growth of our business, our operating and net profit margins and our operating and net income have declined in recent periods compared to prior periods and we expect this trend to continue in the near-term, primarily as a result of the costs associated with expanding our direct and indirect sales forces, our

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increased rate of investment in research and development and our increased administrative costs in connection with becoming a public company. We expect that these invested costs will adversely impact our operating and net profit margins since it will take time and resources to train and integrate new sales force members and to comply with public company reporting and regulatory requirements. In addition, costs associated with adding new personnel to our sales force are expensed before their positive impact on our sales is recognized, and even then a significant portion of any revenues that they generate from maintenance and professional services are deferred over the delivery period of those services. A failure to meet market expectations regarding our revenues and profitability could have an adverse effect on our share price.

Our quarterly results of operations may fluctuate for a variety of reasons, including our failure to close significant sales before the end of a particular quarter.

A meaningful portion of our revenues is generated by significant sales to new customers and sales of additional products to existing customers. Purchases of our products and services often occur at the end of each quarter, particularly in the last quarter of the year. In addition, our sales cycle can last several months from proof of concept to delivery of our solution to our customers, and this sales cycle can be even longer, less predictable and more resource-intensive for larger sales. Customers may also require additional internal approvals or seek to test our products for a longer trial period before deciding to purchase our solution. As a result, the timing of individual sales can be difficult to predict. In some cases, sales have occurred in a quarter subsequent to those we anticipated, or have not occurred at all, which can significantly impact our quarterly results and make it more difficult to meet market expectations. Furthermore, even if we close a sale during a given quarter we may be unable to recognize the revenues derived from such sale during the same period due to our revenue recognition policy. See Management s Discussion and Analysis of Financial Condition and Results of Operations Application of Critical Accounting Policies and Estimates Revenue Recognition.

In addition to the sales cycle-related fluctuations noted above, our results of operations will continue to vary as a result of a number of factors, many of which are outside of our control and may be difficult to predict, including:

- our ability to attract and retain new customers;
- our ability to sell additional products to current customers;
- changes in customer or channel partner requirements or market needs;
- changes in the growth rate of the information security market;
- the timing and success of new product and service introductions by us or our competitors or any other change in the competitive landscape of the information security market, including consolidation among our customers or competitors;
- a disruption in, or termination of, our relationship with channel partners;

our ability to successfully expand our business globally;

reductions in maintenance renewal rates;

changes in our pricing policies or those of our competitors;

general economic conditions in our markets;

future accounting pronouncements or changes in our accounting policies or practices;

the amount and timing of our operating costs;

a change in our mix of products and services; and

increases or decreases in our expenses caused by fluctuations in foreign currency exchange rates.

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Any of the above factors, individually or in the aggregate, may result in significant fluctuations in our financial and other operating results from period to period. These fluctuations could result in our failure to meet our operating plan or the expectations of investors or analysts for any period. If we fail to meet such expectations for these or other reasons, the market price of our ordinary shares could fall substantially, and we could face costly lawsuits, including securities class action suits.

Our reputation and business could be harmed based on real or perceived shortcomings, defects or vulnerabilities in our solution or the failure of our solution to meet customers expectations.

Organizations are facing increasingly sophisticated and targeted cyber threats, including the growing threat of cyber terrorism throughout the world. If we fail to identify and respond to new and increasingly complex methods of attack and update our products to detect or prevent such threats, our business and reputation will suffer. In particular, we may suffer significant adverse publicity and reputational harm if a significant breach occurs generally or if any breach occurs at a high profile customer. Moreover, as our solution is adopted by an increasing number of enterprises and governmental entities, it is possible that attackers will begin to focus on finding ways to defeat our solution. An actual or perceived security breach or theft of our customers sensitive business data, regardless of whether the breach or theft is attributable to the failure of our products, could adversely affect the market s perception of the efficacy of our solution and current or potential customers may look to our competitors for alternatives to our solution. The failure of our products may also subject us to lawsuits and financial losses stemming from indemnification of our partners and other third parties, as well as the expenditure of significant financial resources to analyze, correct or eliminate any vulnerabilities. It could also cause us to suffer reputational harm, lose existing customers or deter them from purchasing additional products and services and prevent new customers from purchasing our solution.

False detection of threats, while typical in our industry, may reduce perception of the reliability of our products and may therefore adversely impact market acceptance of our products. If our solution restricts legitimate privileged access by authorized personnel to IT systems and applications by falsely identifying those users as an attack or otherwise unauthorized, our customers business could be harmed. There can be no assurance that, despite testing by us, errors will not be found in existing and new versions of our products, resulting in loss of or delay in market acceptance. In such an event, we may be required, or may choose, for customer relations or other reasons, to expend additional resources in order to help correct the problem.

If we are unable to acquire new customers, our future revenues and operating results will be harmed.

Our success depends on our ability to acquire new customers. The number of customers that we add in a given period impacts both our short-term and long-term revenues. If we are unable to attract a sufficient number of new customers, we may be unable to generate revenue growth at desired rates. The IT security market is competitive and many of our competitors have substantial financial, personnel, and other resources that they utilize to develop products and attract customers. As a result, it may be difficult for us to add new customers to our customer base. Competition in the marketplace may also lead us to win fewer new customers or result in us providing discounts and other commercial incentives. Additional factors that impact our ability to acquire new customers include the perceived need for IT security, the size of our prospective customers IT budgets, the utility and efficacy of our existing and new offerings, whether proven or perceived, and general economic conditions. These factors may have a meaningful negative impact on future revenues and operating results.

If we are unable to sell additional products and services to our existing customers, our future revenues and operating results will be harmed.

A significant portion of our revenues are generated from sales to existing customers. Our future success depends, in part, on our ability to continue to sell new licenses and incremental licenses to our existing customers. We devote significant efforts to developing, marketing and selling additional licenses and associated maintenance and support to existing customers and rely on these efforts for a portion of our revenues. These

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efforts require a significant investment in building and maintaining customer relationships, as well as significant research and development efforts in order to provide product upgrades and launch new products. The rate at which our existing customers purchase additional products and services depends on a number of factors, including the perceived need for additional IT security, the efficacy of our solutions and the utility of our new offerings, whether proven or perceived, our customers IT budgets, general economic conditions, our customers overall satisfaction with the maintenance and professional services we provide and the continued growth and economic health of our customer base to require incremental users and servers to be covered. If our efforts to sell additional products and services to our customers are not successful, our future revenues and operating results will be harmed.

We face intense competition from IT security vendors, some of which are larger and better known than we are, and we may lack sufficient financial or other resources to maintain or improve our competitive position.

The IT security market in which we operate is characterized by intense competition, constant innovation and evolving security threats. We compete with companies that offer a broad array of IT security products. Our current and potential future competitors include CA, Inc., Dell Inc., International Business Machines Corporation and Oracle Corporation in the access and identity management market, and may also include providers of advanced threat protection solutions such as Hewlett-Packard Company, EMC Corporation, International Business Machines Corporation, FireEye, Inc., Splunk Inc. and Palo Alto Networks, Inc. and other smaller companies that offer point solutions with a more limited range of functionality than our own offerings. Some of our competitors are large companies that have the technical and financial resources and broad customer bases needed to bring competitive solutions to the market and already have existing relationships as a trusted vendor for other products. Such companies may use these advantages to offer products and services that are perceived to be as effective as ours at a lower price or for free as part of a larger product package or solely in consideration for maintenance and services fees. They may also develop different products to compete with our current solution and respond more quickly and effectively than we do to new or changing opportunities, technologies, standards or client requirements. Additionally, from time to time we may compete with smaller regional vendors that offer products with a more limited range of capabilities that purport to perform functions similar to our solution. Such companies may enjoy stronger sales and service capabilities in their particular regions.

Our competitors may enjoy potential competitive advantages over us, such as:

- greater name recognition, a longer operating history and a larger customer base, notwithstanding the increased visibility of our brand following our initial public offering;
- larger sales and marketing budgets and resources;
- broader distribution and established relationships with channel and distribution partners and customers;
- greater customer support resources;
- greater resources to make acquisitions;

larger intellectual property portfolios; and

greater financial, technical and other resources.

Our current and potential competitors may also establish cooperative relationships among themselves or with third parties that may further enhance their resources. Current or potential competitors may be acquired by third parties with greater available resources. As a result of such acquisitions, our current or potential competitors might be able to adapt more quickly to new technologies and customer needs, devote greater resources to the promotion or sale of their products and services, initiate or withstand substantial price competition, take advantage of other opportunities more readily or develop and expand their product and service offerings more quickly than we do. Larger competitors with more diverse product offerings may reduce the price of products that compete with ours in order to promote the sale of other products or may bundle them with other products, which would lead to increased pricing pressure on our products and could cause the average sales prices for our products to decline.

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In addition, other IT security technologies exist or could be developed in the future by current or future competitors, and our business could be materially and adversely affected if such technologies are widely adopted.

We may not be able to successfully anticipate or adapt to changing technology or customer requirements on a timely basis, or at all. If we fail to keep up with technological changes or to convince our customers and potential customers of the value of our solution even in light of new technologies, our business, results of operations and financial condition could be materially and adversely affected.

If our internal network system is compromised by cyber attackers or other data thieves, public perception of our products and services will be harmed.

We will not succeed unless the marketplace is confident that we provide effective IT security protection. We provide privileged account security products, and as such we may be an attractive target for attacks by cyber attackers or other data thieves since a breach of our system could provide data information regarding not only us, but potentially regarding the customers that our solution protects. As a result of our recent initial public offering, we have enjoyed increased visibility as a company, which could have the effect of attracting the attention of more hackers than would otherwise target us for data theft. Further, we may be targeted by cyber terrorists because we are an Israeli company. If we experience an actual or perceived breach of our network or privileged account security in our internal systems, it could adversely affect the market perception of our products and services. In addition, we may need to devote more resources to address security vulnerabilities in our solution, and the cost of addressing these vulnerabilities could reduce our operating margins. If we do not address security vulnerabilities or otherwise provide adequate security features in our products, certain customers, particularly government customers, may delay or stop purchasing our products. Further, a security breach could impair our ability to operate our business, including our ability to provide maintenance and support services to our customers. If this happens, our revenues could decline and our business could suffer.

If we do not effectively expand, train and retain our sales force, we may be unable to acquire new customers or sell additional products and services to existing customers, and our business will suffer.

We depend significantly on our sales force to attract new customers and expand sales to existing customers. We generate approximately 50% of our revenues from direct sales. As a result, our ability to grow our revenues depends in part on our success in recruiting, training and retaining sufficient numbers of sales personnel to support our growth, particularly in the United States. The number of our sales and marketing personnel increased from 135 as of December 31, 2013 to 231 as of March 31, 2015. We expect to continue to expand our sales and marketing personnel significantly and face a number of challenges in achieving our hiring and integration goals. There is intense competition for individuals with sales training and experience. In addition, the training and integration of a large number of sales and marketing personnel in a short time requires the allocation of significant internal resources. We invest significant time and resources in training new sales force personnel to understand our solutions and growth strategy. Based on our past experience, it takes an average of approximately six to nine months before a new sales force member operates at target performance levels. However, we may be unable to achieve or maintain our target performance levels with large numbers of new sales personnel as quickly as we have done in the past. Our failure to hire a sufficient number of qualified sales force members and train them to operate at target performance levels may materially and adversely impact our projected growth rate.

We rely on channel partners, including systems integrators, distributors and value-added resellers, to generate a significant portion of our revenue. If we fail to maintain successful relationships with our channel partners, or if our channel partners fail to perform, our ability to market, sell and distribute our solution will be limited, and our business, financial position and results of operations will be harmed.

In addition to our direct sales force, we rely on our channel partners to sell and support our solution, particularly in Europe and the Asia Pacific region. We expect that sales through our channel partners will continue to account for a significant percentage of our revenue. We generate approximately 50% of our revenues from sales to channel partners and we expect that channel partners will represent a substantial portion of our

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revenues for the foreseeable future. Our agreements with channel partners are non-exclusive, meaning our partners may offer customers IT security products from other companies, including products that compete with our solution. If our channel partners do not effectively market and sell our solution, or choose to use greater efforts to market and sell their own products and services or the products and services of our competitors, our ability to grow our business will be adversely affected. Our channel partners may cease or deemphasize the marketing of our solution with limited or no notice and with little or no penalty. Further, new channel partners require training and may take several months or more to achieve productivity. The loss of a substantial number of our channel partners, the inability to replace them or the failure to recruit additional channel partners could materially and adversely affect our results of operations. Our reliance on channel partners could also subject us to lawsuits or reputational harm if, for example, a channel partner misrepresents the functionality of our solution to customers or violates laws or our corporate policies. Our ability to grow revenues in the future will depend in part on our success in maintaining successful relationships with our channel partners and training our channel partners to independently sell and install our solution. If we are unable to maintain our relationship with channel partners or otherwise develop and expand our indirect sales channel, or if our channel partners fail to perform, our business, financial position and results of operations could be adversely affected.

If our products fail to help our customers achieve and maintain compliance with certain government regulations and industry standards, our business and results of operations could be materially and adversely affected.

We generate a substantial portion of our revenues from our products and services because they enable our customers to achieve and maintain compliance with certain government regulations and industry standards, and we expect that will continue for the foreseeable future. Examples of industry standards and government regulations include the Payment Card Industry Data Security Standard (PCI-DSS); the Federal Information Security Management Act (FISMA) and associated National Institute for Standards and Testing (NIST) Network Security Standards; the Sarbanes-Oxley Act of 2002; Title 21 of the U.S. Code of Federal Regulations, which governs food and drugs industries; the North American Electric Reliability Corporation Critical Infrastructure Protection Plan (NERC-CIP); the German Federal Financial Supervisory Authority (BaFin) Minimum Requirements for Risk Management; and the Monetary Authority of Singapore s Technology Risk Management Notices. These industry standards may change with little or no notice, including changes that could make them more or less onerous for businesses. In addition, governments may also adopt new laws or regulations, or make changes to existing laws or regulations, that could impact whether our solution enables our customers to maintain compliance with such laws or regulations. If we are unable to adapt our solution to changing government regulations and industry standards in a timely manner, or if our solution fails to expedite our customers compliance initiatives, our customers may lose confidence in our products and could switch to products offered by our competitors. In addition, if government regulations and industry standards related to IT security are changed in a manner that makes them less onerous, our customers may view compliance as less critical to their businesses, and our customers may be less willing to purchase our products and services. In either case, our sales and financial results would suffer.

Our model for long-term growth depends upon the introduction of new products. If we are unable to develop new products or if these new products are not adopted by customers, our growth will be adversely affected.

Our business depends on the successful development and marketing of new products, including adding complementary offerings to our current products. For example, we introduced our first behavioral analytics product, Privileged Threat Analytics, in December 2013 and continued the expansion of our proactive controls monitoring and management product line with the introduction of SSH Key Manager in November 2014. Development and marketing of new products requires significant up-front research, development and other costs, and the failure of new products we develop to gain market acceptance may result in a failure to achieve future sales and adversely affect our competitive position. There can be no assurance that any of our new or future products will achieve market acceptance or generate revenues at forecasted rates or that the margins generated from their sales will allow us to recoup the costs of our development efforts.

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Failure by us or our channel partners to maintain sufficient levels of customer support could have a material adverse effect on our business, financial condition and results of operations.

Our customers depend in large part on customer support delivered through our channel partners or by us to resolve issues relating to the use of our solution. However, even with our support and that of our channel partners, our customers are ultimately responsible for effectively using our solution and ensuring that their IT staff is properly trained in the use of our products and complementary security products. The failure of our customers to correctly use our solution, or our failure to effectively assist customers in installing our solution and providing effective ongoing support, may result in an increase in the vulnerability of our customers IT systems and sensitive business data. Additionally, if our channel partners do not effectively provide support to the satisfaction of our customers, we may be required to provide support to such customers, which would require us to invest in additional personnel, which requires significant time and resources. We may not be able to keep up with demand, particularly if the sales of our solution exceed our internal forecasts. To the extent that we or our channel partners are unsuccessful in hiring, training and retaining adequate support resources, our ability and the ability of our channel partners to provide adequate and timely support to our customers will be negatively impacted, and our customers satisfaction with our products will be adversely affected. Accordingly, our failure to provide satisfactory maintenance and technical support services could have a material and adverse effect on our business and results of operations.

If we do not successfully anticipate market needs and enhance our existing products or develop new products that meet those needs on a timely basis, we may not be able to compete effectively and our ability to generate revenues will suffer.

Our customers operate in markets characterized by rapidly changing technologies and business plans, which require them to adapt to increasingly complex IT infrastructures that incorporate a variety of hardware, software applications, operating systems and networking protocols. As our customers technologies and business plans grow more complex, we expect them to face new and increasingly sophisticated methods of attack. We face significant challenges in ensuring that our solution effectively identifies and responds to these advanced and evolving attacks without disrupting the performance of our customers IT systems. As a result, we must continually modify and improve our products in response to changes in our customers IT and industrial control infrastructures.

We cannot guarantee that we will be able to anticipate future market needs and opportunities or be able to develop product enhancements or new products to meet such needs or opportunities in a timely manner, if at all. Even if we are able to anticipate, develop and commercially introduce enhancements and new products, there can be no assurance that enhancements or new products will achieve widespread market acceptance.

Our product enhancements or new products could fail to attain sufficient market acceptance for many reasons, including:

- delays in releasing product enhancements or new products;
- failure to accurately predict market demand and to supply products that meet this demand in a timely fashion;

inability to interoperate effectively with the existing or newly introduced technologies, systems or applications of our existing and prospective customers;

inability to protect against new types of attacks or techniques used by cyber attackers or other data thieves;

defects in our products, errors or failures of our solutions to secure privileged accounts;

negative publicity about the performance or effectiveness of our products;

introduction or anticipated introduction of competing products by our competitors;

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- installation, configuration or usage errors by our customers;
- easing or changing of regulatory requirements related to security; and
- reluctance of customers to purchase products incorporating open source software.

If we fail to anticipate market requirements or fail to develop and introduce product enhancements or new products to meet those needs in a timely manner, it could cause us to lose existing customers and prevent us from gaining new customers, which would significantly harm our business, financial condition and results of operations.

If our products do not effectively interoperate with our customers existing or future IT infrastructures, installations could be delayed or cancelled, which would harm our business.

Our products must effectively interoperate with our customers existing or future IT infrastructures, which often have different specifications, utilize multiple protocol standards, deploy products from multiple vendors and contain multiple generations of products that have been added over time. If we find errors in the existing software or defects in the hardware used in our customers infrastructure or problematic network configurations or settings, we may have to modify our software so that our products will interoperate with our customers infrastructure and business processes. In addition, to stay competitive within certain markets, we may be required to make software modifications in future releases to comply with new statutory or regulatory requirements. These issues could result in longer sales cycles for our products and order cancellations, either of which would adversely affect our business, results of operations and financial condition.

Our research and development efforts may not produce successful products or enhancements to our solution that result in significant revenue or other benefits in the near future, if at all.

We expect to continue to dedicate significant financial and other resources to our research and development efforts in order to maintain our competitive position. For example, in 2014, we increased our dedicated research and development personnel by 25% compared to 2013. However, investing in research and development personnel, developing new products and enhancing existing products is expensive and time consuming, and there is no assurance that such activities will result in significant new marketable products or enhancements to our products, design improvements, cost savings, revenues or other expected benefits. If we spend significant time and effort on research and development and are unable to generate an adequate return on our investment, our business and results of operations may be materially and adversely affected.

We are subject to a number of risks associated with global sales and operations.

Business practices in the global markets that we serve may differ from those in the United States and may require us to include non-standard terms in customer contracts, such as extended payment or warranty terms. To the extent that we enter into customer contracts that include non-standard terms related to payment, warranties, or performance obligations, our results of operations may be adversely impacted.

Additionally, our global sales and operations are subject to a number of risks, including the following:

- greater difficulty in enforcing contracts and managing collections, as well as longer collection periods;

higher costs of doing business globally, including costs incurred in maintaining office space, securing adequate staffing and localizing our contracts;

fluctuations in exchange rates between the U.S. dollar and foreign currencies in markets where we do business (See We are exposed to fluctuations in currency exchange rates, which could negatively affect our financial condition and results of operations);

management communication and integration problems resulting from cultural and geographic dispersion;

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- risks associated with trade restrictions and foreign legal requirements, including any importation, certification, and localization of our platform that may be required in foreign countries;

- greater risk of unexpected changes in regulatory practices, tariffs, and tax laws and treaties;

- compliance with anti-bribery laws, including, without limitation, compliance with the U.S. Foreign Corrupt Practices Act and the UK Anti-Bribery Act;

- heightened risk of unfair or corrupt business practices in certain geographies and of improper or fraudulent sales arrangements that may impact financial results and result in restatements of, or irregularities in, financial statements;

- reduced or uncertain protection of intellectual property rights in some countries;

- social, economic and political instability, terrorist attacks and security concerns in general; and

- potentially adverse tax consequences.

These and other factors could harm our ability to generate future global revenues and, consequently, materially impact our business, results of operations and financial condition.

If we are unable to adequately protect our proprietary technology and intellectual property rights, our business could suffer substantial harm.

The success of our business depends on our ability to protect our proprietary technology, brands and other intellectual property and to enforce our rights in that intellectual property. We attempt to protect our intellectual property under patent, trademark, copyright and trade secret laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection.

As of March 31, 2015, we had two issued patents in the United States and 15 pending U.S. patent applications. We also had one provisional patent application in the United States. We also had two patents issued and 17 applications pending for examination in non-U.S. jurisdictions, all of which are counterparts of our U.S. patent applications. We may file additional patent applications in the future. The process of obtaining patent protection is expensive and time-consuming, and we may not be able to prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner all the way through to the successful issuance of a patent. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions. Furthermore, it is possible that our patent applications may not issue as granted patents, that the scope of our issued patents will be insufficient or not have the coverage originally sought, that our issued patents will not provide us with any competitive advantages, and that our patents and other intellectual property rights may be challenged by others or invalidated through administrative processes or litigation. In addition, issuance of a patent does not guarantee that we have an absolute right to practice the patented invention. Our policy is to require our employees (and our consultants and service providers that develop intellectual property included in our products) to execute written agreements in which they assign to us their rights in potential inventions and other intellectual property created within the scope of their employment (or, with respect to consultants and service providers, their engagement to develop such intellectual property), but we cannot assure you that we have adequately protected our rights in every such agreement or that we have executed an agreement with every such party. Finally, in order to benefit from the protection of patents and other intellectual property rights, we must monitor and detect infringement and pursue infringement claims in certain circumstances in relevant jurisdictions, all of which are costly and time-consuming. As a result, we may not be able to obtain adequate protection or to effectively enforce our issued patents or other intellectual property rights.

In addition to patents, we rely on trade secret rights, copyrights and other rights to protect our unpatented proprietary intellectual property and technology. Despite our efforts to protect our proprietary technologies and our intellectual property rights, unauthorized parties, including our employees, consultants, service providers or customers, may attempt to copy aspects of our products or obtain and use our trade secrets or other confidential information. We generally enter into confidentiality agreements with our employees, consultants, service providers, vendors, channel partners and customers, and generally limit access to and distribution of our proprietary information and proprietary technology through certain procedural safeguards. These agreements may not effectively prevent unauthorized use or disclosure of our intellectual property or technology and may not provide an adequate remedy in the event of unauthorized use or disclosure of our intellectual property or technology. We cannot assure you that the steps taken by us will prevent misappropriation of our intellectual property or technology or infringement of our intellectual property rights. In addition, the laws of some foreign countries where we sell our products do not protect intellectual property rights and technology to the same extent as the laws of the United States, and these countries may not enforce these laws as diligently as government agencies and private parties in the United States. Based on the 2013 report on intellectual property rights protection and enforcement published by the Office of the United States Trade Representative, such countries included Ukraine (designated a priority foreign country) and Chile, China, India, Indonesia, Russia and Thailand (designated as priority watch list countries). If we are unable to protect our intellectual property, we may find ourselves at a competitive disadvantage to others who need not incur the additional expense, time and effort required to create the innovative products that have enabled us to be successful to date.

Intellectual property claims may increase our costs or require us to cease selling certain products, which could adversely affect our financial condition and results of operations.

The IT security industry is characterized by the existence of a large number of relevant patents and frequent claims and related litigation regarding patent and other intellectual property rights. In particular, leading companies in the IT security industry have extensive patent portfolios. From time to time, third-parties have asserted and may assert their patent, copyright, trademark and other intellectual property rights against us, our channel partners or our customers. Furthermore, we may be subject to indemnification obligations with respect to third-party intellectual property rights pursuant to our agreements with our channel partners or customers. Such indemnification provisions are customary for our industry. Successful claims of infringement or misappropriation by a third-party against us or a third-party that we indemnify could prevent us from distributing certain products or performing certain services or could require us to pay substantial damages (including, for example, treble damages if we are found to have willfully infringed patents and increased statutory damages if we are found to have willfully infringed copyrights), royalties or other fees. Such claims also could require us to cease making, licensing or using solutions that are alleged to infringe or misappropriate the intellectual property of others, to expend additional development resources to attempt to redesign our products or services or otherwise to develop non-infringing technology, to enter into potentially unfavorable royalty or license agreements in order to obtain the right to use necessary technologies or intellectual property rights, and to indemnify our partners and other third parties, including our customers and channel partners whom we typically indemnify against such claims. Even if third parties may offer a license to their technology, the terms of any offered license may not be acceptable, and the failure to obtain a license or the costs associated with any license could cause our business, results of operations or financial condition to be materially and adversely affected. Defending against claims of infringement or being deemed to be infringing the intellectual property rights of others could impair our ability to innovate, develop, distribute and sell our current and planned products and services. If we are unable to ensure that we are not violating the intellectual property rights of others, our financial position may be adversely affected.

Prolonged economic uncertainties or downturns could materially adversely affect our business.

Our business depends on our current and prospective customers ability and willingness to invest money in IT security, which in turn is dependent upon their overall economic health. Negative economic conditions in the global economy, including conditions resulting from financial and credit market fluctuations, could cause a decrease in corporate spending on information security software. We generated 32.2% and 37.5% of our revenues from Europe, the Middle East and Africa in the year ended December 31, 2014 and the three months ended March 31, 2015, respectively. Continuing economic challenges throughout Europe and other parts of the world may cause our customers in those locations to reevaluate decisions to purchase our solution or to delay their purchasing decisions, which could adversely impact our results of operations due to the importance of that region to us.

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In addition, a significant portion of our revenues is generated from customers in the financial services industry, including banking and insurance. Negative economic conditions may cause customers generally and in that industry in particular to reduce their IT spending. Customers may delay or cancel IT projects, choose to focus on in-house development efforts or seek to lower their costs by renegotiating maintenance and support agreements. To the extent purchases of licenses for our software are perceived by customers and potential customers to be discretionary, our revenues may be disproportionately affected by delays or reductions in general IT spending. If the economic conditions of the general economy or industries in which we operate worsen from present levels, our results of operation could be adversely affected.

If we are unable to hire, retain and motivate qualified personnel, our business will suffer.

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. Our inability to attract or retain qualified personnel or delays in hiring required personnel, particularly in sales and engineering, may seriously harm our business, financial condition and results of operations. Any of our employees may terminate their employment at any time. Additionally, two of our U.S. executive officers have not signed non-compete agreements with us. Competition for highly skilled personnel is frequently intense, especially in Israel, where we are headquartered. Further, a number of our employees are substantially vested in significant share option plans, and their ability to exercise those options and sell their shares in a public market may result in a larger than normal turn-over rate. Additionally, we may struggle to retain employees because our profile, which has been raised by our recent initial public offering, may attract competitors who may then actively seek to hire skilled personnel away from us. In addition, to the extent we hire personnel from competitors, we may be subject to allegations that they have been improperly solicited or divulged proprietary or other confidential information.

We rely significantly on revenues from maintenance and support contracts, which we recognize ratably over the term of the associated contract and, to a lesser extent, from professional services contracts, which we recognize as services are delivered, and downturns in sales of these contracts are not immediately reflected in full in our quarterly operating results.

Maintenance and support and professional services revenues accounted for 40.5% and 39.3% of our total revenues in the year ended December 31, 2014 and the three months ended March 31, 2015, respectively. Sales of maintenance and support and professional services may decline or fluctuate as a result of a number of factors, including the number of product licenses we sell, our customers   level of satisfaction with our products and services, the prices of our products and services, the prices of products and services offered by our competitors or reductions in our customers spending levels. If our sales of maintenance and support and professional services contracts decline, our revenues or revenue growth may decline and our business will suffer. We recognize revenues from maintenance and support contracts ratably on a straight-line basis over the term of the related contract which is typically one year and, to a lesser extent, three years, and from professional services as services are performed. As a result, a meaningful portion of the revenues we report each quarter results from the recognition of deferred revenues from maintenance and support and professional services contracts entered into during previous quarters. Consequently, a decline in the number or size of such contracts in any one quarter will not be fully reflected in revenues in that quarter, but will negatively affect our revenues in future quarters. Accordingly, the effect of significant downturns in maintenance and support and professional services contracts would not be reflected in full in our results of operations until future periods.

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

Our functional and reporting currency is the U.S. dollar and we generate a majority of our revenues in U.S. dollars. In 2014, the majority of our revenues were denominated in U.S. dollars and the remainder primarily in euros and British pounds sterling. In 2014, the substantial majority of our cost of revenues and operating expenses were denominated in U.S. dollars and New Israeli Shekels (NIS), and the remainder primarily in euros and British pounds sterling. Our foreign currency-denominated expenses consist primarily of personnel, rent and other overhead costs. Since a significant portion of our expenses is incurred in NIS and is substantially greater than our revenues in NIS, any appreciation of the NIS relative to the U.S. dollar would adversely impact our net loss or net income, as relevant. In addition, since the portion of our revenues generated in euros is significantly greater than our expenses incurred in euros, any depreciation of the euro relative to the U.S. dollar would adversely impact our net loss or net income, as applicable. We currently have less exposure to fluctuations in the exchange rate of the British pound sterling because our revenues and expenses in that currency have an offsetting effect. We estimate that a 10% strengthening or weakening in the value of the NIS against the U.S. dollar would have decreased or increased, respectively, our net income by approximately $2.0 million in 2014. We estimate that a 10% strengthening or weakening in the value of the euro against the U.S. dollar would have increased or decreased, respectively, our net income by approximately $0.7 million in 2014. These estimates of the impact of fluctuations in currency exchange rates on our historic results of operations may be different from the impact of fluctuations in exchange rates on our future results of operations since the mix of currencies comprising our revenues and expenses may change. We evaluate periodically the various currencies to which we are exposed and take hedging measures to reduce the potential adverse impact from the appreciation or the depreciation of our non U.S. dollar-denominated operations, as appropriate. We expect that the majority of our revenues will continue to be generated in U.S. dollars with the balance in euros and British pounds sterling for the foreseeable future and that a significant portion of our expenses will continue to be denominated in NIS, British pounds sterling and in euros. We cannot provide any assurances that our hedging activities will be successful in protecting us from adverse impacts from currency exchange rate fluctuations. See Management s Discussion and Analysis of Financial Condition and Results of Operations Quantitative and Qualitative Disclosure About Market Risk Foreign Currency Risk.

A portion of our revenues is generated by sales to government entities, which are subject to a number of challenges and risks.

A portion of our revenues is generated by sales to U.S. and foreign federal, state and local governmental agency customers, and we may in the future increase sales to government entities. Sales to government entities are subject to a number of risks. Selling to government entities can be highly competitive, expensive and time consuming, often requiring significant upfront time and expense without any assurance that we will complete a sale. Government demand and payment for our products and services may be impacted by public sector budgetary cycles and funding authorizations, with funding reductions or delays adversely affecting public sector demand for our products. Finally, for purchases by the U.S. government, the government may require certain products to be manufactured in the United States and other high cost manufacturing locations, and we may not manufacture all products in locations that meet the requirements of the U.S. government.

We may acquire other businesses, which could require significant management attention, disrupt our business, dilute shareholder value, and adversely affect our results of operations.

As part of our business strategy and in order to remain competitive, we are evaluating acquiring or making investments in complementary companies, products or technologies. However, we have not made any acquisitions to date, and as a result, our ability as an organization to acquire and integrate other companies, products or technologies in a successful manner is unproven. We may not be able to find suitable acquisition candidates, and we may not be able to complete such acquisitions on favorable terms, if at all. If we do complete acquisitions, we may not ultimately strengthen our competitive position or achieve our goals, and any acquisitions we complete could be viewed negatively by our customers, analysts and investors. In addition, if we are unsuccessful at integrating such acquisitions or the technologies associated with such acquisitions, our revenues and results of operations could be adversely affected. Any integration process may require significant time and resources, and we may not be able to manage the process successfully. We may not successfully evaluate or utilize the acquired technology or personnel, or accurately forecast the financial impact of an acquisition transaction, including accounting charges. We may have to pay cash, incur debt or issue equity securities to pay for any such acquisition, each of which could adversely affect our financial condition or the value of our ordinary shares. The sale of equity or issuance of debt to finance any such acquisitions could result in dilution to our shareholders. The incurrence of indebtedness would result in increased fixed obligations and could also include covenants or other restrictions that would impede our ability to manage our operations.

We are subject to governmental export and import controls that could subject us to liability in the event of non-compliance or impair our ability to compete in international markets.

We incorporate encryption capabilities into certain products and these products are subject to U.S. export control requirements. We are also subject to Israeli export controls on encryption technology since our product development initiatives are primarily conducted in Israel. If the applicable U.S. or Israeli requirements regarding the export of encryption technology were to change or if we change the encryption means in our products, we may need to satisfy additional requirements in the United States or Israel. There can be no assurance that we will be able to satisfy any additional requirements under these circumstances in either the United States or Israel. Furthermore, various other countries regulate the import of certain encryption products and technology, including import permitting and licensing requirements, and have enacted laws that could limit our ability to distribute our products or could limit our customers ability to implement our products in those countries.

We are also subject to U.S. and Israeli export control and economic sanctions laws, which prohibit the shipment of certain products to embargoed or sanctioned countries, governments and persons. Our products could be exported to these sanctioned targets by our channel partners despite the contractual undertakings they have given us and any such export could have negative consequences, including government investigations, penalties and reputational harm. Any change in export or import regulations, economic sanctions or related legislation, shift in the enforcement or scope of existing regulations, or change in the countries, governments, persons or technologies targeted by such regulations, could result in decreased use of our products by, or in our decreased ability to export or sell our products to, existing or potential customers with international operations. Any decreased use of our products or limitation on our ability to export or sell our products would likely adversely affect our business, financial condition and results of operations.

In addition, in the future we may be subject to defense-related export controls. For example, currently our solution is not subject to supervision under the Israeli Defense Export Control Law, 5767-2007, but if it was used for purposes that are classified as defense-related or if it falls under dual-use goods and technology as referred to below, we could become subject to such regulation. In particular, under the Israeli Defense Export Control Law, 5767-2007, an Israeli company may not conduct defense marketing activity without a defense marketing license from the Israeli Ministry of Defense (MOD) and may be subject to a requirement to obtain a specific license from the MOD for any export of defense related products and/or knowhow. The definition of defense marketing activity is broad and includes any marketing of defense equipment, defense knowhow or defense services outside of Israel, which includes dual-use goods and technology, (material and equipment intended in principle for civilian use and that can also be used for defensive purposes, such as our cybersecurity solutions) that is specified in the list of Goods and Dual-Use Technology annexed to the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies, if intended for defense use only, or is specified under Israeli legislation. Dual-use goods and technology will be subject to control by the Ministry of Economy if intended for civilian use only. In December 2013, regulations under the Wassenaar Arrangement included for the first time a chapter on cyber-related matters. We believe that our products do not fall under this chapter; however, in the future we may become subject to this regulation or similar regulations, which would limit our sales and marketing activities and could therefore have an adverse effect on our results of operations. Similar issues could arise under the U.S. defense/military export controls under the Arms Export Control Act and the International Traffic in Arms Regulations.

Our use of third-party software and other intellectual property may expose us to risks.

Some of our products and services include software or other intellectual property licensed from third parties, and we otherwise use software and other intellectual property licensed from third parties in our business. This exposes us to risks over which we may have little or no control. For example, a licensor may have difficulties

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keeping up with technological changes or may stop supporting the software or other intellectual property that it licenses to us. There can be no assurance that the licenses we use will be available on acceptable terms, if at all. In addition, a third party may assert that we or our customers are in breach of the terms of a license, which could, among other things, give such third party the right to terminate a license or seek damages from us, or both. Our inability to obtain or maintain certain licenses or other rights or to obtain or maintain such licenses or rights on favorable terms, or the need to engage in litigation regarding these matters, could result in delays in releases of new products, and could otherwise disrupt our business, until equivalent technology can be identified, licensed or developed.

Our use of open source software could negatively affect our ability to sell our software and subject us to possible litigation.

We use open source software and expect to continue to use open source software in the future. Some open source software licenses require users who distribute or make available as a service open source software as part of their own software product to publicly disclose all or part of the source code of the users software product or to make available any derivative works of the open source code on unfavorable terms or at no cost. We may face ownership claims of third parties over, or seeking to enforce the license terms applicable to, such open source software, including by demanding the release of the open source software, derivative works or our proprietary source code that was developed using such software. These claims could also result in litigation, require us to purchase a costly license or require us to devote additional research and development resources to change our software, any of which would have a negative effect on our business and results of operations. In addition, if the license terms for the open source code change, we may be forced to re-engineer our software or incur additional costs.

Risks Related to Our Ordinary Shares and the Offering

Our share price may be volatile, and you may lose all or part of your investment.

Our ordinary shares were first offered publicly in our initial public offering in September 2014, at a price of $16.00 per share, and our ordinary shares have subsequently traded as high as $70.48 per share and as low as $22.12 per share through June 5, 2015. In addition, the market price of our ordinary shares could be highly volatile and may fluctuate substantially as a result of many factors, some of which are beyond our control, including, but not limited to:

- actual or anticipated fluctuations in our results of operations;
- variance in our financial performance from the expectations of market analysts;
- announcements by us or our competitors of significant business developments, changes in service provider relationships, acquisitions or expansion plans;
- changes in the prices of our products and services;
- our involvement in litigation;

our sale of ordinary shares or other securities in the future;

market conditions in our industry;

changes in key personnel;

the trading volume of our ordinary shares;

changes in the estimation of the future size and growth rate of our markets;

any merger and acquisition activities; and

general economic and market conditions.

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In addition, the stock markets have experienced extreme price and volume fluctuations. Broad market and industry factors may materially harm the market price of our ordinary shares, regardless of our operating performance. In the past, following periods of volatility in the market price of a company s securities, securities class action litigation has often been instituted against that company. If we were involved in any similar litigation we could incur substantial costs and our management s attention and resources could be diverted.

If securities or industry analysts cease to publish research or publish inaccurate or unfavorable research reports about our business, our share price and trading volume could decline.

The trading price for our ordinary shares is affected by any research or reports that securities or industry analysts publish about us or our business. If one or more of the analysts who cover us or our business publish inaccurate or unfavorable research about us or our business, and in particular, if they downgrade their evaluations of our ordinary shares, the price of our ordinary shares would likely decline. If one or more of these analysts cease coverage of our company, we could lose visibility in the market for our ordinary shares, which in turn could cause our share price to decline.

A small number of significant beneficial owners of our shares will have a controlling influence over matters requiring shareholder approval, which could delay or prevent a change of control.

The largest beneficial owners of our shares, entities and individuals affiliated with Jerusalem Venture Partners and The Goldman Sachs Group, Inc., as of April 30, 2015, beneficially owned in the aggregate 44.3% of our ordinary shares and, after this offering, will beneficially own an aggregate of 34.1% of our ordinary shares, and, if the underwriters exercise in full their option to purchase additional shares, 32.5% of our ordinary shares. As a result, these shareholders individually could exert significant influence over our operations and business strategy and would have sufficient voting power to effectively control the outcome of matters requiring shareholder approval. These matters may include:

- the composition of our board of directors which has the authority to direct our business and to appoint and remove our officers;
- approving or rejecting a merger, consolidation or other business combination;
- raising future capital; and
- amending our articles of association which govern the rights attached to our ordinary shares.

This concentration of ownership of our ordinary shares could delay or prevent proxy contests, mergers, tender offers, open-market purchase programs or other purchases of our ordinary shares that might otherwise give you the opportunity to realize a premium over the then-prevailing market price of our ordinary shares. This concentration of ownership may also adversely affect our share price.

As a foreign private issuer whose shares are listed on the NASDAQ Stock Market, or NASDAQ, we may follow certain home country corporate governance practices instead of otherwise applicable SEC and NASDAQ requirements, which may result in less protection than is accorded to investors under rules applicable to domestic

U.S. issuers.

As a foreign private issuer whose shares are listed on the NASDAQ Global Select Market, we are permitted to follow certain home country corporate governance practices instead of certain rules of NASDAQ. We currently follow Israeli home country practices solely with regard to the quorum requirement for shareholder meetings. As permitted under the Israeli Companies Law, or Companies Law, our articles of association provide that the quorum for any meeting of shareholders shall be the presence of at least two shareholders present in person, by proxy or by a voting instrument, who hold at least 25% of the voting power of our shares instead of 33 1/3% of our issued share capital. We may in the future elect to follow Israeli home country practices with regard to other matters such as the formation and composition of the nominating and corporate governance committee, separate executive sessions of independent directors and the requirement to obtain shareholder approval for certain dilutive events (such as for the establishment or amendment of certain equity-based compensation plans, issuances that will result in a change of control of the company, certain transactions other than a public offering involving issuances of a 20% or more interest in the company and certain acquisitions of the stock or assets of another company). Accordingly, our shareholders may not be afforded the same protection as provided under NASDAQ corporate governance rules. Following our home country governance practices as opposed to the requirements that would otherwise apply to a United States company listed on NASDAQ may provide less protection than is accorded to investors of domestic issuers. See Management Corporate Governance Practices.

***As a foreign private issuer we are not subject to the provisions of Regulation FD or U.S. proxy rules and are exempt from filing certain Exchange Act reports*.**

As a foreign private issuer, we are exempt from a number of requirements under U.S. securities laws that apply to public companies that are not foreign private issuers. In particular, we are exempt from the rules and regulations under the United States Securities Exchange Act of 1934, as amended, or the Exchange Act, related to the furnishing and content of proxy statements, and our officers, directors and principal shareholders are exempt from the reporting and short-swing profit recovery provisions contained in Section 16 of the Exchange Act. In addition, we are not required under the Exchange Act to file annual and current reports and financial statements with the Securities and Exchange Commission, or SEC, as frequently or as promptly as U.S. domestic companies whose securities are registered under the Exchange Act and we are generally exempt from filing quarterly reports with the SEC under the Exchange Act. We are also exempt from the provisions of Regulation FD, which prohibits issuers from making selective disclosure of material nonpublic information to, among others, broker-dealers and holders of a company s securities under circumstances in which it is reasonably foreseeable that the holder will trade in the company s securities on the basis of the information. Even though we intend to comply voluntarily with Regulation FD, these exemptions and leniencies will reduce the frequency and scope of information and protections to which you are entitled as an investor. For so long as we qualify as a foreign private issuer, we are not required to comply with the proxy rules applicable to U.S. domestic companies, although pursuant to the Companies Law, we disclose the annual compensation of our five most highly compensated office holders (as defined under the Companies Law) on an individual basis, including in this prospectus.

We would lose our foreign private issuer status if a majority of our directors or executive officers are U.S. citizens or residents and we fail to meet additional requirements necessary to avoid loss of foreign private issuer status. Although we have elected to comply with certain U.S. regulatory provisions, our loss of foreign private issuer status would make such provisions mandatory. The regulatory and compliance costs to us under U.S. securities laws as a U.S. domestic issuer may be significantly higher. If we are not a foreign private issuer, we will be required to file periodic reports and registration statements on U.S. domestic issuer forms with the SEC, which are more detailed and extensive than the forms available to a foreign private issuer. We would also be required to follow U.S. proxy disclosure requirements, including the requirement to disclose more detailed information about the compensation of our senior executive officers on an individual basis. We may also be required to modify certain of our policies to comply with good governance practices associated with U.S. domestic issuers. Such conversion and modifications will involve additional costs. In addition, we would lose our ability to rely upon exemptions from certain corporate governance requirements on U.S. stock exchanges that are available to foreign private issuers.

The market price of our ordinary shares could be negatively affected by future sales of our ordinary shares.

If our existing shareholders, particularly our largest shareholders, our directors, their affiliates, or our executive officers, sell a substantial number of our ordinary shares in the public market, the market price of our ordinary shares could decrease significantly. The perception in the public market that these shareholders might sell our ordinary shares could also depress the market price of our ordinary shares and could impair our future ability to obtain capital, especially through an offering of equity securities.

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The selling shareholders in this offering and The Goldman Sachs Group, Inc. have entered into lock-up agreements with the underwriters of this offering that restrict their ability to transfer our shares until 75 days after the date of this prospectus. In addition, Bridge Street 2011, L.P., MBD 2011 Holdings, L.P. and Bridge Street 2011 Offshore, L.P., each of which is affiliated with Goldman, Sachs & Co., have entered into lock-up agreements that restrict their ability to transfer our shares until 30 days after the date of the prospectus. We understand that these three entities intend to distribute all of the shares owned by them to current and former employees of Goldman, Sachs & Co. who own interests in those entities following the termination of such lock-up agreements. As a result, (i) commencing on , 2015, 30 days after the date of the final prospectus related to this offering, 940,120 shares will become available for sale (and, if distributed as described above, would be freely tradable by non-affiliate recipients who are expected to constitute substantially all of the distributees) and (ii) commencing on , 2015, 75 days after the final prospectus related to this offering, approximately 12.3 million shares will become available for sale (substantially all of which are expected to be subject to volume, manner of sale and other limitations).

Following this offering, the holders of approximately 11.1 million of our ordinary shares will be entitled to require that we register their shares under the Securities Act for resale into the public markets subject to any lock-up agreement that such holders have signed in connection with this offering. All shares sold pursuant to an offering covered by such registration statement will be freely transferable. See Certain Relationships and Related Party Transactions Registration Rights. Sales by us or our shareholders of a substantial number of ordinary shares in the public market, or the perception that these sales might occur, could cause the market price of our ordinary shares to decline or could impair our ability to raise capital through a future sale of, or pay for acquisitions using, our equity securities.

Further, 5,144,755 ordinary shares are reserved for issuance under our equity incentive plans as of March 31, 2015. Shares issuable under our equity incentive plans have been registered on a Form S-8 registration statement and may be freely sold in the public market upon issuance, except for shares held by affiliates who have certain restrictions on their ability to sell.

Our U.S. shareholders may suffer adverse tax consequences if we are classified as a passive foreign investment company.

Generally, if for any taxable year 75% or more of our gross income is passive income, or at least 50% of the average quarterly value of our assets (which may be determined in part by the market value of our ordinary shares, which is subject to change) are held for the production of, or produce, passive income, we would be characterized as a passive foreign investment company, or PFIC, for U.S. federal income tax purposes. Our status as a PFIC may also depend on how quickly we use the cash proceeds from this offering in our business. Based on certain estimates of our gross income and gross assets, our receipt of the net proceeds of this offering, and the nature of our business, we do not expect that we will be classified as a PFIC for the taxable year ending December 31, 2015. There can be no assurance that we will not be considered a PFIC for any taxable year. If we are characterized as a PFIC, our U.S. shareholders may suffer adverse tax consequences, including having gains realized on the sale of our ordinary shares treated as ordinary income, rather than as capital gain, the loss of the preferential rate applicable to dividends received on our ordinary shares by individuals who are U.S. Holders (as defined in U.S. and Israeli Tax Consequences for our Shareholders United States Federal Income Tax Consequences), and having interest charges apply to distributions by us and the proceeds of share sales. Certain elections exist that may alleviate some of the adverse consequences of PFIC status and would result in an alternative treatment (such as mark-to-market treatment) of our ordinary shares as described in further detail under U.S. and Israeli Tax Consequences for our Shareholders United States Federal Income Tax Consequences Passive Foreign Investment Company Considerations.

We have broad discretion over the use of proceeds we received in our initial public offering and will receive in this offering and may not apply the proceeds in ways that increase the value of your investment.

Our management has broad discretion in the application of the net proceeds from our initial public offering and this offering, the majority of which has not yet been spent, and, as a result, you must rely upon the judgment of our management with respect to the use of these proceeds. Our management may spend a portion or all of the net proceeds in ways that not all shareholders approve of or that may not yield a favorable return. The failure by our management to apply these funds effectively could harm our business. See Use of Proceeds.

Under Section 404 of the Sarbanes-Oxley Act and, as an emerging growth company, we are currently not required to obtain an auditor attestation regarding our internal control over financial reporting and we have therefore not yet determined whether our existing internal controls over financial reporting are effective.

We will not be required to comply with the internal control, evaluation and certification requirements of Section 404 of the Sarbanes-Oxley Act until we file our Annual Report on Form 20-F for the year ending December 31, 2015. However, because we expect to lose our status as an emerging growth company under the JOBS Act based on our current share price and beneficial ownership, we anticipate that we will be required to obtain an auditor attestation under Section 404 of the Sarbanes-Oxley Act in such Annual Report. We have recently commenced the process of determining whether our existing internal controls over financial reporting systems are compliant with Section 404.

The process of evaluating our internal control over financial reporting will require an investment of substantial time and resources, including by our Chief Financial Officer and other members of our senior management. As a result, this process may divert internal resources and take a significant amount of time and effort to complete. In addition, we cannot predict the outcome of this determination and whether we will need to implement remedial actions in order to implement effective control over financial reporting. The determination and any remedial actions required could result in us incurring additional costs that we did not anticipate. Irrespective of compliance with Section 404, any failure of our internal controls could have a material adverse effect on our stated results of operations and harm our reputation. As a result, we may experience higher than anticipated operating expenses, as well as higher independent auditor fees during and after the implementation of these changes. If we are unable to implement any of the required changes to our internal control over financial reporting effectively or efficiently or are required to do so earlier than anticipated, it could adversely affect our operations, financial reporting and/or results of operations and could result in an adverse opinion on internal controls from our independent auditors.

Risks Relating to Our Incorporation and Location in Israel

Our headquarters, research and development activities and other significant operations are located in Israel and, therefore, our results may be adversely affected by political, economic and military instability in Israel.

Our headquarters and principal research and development facilities are located in Israel. In addition, the majority of our key employees, officers and directors are residents of Israel. Accordingly, political, economic and military conditions in Israel may directly affect our business. Since the establishment of the State of Israel in 1948, a number of armed conflicts have taken place between Israel and its neighboring countries. In recent years, these have included hostilities between Israel and Hezbollah in Lebanon and Hamas in the Gaza strip, both of which resulted in rockets being fired into Israel causing casualties and disruption of economic activities. In addition, Israel faces threats from more distant neighbors, in particular, Iran. Our commercial insurance does not cover losses that may occur as a result of an event associated with the security situation in the Middle East. Although the Israeli government is currently committed to covering the reinstatement value of direct damages that are caused by terrorist attacks or acts of war, we cannot assure you that this government coverage will be maintained, or if maintained, will be sufficient to compensate us fully for damages incurred. Any losses or damages incurred by us could have a material adverse effect on our business. Any armed conflict involving Israel could adversely affect our operations and results of operations.

Further, our operations could be disrupted by the obligations of personnel to perform military service. As of March 31, 2015, we had 202 employees based in Israel, certain of which may be called upon to perform up to 54 days in each three year period (and in the case of non-officer commanders or officers, up to 70 or 84 days, respectively, in each three year period) of military reserve duty until they reach the age of 40 (and in some cases, depending on their specific military profession up to 45 or even 49 years of age) and, in certain emergency circumstances, may be called to immediate and unlimited active duty. Our operations could be disrupted by the absence of a significant number of employees related to military service, which could materially adversely affect our business and results of operations.

Several countries, principally in the Middle East, restrict doing business with Israel and Israeli companies, and additional countries may impose restrictions on doing business with Israel and Israeli companies whether as a result of hostilities in the region or otherwise. In addition, there have been increased efforts by activists to cause companies and consumers to boycott Israeli goods based on Israeli government policies. Such actions, particularly if they become more widespread, may adversely impact our ability to sell our products.

The tax benefits that are available to us require us to continue to meet various conditions and may be terminated or reduced in the future, which could increase our costs and taxes.

We were granted Approved Enterprise status under the Israeli Law for the Encouragement of Capital Investments, 1959, referred to as the Investment Law. We had elected the alternative benefits program, pursuant to which income derived from the Approved Enterprise program is tax-exempt for two years and enjoys a reduced tax rate of 10% to 25% for up to a total of eight years, subject to an adjustment based upon the foreign investors ownership. We were also eligible for certain tax benefits provided to Benefited Enterprises under the Investment Law. In March 2013, we notified the Israel Tax Authority that we apply the new tax regime under the Investment Law instead of our Approved Enterprise and Benefited Enterprise. We are eligible for certain tax benefits provided to Preferred Enterprises under the Investment Law. If we do not meet the conditions stipulated in the Investment Law, any tax benefits may be canceled and we may be required to refund the amount of the benefits, in whole or in part, including interest and CPI linkage. Further, in the future these tax benefits may be reduced or discontinued. If these tax benefits are reduced, cancelled or discontinued, our Israeli taxable income would be subject to regular Israeli corporate tax rates. The standard corporate tax rate for Israeli companies in 2013 was 25.0% and was increased to 26.5% for 2014 and thereafter. Additionally, if we increase our activities outside of Israel through acquisitions, for example, our expanded activities might not be eligible for inclusion in future Israeli tax benefit programs. See Taxation and Israeli Government Programs Applicable to our Company Law for the Encouragement of Capital Investments, 5719-1959.

We may be required to pay monetary remuneration to employees who invented inventions during and as a consequence of their employment, even if the proprietary rights to such inventions have been assigned to us.

We enter into assignment-of-invention agreements with our employees pursuant to which such individuals agree to assign to us all rights to any inventions created in the scope of their employment or engagement with us. A significant portion of our intellectual property has been developed by our employees during the course of their employment by us. Under the Israeli Patent Law, 5727-1967, or the Patent Law, inventions conceived by an employee during the scope of his or her employment with a company are regarded as service inventions, which belong to the employer, absent a specific agreement between the employee and employer giving the employee service invention rights. The Patent Law also provides that if there is no such agreement between an employer and an employee, the Israeli Compensation and Royalties Committee, or the Committee, a body constituted under the Patent Law, shall determine whether the employee is entitled to remuneration for his or her inventions. Recent decisions by the Committee (which have been upheld by the Israeli Supreme Court on appeal) have created uncertainty in this area, as it held that employees may be entitled to remuneration for their service inventions despite having specifically waived any such rights. However, a recent decision by the Committee held that such right can be waived by the employee. The Committee further held that an explicit reference to the waived right is not necessary in every circumstance in order for the employee s waiver of such right to be valid. Such waiver can be formalized in writing or orally or be implied by the actions of the parties in accordance with the rules of interpretation of Israeli contract law. Although our employees have agreed to assign to us service invention rights, we may face claims demanding remuneration in consideration for assigned inventions. As a consequence of such claims, we could be required to pay additional remuneration or royalties to our current and/or former employees, or be forced to litigate such claims, which could negatively affect our business.

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Provisions of Israeli law and our articles of association may delay, prevent or otherwise impede a merger with or an acquisition of us, even when the terms of such a transaction are favorable to us and our shareholders.

Israeli corporate law regulates mergers, requires tender offers for acquisitions of shares above specified thresholds, requires special approvals for transactions involving directors, officers or significant shareholders and regulates other matters that may be relevant to such types of transactions. For example, a tender offer for all of a company s issued and outstanding shares can only be completed if the acquirer receives positive responses from the holders of at least 95% of the issued share capital. Completion of the tender offer also requires approval of a majority of the offerees that do not have a personal interest in the tender offer, unless at least 98% of the company s outstanding shares are tendered. Furthermore, the shareholders, including those who indicated their acceptance of the tender offer (unless the acquirer stipulated in its tender offer that a shareholder that accepts the offer may not seek appraisal rights), may, at any time within six months following the completion of the tender

offer, petition an Israeli court to alter the consideration for the acquisition. See Description of Share Capital Acquisitions under Israeli Law for additional information.

Our articles of association provide that our directors (other than external directors) are elected on a staggered basis, such that a potential acquirer cannot readily replace our entire board of directors at a single annual general shareholder meeting.

Furthermore, Israeli tax considerations may make potential transactions unappealing to us or to our shareholders whose country of residence does not have a tax treaty with Israel exempting such shareholders from Israeli tax. For example, Israeli tax law does not recognize tax-free share exchanges to the same extent as U.S. tax law. With respect to mergers involving an exchange of shares, Israeli tax law allows for tax deferral in certain circumstances but makes the deferral contingent on the fulfillment of a number of conditions, including, in some cases, a holding period of two years from the date of the transaction during which sales and dispositions of shares of the participating companies are subject to certain restrictions. Moreover, with respect to certain share swap transactions, the tax deferral is limited in time, and when such time expires, the tax becomes payable even if no disposition of the shares has occurred.

It may be difficult to enforce a judgment of a U.S. court against us, our officers and directors or the Israeli auditors named in this prospectus in Israel or the United States, to assert U.S. securities laws claims in Israel or to serve process on our officers and directors and these auditors.

We are incorporated in Israel. The majority of our directors and executive officers, and the Israeli auditors listed in this prospectus reside outside of the United States, and most of our assets and most of the assets of these persons are located outside of the United States. Therefore, a judgment obtained against us, or any of these persons, including a judgment based on the civil liability provisions of the U.S. federal securities laws, may not be collectible in the United States and may not be enforced by an Israeli court. It also may be difficult for you to effect service of process on these persons in the United States or to assert U.S. securities law claims in original actions instituted in Israel. Israeli courts may refuse to hear a claim based on an alleged violation of U.S. securities laws reasoning that Israel is not the most appropriate forum in which to bring such a claim. In addition, even if an Israeli court agrees to hear a claim, it may determine that Israeli law and not U.S. law is applicable to the claim. If U.S. law is found to be applicable, the content of applicable U.S. law must be proven as a fact by expert witnesses, which can be a time consuming and costly process. Certain matters of procedure will also be governed by Israeli law. There is little binding case law in Israel that addresses the matters described above. As a result of the difficulty associated with enforcing a judgment against us in Israel, you may not be able to collect any damages awarded by either a U.S. or foreign court. See Enforceability of Civil Liabilities for additional information on your ability to enforce a civil claim against us and our executive officers or directors named in this prospectus.

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Your rights and responsibilities as a shareholder are, and will continue to be, governed by Israeli law which differs in some material respects from the rights and responsibilities of shareholders of U.S. companies.

The rights and responsibilities of the holders of our ordinary shares are governed by our articles of association and by Israeli law. These rights and responsibilities differ in some material respects from the rights and responsibilities of shareholders in U.S.-based corporations. In particular, a shareholder of an Israeli company has a duty to act in good faith and in a customary manner in exercising its rights and performing its obligations towards the company and other shareholders, and to refrain from abusing its power in the company, including, among other things, in voting at a general meeting of shareholders on matters such as amendments to a company s articles of association, increases in a company s authorized share capital, mergers and acquisitions and related party transactions requiring shareholder approval. In addition, a shareholder who is aware that it possesses the power to determine the outcome of a shareholder vote or to appoint or prevent the appointment of a director or executive officer in the company has a duty of fairness toward the company. There is limited case law available to assist us in understanding the nature of this duty or the implications of these provisions. These provisions may be interpreted to impose additional obligations and liabilities on holders of our ordinary shares that are not typically imposed on shareholders of U.S. corporations.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

We make forward-looking statements in this prospectus that are subject to risks and uncertainties. These forward-looking statements include information about possible or assumed future results of our business, financial condition, results of operations, liquidity, plans and objectives. In some cases, you can identify forward-looking statements by terminology such as believe, may, estimate, continue, anticipate, intend, should, plan, e potential, or the negative of these terms or other similar expressions. The statements we make regarding the following matters are forward-looking by their nature:

- our expectations regarding revenues generated by our hybrid sales model;
- our expectations regarding our operating and net profit margins;
- our expectations regarding significant drivers of our future growth;
- our plans to continue to invest in research and development to develop technology for both existing and new products;
- our plans to invest in sales and marketing efforts and expand our channel partnerships;
- our plans to hire additional new employees;
- our plans to leverage our global footprint in existing industry verticals to further expand our market share;
- our plans to pursue incremental sales by further expanding our customer success team;
- our expectations regarding our tax classifications; and
- our plans to pursue strategic acquisitions.

The preceding list is not intended to be an exhaustive list of all of our forward-looking statements. The forward-looking statements are based on our beliefs, assumptions and expectations of future performance, taking into account the information currently available to us. These statements are only predictions based upon our current expectations and projections about future events. There are important factors that could cause our actual results, levels of activity, performance or achievements to differ materially from the results, levels of activity, performance or achievements expressed or implied by the forward-looking statements. In particular, you should consider the risks provided under Risk Factors in this prospectus.

You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that future results, levels of activity, performance and events and circumstances reflected in the forward-looking statements will be achieved or will occur. Except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this prospectus, to conform these statements to actual results or to changes in our expectations.

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MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate, including our general expectations, market position, market opportunity and market size, is based on information from various sources, including Gartner, Inc. (Gartner), IDC, Mandiant (recently acquired by FireEye, Inc.) and Verizon Communications Inc. (Verizon), on assumptions that we have made that are based on those data and other similar sources and on our knowledge of the markets for our products and services. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. While we believe the market position, market opportunity and market size information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of our future performance and the future performance of the industry in which we operate is necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in Risk Factors and elsewhere in this prospectus. These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

The Gartner Report described herein, (the Gartner Report) represents data, research opinion or viewpoints published, as part of a syndicated subscription service, by Gartner, and are not representations of fact. The Gartner Report speaks as of its original publication date (and not as of the date of this prospectus) and the opinions expressed in the Gartner Report are subject to change without notice. The Gartner Report referenced is Market Guide for Endpoint Detection and Response Solutions, dated May 13, 2014.

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USE OF PROCEEDS

We estimate that the net proceeds to us from this offering will be approximately $56.7 million, based on an assumed public offering price of $66.24 per share, the closing price of our ordinary shares on the NASDAQ Global Select Market on June 5, 2015, after deducting the underwriting discount and estimated offering expenses.

We do not currently have specific plans or commitments with respect to the net proceeds from this offering and, accordingly, are unable to quantify the allocation of such proceeds among the various potential uses. We will have broad discretion in the way that we use the net proceeds of this offering.

We intend to use the net proceeds from this offering for general corporate purposes, including sales and marketing expenditures aimed at growing our business and research and development expenditures focused on product development. Although we have not allocated specific portions of the net proceeds to specific uses, we expect that a significant portion of such expenditures will relate to hiring additional sales and marketing and research and development personnel.

We may also use net proceeds from this offering to make acquisitions or investments in complementary companies or technologies. Consistent with our growth strategy, we are currently engaged in discussions, negotiations and diligence evaluations with respect to possible acquisitions, although we do not have any agreement or understanding with respect to any material acquisition or investment at this time.

We will not receive any of the proceeds from the sale of our ordinary shares by the selling shareholders.

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PRICE RANGE OF OUR ORDINARY SHARES

Our ordinary shares have been listed on NASDAQ under the symbol CYBR since September 24, 2014. The following table sets forth, for the periods indicated, the high and low sales prices of our ordinary shares as reported by the NASDAQ Global Select Market.

	Low	High
Year ending December 31, 2015:		
Second Quarter (through June 5, 2015)	$ 51.16	$ 69.00
First Quarter	33.00	70.48
Year ended December 31, 2014:		
Fourth Quarter	26.66	47.01
Third Quarter (beginning September 24, 2014)	22.12	35.88

The closing sale price of our ordinary shares, as reported by the NASDAQ Global Select Market, on June 5, 2015, was $66.24 per ordinary share.

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DIVIDEND POLICY

We have never declared or paid any cash dividends on our ordinary shares. We do not anticipate paying any cash dividends in the foreseeable future. We currently intend to retain future earnings, if any, to finance operations and expand our business. Our board of directors has sole discretion whether to pay dividends. If our board of directors decides to pay dividends, the form, frequency and amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that our directors may deem relevant. The distribution of dividends may also be limited by Israeli law, which permits the distribution of dividends only out of retained earnings or otherwise upon the permission of an Israeli court.

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CAPITALIZATION

The following table sets forth our cash, cash equivalents and short-term bank deposits, and total capitalization as of March 31, 2015, as follows:

- on an actual basis; and

- on an as adjusted basis to give effect to the issuance and sale of ordinary shares by us in this offering at an assumed public offering price of $66.24 per share, the closing price of our ordinary shares on the NASDAQ Global Select Market on June 5, 2015, after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this information in conjunction with our consolidated financial statements and the related notes appearing at the end of this prospectus and the Management s Discussion and Analysis of Financial Condition and Results of Operations section and other financial information contained in this prospectus.

	As of March 31, 2015	
	Actual	As Adjusted
	(in thousands, except share and per share amounts)	
Cash, cash equivalents and short-term bank deposits	$ 191,668	$ 248,349
Ordinary shares, par value NIS 0.01 per share; 250,000,000 shares authorized and 30,757,908 shares issued and outstanding	80	82
Additional paid-in capital	135,713	193,341
Accumulated other comprehensive loss	(295)	(295)
Retained earnings	24,942	24,371
Total shareholders equity	160,440	217,499
Total capitalization	$ 352,108	$ 465,848

The preceding table excludes, as of March 31, 2015, 5,144,755 ordinary shares reserved for issuance under our equity incentive plans, in respect of which we had outstanding options to purchase 4,338,682 ordinary shares at a weighted average exercise price of $2.93 per share and 43,040 unvested RSUs.

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DILUTION

If you invest in our ordinary shares in this offering, your ownership interest will be immediately diluted to the extent of the difference between the public offering price per share and the pro forma as adjusted net tangible book value per ordinary share after this offering. Our net tangible book value as of March 31, 2015 was $6.56 per ordinary share.

Consolidated net tangible book value per ordinary share was calculated by:

- subtracting our consolidated liabilities, except the deferred revenues balance, from our consolidated tangible assets; and

- dividing the difference by the number of ordinary shares outstanding.

Net tangible book value per ordinary share furthermore reflects the sale of ordinary shares that we are offering at the assumed public offering price of $66.24 per share (the last reported share price on the NASDAQ Global Select Market on June 5, 2015). After giving effect to adjustments relating to this offering, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us, our net tangible book value on an adjusted basis as of March 31, 2015 would have been $258.8 million, equivalent to $8.18 per ordinary share. This amount represents an immediate increase in net tangible book value of $1.62 per ordinary share to our existing shareholders and an immediate decrease in net tangible book value of $58.06 per ordinary share to new investors purchasing ordinary shares in this offering. We determine dilution by subtracting the net tangible book value per share after this offering from the amount of cash that a new investor paid for an ordinary share.

The following table illustrates this dilution:

Assumed public offering price per ordinary share		$ 66.24
Net tangible book value per ordinary share as of March 31, 2015	$ 6.56	
Increase per ordinary share attributable to this offering	1.62	
Net tangible book value per ordinary share immediately after this offering		8.18
Dilution per ordinary share to new investors in this offering		$ 58.06

Each $1.00 increase or decrease in the assumed public offering price of $66.24 per share would increase or decrease, as applicable, our as adjusted net tangible book value per share by $0.03, and would increase or decrease, as applicable, dilution per share to new investors in this offering by $0.97, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase or decrease of 100,000 shares in the number of shares offered by us would increase or decrease, as applicable, our as adjusted net tangible book value by approximately $0.18 per share and increase or decrease, as applicable, the dilution to new investors by $0.18 per share, assuming the assumed public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The following table summarizes, as of March 31, 2015, the differences between the number of shares purchased from us, the total consideration paid to us in cash and the average price per share that each current director, officer and affiliated shareholder paid during the past five years or that they would pay pursuant to the exercise of any currently exercisable rights to acquire shares, on the one hand, and that new investors are paying to us in this offering, on the other hand. The calculation below is based on the assumed public offering price of $66.24 per share before deducting underwriting discounts and commissions and estimated offering expenses payable by us.

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	Shares Purchased		Total Consideration		Average Price
	Number	Percent	Amount	Percent	Per Share
Directors, officers and affiliated shareholders	4,027,584	81.7%	$ 8,989,710	13.1%	$ 2.23
New investors	900,000	18.3	59,616,000	86.9	66.24
Total	4,927,584	100.0%	68,605,710	100.0%	

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SELECTED CONSOLIDATED FINANCIAL DATA

The following tables set forth our selected consolidated financial data. You should read the following selected consolidated financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and related notes included elsewhere in this prospectus. Historical results are not necessarily indicative of the results that may be expected in the future. Our financial statements have been prepared in accordance with U.S. GAAP.

The selected consolidated statements of operations data for each of the years in the three-year period ended December 31, 2014 and the consolidated balance sheet data as of December 31, 2013 and 2014 are derived from our audited consolidated financial statements appearing elsewhere in this prospectus. The consolidated statements of operations data for the year ended December 31, 2011 and the consolidated balance sheet data as of December 31, 2011 and 2012 are derived from our audited consolidated financial statements that are not included in this prospectus. The selected consolidated statement of operations data for the three months ended March 31, 2014 and 2015 and the selected consolidated balance sheet data as of March 31, 2015 are derived from our unaudited interim consolidated financial statements presented elsewhere in this prospectus. In the opinion of management, these unaudited interim consolidated financial statements include all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of our financial position and operating results for these periods. Results for interim periods are not necessarily indicative of the results that may be expected for the entire year.

	Year ended December 31,				Three months ended March 31,	
	2011	2012	2013	2014	2014	2015
	(in thousands except share and per share data)					
Consolidated Statements of Operations:						
Revenues:						
License	$ 21,125	$ 27,029	$ 38,907	$ 61,320	$ 9,120	$ 19,978
Maintenance and professional services	15,240	20,179	27,250	41,679	8,275	12,937
Total revenues	36,365	47,208	66,157	102,999	17,395	32,915
Cost of revenues:						
License	899	1,002	1,216	2,654	628	550
Maintenance and professional services	4,517	5,922	7,860	12,053	2,425	3,707
Total cost of revenues(1)	5,416	6,924	9,076	14,707	3,053	4,257
Gross profit	30,949	40,284	57,081	88,292	14,342	28,658
Operating expenses:						
Research and development(1)	6,272	7,273	10,404	14,400	3,237	4,117

Sales and marketing(1)	15,929	22,081	32,840	44,943	9,433	13,460
General and administrative(1)	3,077	3,297	4,758	8,495	1,481	3,578
Total operating expenses	25,278	32,651	48,002	67,838	14,151	21,155
Operating income	5,671	7,633	9,079	20,454	191	7,503
Financial income (expenses), net	(190)	4	(1,124)	(5,988)	(1,356)	(1,631)
Income (loss) before taxes on income	5,481	7,637	7,955	14,466	(1,165)	5,872
Tax benefit (taxes on income)	392	225	(1,320)	(4,512)	(83)	(1,706)
Net income (loss)	$ 5,873	$ 7,862	$ 6,635	$ 9,954	$ (1,248)	$ 4,166
Basic net income (loss) per ordinary share(2)	$ 0.43	$ 0.51	$ 0.25	$ 0.46	$ (0.35)	$ 0.14
Diluted net income (loss) per ordinary share(2)	$ 0.26	$ 0.31	$ 0.14	$ 0.34	$ (0.35)	$ 0.12
Weighted average number of ordinary shares used in computing basic net income (loss) per ordinary share(2)	4,969,489	6,592,997	6,900,433	13,335,059	7,073,239	30,563,888
Weighted average number of ordinary shares used in computing diluted net income (loss) per ordinary share(2)	22,791,354	25,245,790	10,765,914	29,704,730	7,073,239	34,786,581

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	As of December 31,				As of March 31,
	2011	2012	2013	2014	2015
			(in thousands)		
Consolidated Balance Sheet Data:					
Cash, cash equivalents and short-term bank deposits	$ 33,353	$ 45,995	$ 65,368	$ 177,181	$ 191,668
Deferred revenue, current and long term	9,302	15,068	24,478	32,160	41,331
Working capital(3)	29,026	41,448	51,547	160,617	168,856
Total assets	47,654	64,379	89,632	210,552	222,060
Preferred share warrant liability	512	688	2,134		
Total shareholders equity	30,290	38,494	45,846	155,008	160,440

	Year ended December 31,				Three months ended March 31,	
	2011	2012	2013	2014	2014	2015
			(in thousands)			
Supplemental Financial Data:						
Non-GAAP operating income(4)	$ 7,347	$ 7,917	$ 9,482	$ 22,027	$ 347	$ 9,049
Non-GAAP net income(4)	7,728	8,322	8,484	15,836	304	5,712
Net cash provided by operating activities	9,376	13,657	20,159	23,840	8,898	14,869

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

	Year ended December 31,				Three months ended March 31,	
	2011	2012	2013	2014	2014	2015
			(in thousands)			
Cost of revenues	$ 70	$ 32	$ 39	$ 137	$ 20	$ 63
Research and development	481	58	73	172	30	82
Sales and marketing	432	81	126	347	42	139
General and administrative	693	113	165	917	64	181
Total share-based compensation expenses	$ 1,676	$ 284	$ 403	$ 1,573	$ 156	$ 465

(2) Basic and diluted net income (loss) per ordinary share is computed based on the weighted average number of ordinary shares outstanding during each period. For additional information, see note 10 to our consolidated financial statements included elsewhere in this prospectus.

(3) We define working capital as total current assets minus total current liabilities.

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(4) Non-GAAP operating income and non-GAAP net income are non-GAAP financial measures. We define non-GAAP operating income as operating income excluding share-based compensation expense and expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders. We define non-GAAP net income as net income excluding (i) share-based compensation expense, (ii) expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders and (iii) financial expenses resulting from the revaluation of warrants to purchase preferred shares. The following tables reconcile operating income and net income, the most directly comparable U.S. GAAP measure, to non-GAAP operating income and non-GAAP net income for the periods presented:

	Year ended December 31,				Three months ended March 31,	
	2011	2012	2013	2014	2014	2015
	(in thousands)					
Reconciliation of Operating Income to Non-GAAP Operating Income:						
Operating income	$ 5,671	$ 7,633	$ 9,079	$ 20,454	$ 191	$ 7,503
Secondary offering related expenses						1,081
Share-based compensation	1,676	284	403	1,573	156	465
Non-GAAP operating income	$ 7,347	$ 7,917	$ 9,482	$ 22,027	$ 347	$ 9,049

	Year ended December 31,				Three months ended March 31,	
	2011	2012	2013	2014	2014	2015
	(in thousands)					
Reconciliation of Net Income (Loss) to Non-GAAP Net Income:						
Net income (loss)	$ 5,873	$ 7,862	$ 6,635	$ 9,954	$ (1,248)	$ 4,166
Secondary offering related expenses						1,081
Share-based compensation	1,676	284	403	1,573	156	465
Warrant adjustment	179	176	1,446	4,309	1,396	
Non-GAAP net income	$ 7,728	$ 8,322	$ 8,484	$ 15,836	$ 304	$ 5,712

For a description of how we use non-GAAP operating income and non-GAAP net income to evaluate our business, see Management s Discussion and Analysis of Financial Condition and Results of Operations Key Financial Metrics. We believe that these non-GAAP financial measures are useful in evaluating our business because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company s non-cash expenses and we believe that providing non-GAAP operating income and non-GAAP net income that excludes share-based compensation expenses, expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders and warrant awards allows for more meaningful comparisons between our operating results from period to period.

Other companies, including companies in our industry, may calculate non-GAAP operating and non-GAAP net income differently or not at all, which reduces their usefulness as a comparative measure. You should consider non-GAAP operating income and non-GAAP net income along with other financial performance measures, including operating income and net income, and our financial results presented in accordance with U.S. GAAP.

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

The following discussion should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this prospectus. This discussion contains forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events may differ significantly from those expressed or implied in such forward-looking statements due to a number of factors, including those set forth in the section entitled Risk Factors and elsewhere in this prospectus. You should read the following discussion in conjunction with Special Note Regarding Forward-Looking Statements and Risk Factors.

Overview

We are a global leader and pioneer of a new layer of IT security solutions that protects organizations from cyber attacks that have made their way inside the network perimeter to strike at the heart of the enterprise. Our software solution is focused on protecting privileged accounts, which have become a critical target in the lifecycle of today s cyber attacks. Privileged accounts act as the keys to the IT kingdom, providing complete access to, and control of, all parts of IT infrastructure, industrial control systems and critical business data. In the hands of an external attacker or malicious insider, privileged accounts allow attackers to take control of and disrupt an organization s IT and industrial control infrastructures, steal confidential information and commit financial fraud. Our comprehensive solution proactively protects privileged accounts, monitors privileged activity and detects malicious privileged behavior. Our customers use our innovative solution to introduce this new security layer to protect against, detect and respond to cyber attacks before they strike vital systems and compromise sensitive data.

We have a history of innovation. We started operations in 1999 with the vision of protecting high-value business data and pioneered our Digital Vault technology, which is the foundation of our platform. That same year, we began offering our first product, the Sensitive Information Management Solution (previously called the Sensitive Document Vault), which provides a secure platform through which our customers employees can share sensitive files. We believe our early innovation in vaulting technology enabled us to evolve into a company that provides a comprehensive security solution built for privileged accounts. In 2005, we introduced our Privileged Account Security Solution, which has become our leading offering and reflects our emphasis on protecting privileged accounts across an organization. Our Privileged Account Security Solution is built on our shared technology platform and consists of several products: Enterprise Password Vault, SSH Key Manager, Privileged Session Manager, Privileged Threat Analytics, Application Identity Manager and On-Demand Privileges Manager.

We derive our revenues from licensing our cybersecurity software, selling maintenance and support contracts, and providing professional services to the extent requested by customers. Our license revenues consist primarily of revenues from sales of our Privileged Account Security Solution. Our customers typically purchase one year and, to a lesser extent, three years, of maintenance and support in conjunction with their initial purchase of our products. Thereafter, they can renew such maintenance and support for additional one or three-year periods.

We seek to foster long-term relationships with our customers. We have a significant opportunity to generate additional revenue from our existing customers by helping them identify and address gaps in their current privileged account security strategy. Our platform provides our customers flexibility to initially deploy one or more of our products for a single use case and then expand usage over time to address more use cases, to add incremental licenses for more users or systems or to license additional products from our comprehensive platform. We measure the perpetual license maintenance renewal rate for our customers over a 12-month period, based on a dollar renewal rate of contracts expiring during that time period. Our perpetual license maintenance renewal rate is measured three months after the 12-month period ends to account for late renewals. Our renewal rate for each of the years ended December 31, 2012, 2013 and 2014 was over 90%. Our key strategies to maintain our renewal rate include focusing on the quality and reliability of our product updates and our technical support services.

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We sell our products directly and through a global network of channel partners, including distributors and resellers, who then sell to their end customers. In 2014, we generated approximately half of our revenues through sales made by our global network of channel partners, with the balance being generated through our direct sales force. We refer to end customers as our customers throughout this prospectus. We believe that our hybrid sales model, which combines the leverage of channel sales with the account control of direct sales, will continue to play an important role in the growth of our customer base. Our hybrid sales model has aided our global growth by allowing us to partner with local distributors while being able to use our direct sales team in locations where that approach is advantageous to our business.

We market and sell our solution to organizations in a variety of industries and geographies. As of March 31, 2015, we had approximately 1,850 customers, including approximately 40% of the Fortune 100 and approximately 18% of the Global 2000. We define a customer to include a distinct entity, division or business unit of a company. The growth of our business and our future success depend on our ability to expand our customer base and increase our sales to existing customers, which depend on many factors, including our ability to expand our sales force, introduce new products and grow our relationships with channel partners. While each of these areas presents significant opportunities for us, they also pose important challenges and risks that we must successfully address in order to sustain the growth of our business and improve our results of operations. Additionally, the IT security market in which we operate is characterized by intense competition, constant innovation and evolving security needs, each of which may impact our ability to grow our business.

We have experienced strong growth over the last several years, as evidenced by a compound annual growth rate in revenues of 47.7% from 2012 to 2014. We have also increased our number of employees and subcontractors from 239 as of December 31, 2012 to 487 as of March 31, 2015. We intend to continue to aggressively grow our business to meet the needs of our customers and to pursue opportunities in new and existing verticals, geographies and products. We intend to continue to invest in the development of our sales and marketing teams, with a particular focus on expanding our channel partnerships and solidifying relationships with existing customers. We also plan to continue to invest in research and development in order to continue to develop technology for both existing and new products.

During the years ended December 31, 2012, 2013 and 2014, our revenues were $47.2 million, $66.2 million and $103.0 million, respectively, representing year-over-year growth of 40.1% and 55.7% in 2013 and 2014, respectively, and with maintenance and professional services comprising over 40% of our revenues each year. Our net income for the years ended December 31, 2012, 2013 and 2014 was $7.9 million, $6.6 million and $10.0 million, respectively. For the three months ended March 31, 2014 and 2015, our revenues were $17.4 million and $32.9 million, respectively. Our net income for the three months ended March 31, 2015 was $4.2 million compared with a net loss of $1.2 million for the same period in 2014.

Key Financial Metrics

We monitor several key financial metrics to help us evaluate growth trends, establish budgets, measure the effectiveness of our sales and marketing efforts and assess operational efficiencies. The key financial metrics that we monitor are as follows:

	Year ended December 31,			Three months ended March 31,	
	2012	2013	2014	2014	2015

			(in thousands)		
Revenues	$ 47,208	$ 66,157	$ 102,999	$ 17,395	$ 32,915
Non-GAAP operating income(1)	7,917	9,482	22,027	347	9,049
Non-GAAP net income(1)	8,322	8,484	15,836	304	5,712
Net cash provided by operating activities	13,657	20,159	23,840	8,898	14,869
Total deferred revenues	15,068	24,478	32,160	32,395	41,331

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(1) For a reconciliation of non-GAAP operating income to operating income and of non-GAAP net income to net income, the nearest comparable GAAP measures, see Summary Summary Consolidated Financial Data.

Revenues. We derive our revenues from licensing our cybersecurity software, selling maintenance and support contracts, and providing professional services to the extent requested by customers. We review our revenues generally to assess the overall health of our business and our license revenues in particular to assess the adoption of our software and our growth in the markets we serve.

We consider our license revenues to be particularly important in assessing our results of operations because license fees, particularly from new customers, impact both our short-term and long-term revenues. New customers impact our revenues favorably in the short-term because we recognize substantially all license fees immediately upon delivery. New customers contribute significantly to our revenues in the long-term because the size of our maintenance and support contracts is directly related to our licenses revenues, but revenues from maintenance and support contracts are recognized on a straight-line basis over the term of the related contract. This fact, coupled with the high renewal rate for our maintenance and support contracts, means that a meaningful portion of the revenues we report each period are recognized from deferred revenues generated by maintenance and support contracts entered into during previous quarters.

The amount that a customer pays for a license can vary from a few thousand dollars to many millions of dollars depending on its scope. We generally license our products on a price per user or price per server basis; however, our license agreements with a small number of our largest customers do not contain any limit on the number of users or servers in recognition of the size of the overall agreement. We also license certain of our products based on the number of concurrent sessions monitored or endpoints secured. As a result, we do not track, and are unable to track, the amount of license revenues we generate on a per user or per server basis. We do, however, maintain internal price guidelines for different size transactions and, since our cost of license revenues is negligible, we generate incremental profit from every license. Although we are focused on growing our customer base, we also do not focus on the exact number of customers that we add in a given period because our revenues are also a function of the size of initial sales to new customers and the size of upsells to existing customers. We seek to grow the number of large transactions that we enter into because they better leverage our operating expense base, and particularly our sales and marketing expenses, and also generate larger maintenance and support contracts to drive future revenues and margins.

Because the size of our maintenance and support contracts is directly related to our licenses revenues and because the rates that we charge for professional services fluctuate very little, the drivers of changes in these sources of revenues have to date been volume-based. Historically, there has been little fluctuation in price when we renew a contract for maintenance and support or for professional services. While the demand for professional services is expected to increase as our customer and license base grows, we expect that our channel partners will increase the amount of such services that they provide. Therefore, while we expect an increase in the dollar amount of our professional services revenue, we do not expect our professional services revenues to increase materially as a percentage of total revenues.

See Components of Statements of Operations Revenue for more information.

Non-GAAP Operating Income and Non-GAAP Net Income. Non-GAAP operating income and non-GAAP net income are non-GAAP financial measures. We define non-GAAP operating income as operating income excluding share-based compensation expense. We define non-GAAP net income as net income excluding (i) share-based compensation expense, (ii) expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders and (iii) financial expenses resulting from the revaluation of warrants to purchase preferred shares. Because of varying available valuation methodologies, subjective assumptions and the variety of equity instruments that can impact a company s non-cash expense, we believe that providing non-GAAP financial measures that exclude non-cash share-based compensation expense and expenses related to our March 2015 public offering of ordinary shares by certain of our shareholders allow for more meaningful comparisons between our operating results from period to period. In addition, excluding financial expenses with

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respect to revaluation of warrants to purchase preferred shares allows for more meaningful comparison between our net income from period to period. As these warrants were exercised in connection with our initial public offering, they will no longer be revalued at each balance sheet date. Each of our non-GAAP financial measures is an important tool for financial and operational decision making and for evaluating our own operating results over different periods of time. In particular, these financial measures reflect our operating expenses, the largest of which is currently sales and marketing. Accordingly, we assess the effectiveness of our sales and marketing efforts in part by considering whether increases in such expenditures are reflected in increased revenues and increased non-GAAP operating income and non-GAAP net income. The material factors driving changes in these financial measures are discussed under the subheading Revenues within Comparison of Period to Period Results of Operations.

Net Cash Provided by Operating Activities. We monitor net cash provided by operating activities as a measure of our overall business performance. Our net cash provided by operating activities is driven in large part by net income and from up-front payments for maintenance and support contracts and professional services. Monitoring net cash provided by operating activities enables us to analyze our financial performance as it includes our deferred revenues and removes the non-cash effects of certain items such as depreciation and share-based compensation expense, thereby allowing us to better understand and manage the cash needs of our business. Substantially all of the increase in our net cash provided by operating activities has been from growth in our net income (as adjusted for non-cash items) and in our deferred revenues. The material factors driving changes in our net income and our deferred revenues (which are driven by growth of our license revenues) are discussed under Comparison of Period to Period Results of Operations.

Total Deferred Revenues. Our total deferred revenues consist of amounts that have been paid but that have not yet been recognized as revenues because they do not meet the applicable criteria. The substantial majority of our deferred revenues consist of the unrecognized portion of upfront payments associated with maintenance and support contracts and, to a lesser extent, professional services. The remaining balance of our deferred revenues consists of payments for licenses that could not yet be recognized. We monitor our total deferred revenues because it represents a significant portion of revenues to be recognized in future periods. Substantially all of the increase in our total deferred revenues has been from growth in our maintenance and support contracts which, in turn, is driven by growth of our license revenues. The material factors driving changes in our license revenues are discussed under Comparison of Period to Period Results of Operations.

Components of Statements of Operations

Revenues

Our revenues are comprised of the following:

License Revenues. License revenues are generated from sales of perpetual licenses for our cybersecurity software: Privileged Account Security Solution and Sensitive Information Management Solution.

Privileged Account Security Solution The substantial majority of our license revenues have been from sales of our Privileged Account Security Solution. Customers can purchase Enterprise Password Vault, SSH Key Manager, Privileged Session Manager, Privileged Threat Analytics, Application Identity Manager and On-Demand Privileges Manager. We license our Enterprise Password Vault to our customers based on the number of privileged account users. We offer customers the choice of licensing our Privileged Session Manager based on the number of devices secured or the number of concurrent sessions it monitors. We license our SSH Key Manager (introduced in late 2014), Application Identity Manager and On-Demand Privileges Manager to our customers based on the number of servers that each such product protects. We introduced our Privileged Threat Analytics product in late December 2013. We license our Privileged Threat Analytics to customers based on the number of protected endpoints, such as servers, desktops, databases or mobile devices.

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Sensitive Information Management Solution We generate additional license revenues through sales of our Sensitive Information Management Solution, our first product to market. Customers license the Sensitive Information Management Solution based on the permitted number of users of the software.

Maintenance and Professional Services Revenues. Maintenance revenues are generated from maintenance and service contracts purchased by our customers in order to gain access to the latest software enhancements and updates on an if and when available basis and to telephone and email technical support. We also offer professional services focused on both deployment and training our customers to fully leverage the use of our products.

Geographic Breakdown of Revenues

The United States is our biggest market, with the balance of our revenues generated from the EMEA region and the rest of the world, including North and South America (excluding the United States) as well as countries in the Asia Pacific region. The following table sets forth the geographic breakdown of our revenues by region for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
	($ in thousand)									
United States	$ 26,178	55.4%	$ 32,041	48.4%	$ 60,761	59.0%	$ 10,300	59.2%	$ 16,434	49.9%
EMEA	14,148	30.0	25,796	39.0	33,198	32.2	5,039	29.0	12,345	37.5
Rest of World	6,882	14.6	8,320	12.6	9,040	8.8	2,056	11.8	4,136	12.6
Total revenues	$ 47,208	100.0%	$ 66,157	100.0%	$ 102,999	100.0%	$ 17,395	100.0%	$ 32,915	100.0%

Cost of Revenues

Our total cost of revenues is comprised of the following:

Cost of License Revenues. Cost of license revenues consists of shipping costs associated with delivery of our software and license payments to third-party software vendors. We expect the absolute cost of license revenues to increase as our license revenues increase.

Cost of Maintenance and Professional Services Revenues. Cost of maintenance and professional services revenues is primarily comprised of personnel costs for our global customer support organization. Personnel costs associated with customer support consist of salaries, benefits, bonuses and share-based compensation. We expect the absolute cost of maintenance and professional services revenues to increase as our customer base grows and as we hire additional professional services and technical support personnel.

Gross Profit and Gross Margin

Gross profit is total revenues less total cost of revenues. Gross margin is gross profit expressed as a percentage of total revenues. Our gross margin has historically fluctuated slightly from period to period as a result of changes in the mix of license revenues and maintenance and professional services revenues and we expect this pattern to continue.

Operating Expenses

Our operating expenses are classified into three categories: research and development, sales and marketing and general and administrative. For each category, the largest component is personnel costs, which consists of salaries, employee benefits (including commissions and bonuses) and share-based compensation expense. Operating expenses also include allocated overhead costs for facilities and foreign currency hedging contracts gains and losses. Allocated costs for facilities primarily consist of rent, depreciation and office maintenance and utilities. Operating expenses are generally recognized as incurred. We expect personnel and all allocated costs to continue to increase in absolute dollars as we hire new employees and add facilities to continue to grow our business. We expect operating margins and operating income to decline in the near term compared to prior periods as we further increase our headcount to support the future growth of our business and incur public company expenses.

Research and Development. Research and development expenses consist primarily of personnel costs attributable to our research and development personnel and consultants as well as allocated overhead costs. We expense research and development expenses as incurred. We expect that our research and development expenses will continue to increase in absolute dollars and, in the near term, as a percentage of revenues as we increase our research and development headcount to further strengthen our technology platform and invest in the development of both existing and new products.

Sales and Marketing. Sales and marketing expenses are the largest component of our operating expenses and consist primarily of personnel costs, including variable compensation, as well as marketing and business development costs, product certifications, travel expenses and allocated overhead costs. We expect that sales and marketing expenses will continue to increase in absolute dollars and, in the near term, as a percentage of our revenues as we plan to expand our sales and marketing efforts globally. We expect sales and marketing expenses to be our largest category of operating expenses.

General and Administrative. General and administrative expenses consist primarily of personnel costs for our executive, finance, human resources, legal and administrative personnel. General and administrative expenses also include external legal, accounting and other professional service fees. We expect that general and administrative expense will increase in absolute dollars and, in the near term, as a percentage of revenues as we grow and expand our operations and operate as a public company, including higher legal, corporate insurance, investor relations and accounting expenses, and the additional costs of achieving and maintaining compliance with the Sarbanes-Oxley Act and related regulations.

Financial Income (Expenses), Net

Financial income (expenses), net consists of interest income, foreign currency exchange gains or losses and warrant liability expenses. Interest income consists of interest earned on our cash, cash equivalents and short-term bank deposits. We expect interest income to vary depending on our average investment balances and market interest rates during each reporting period. Foreign currency exchange changes reflect gains or losses related to transactions denominated in currencies other than the U.S. dollar. Warrant liability changes relate to our preferred share warrants. Our preferred share warrants are classified as a liability on our consolidated balance sheets and, as such, are remeasured to fair value each period with a corresponding expense from the adjustment recorded as financial income (expenses), net. Immediately prior to the completion of our initial public offering, all of our preferred share warrants were exercised and, accordingly, we no longer record any financial expenses in respect of them on our statement of operations. As of the most recent reporting period, we did not have any indebtedness for borrowed amounts.

Taxes on Income

The standard corporate tax rate in Israel for 2014 and thereafter is 26.5% and was 25.0% for 2012 and 2013.

As discussed in greater detail below under Taxation and Israeli Government Programs Applicable to our Company, we have received various tax benefits under the Investment Law. Under the Investment Law, our effective tax rate to be paid with respect to our Israeli taxable income under these benefits programs is 16.0%.

Under the Investment Law and other Israeli legislation, we are entitled to certain additional tax benefits, including accelerated depreciation and amortization rates for tax purposes on certain assets, deduction of public offering expenses in three equal annual installments.

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Our non-Israeli subsidiaries are taxed according to the tax laws in their respective jurisdictions of organization. Due to our multi-jurisdictional operations, we apply significant judgment to determine our consolidated income tax position.

Comparison of Period to Period Results of Operations

The following tables set forth our results of operations in dollars and as a percentage of revenues for the periods indicated:

	Year ended December 31,						Three months ended March 31,			
	2012		2013		2014		2014		2015	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
	(in thousands, except for %)									
Revenues:										
License	$ 27,029	57.3%	$ 38,907	58.8%	$ 61,320	59.5%	$ 9,120	52.4%	$ 19,978	60.7%
Maintenance and professional services	20,179	42.7	27,250	41.2	41,679	40.5	8,275	47.6	12,937	39.3
Total revenues	47,208	100.0	66,157	100.0	102,999	100.0	17,395	100.0	32,915	100.0
Cost of revenues:										
License	1,002	2.1	1,216	1.8	2,654	2.6	628	3.6	550	1.7
Maintenance and professional services	5,922	12.6	7,860	11.9	12,053	11.7	2,425	14.0	3,707	11.2
Total cost of revenues	6,924	14.7	9,076	13.7	14,707	14.3	3,053	17.6	4,257	12.9
Gross profit	40,284	85.3	57,081	86.3	88,292	85.7	14,342	82.4	28,658	87.1
Operating expenses:										
Research and development	7,273	15.4	10,404	15.7	14,400	14.0	3,237	18.6	4,117	12.5
Sales and marketing	22,081	46.7	32,840	49.7	44,943	43.6	9,433	54.2	13,460	40.9
General and administrative	3,297	7.0	4,758	7.2	8,495	8.2	1,481	8.5	3,578	10.9
Total operating	32,651	69.1	48,002	72.6	67,838	65.8	14,151	81.3	21,155	64.3

expenses

Operating income	7,633	16.2	9,079	13.7	20,454	19.9	191	1.1	7,503	22.8
Financial income (expenses), net	4	0.0	(1,124)	(1.7)	(5,988)	(5.8)	(1,356)	(7.8)	(1,631)	(5.0)
Income (loss) before taxes on income	7,637	16.2	7,955	12.0	14,466	14.1	(1,165)	(6.7)	5,872	17.8
Tax benefit (taxes on income)	225	0.5	(1,320)	(2.0)	(4,512)	(4.4)	(83)	(0.5)	(1,706)	(5.1)
Net income (loss)	$ 7,862	16.7%	$ 6,635	10.0%	$ 9,954	9.7%	$ (1,248)	(7.2)%	$ 4,166	12.7%

Three Months Ended March 31, 2014 Compared to Three Months Ended March 31, 2015

Revenues

	Three months ended March 31, 2014		2015		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
			($ in thousands)			
Revenues:						
License	$ 9,120	52.4%	$ 19,978	60.7%	$ 10,858	119.1%
Maintenance and professional services	8,275	47.6	12,937	39.3	4,662	56.3
Total revenues	$ 17,395	100.0%	$ 32,915	100.0%	$ 15,520	89.2%

Revenues increased by $15.5 million, or 89.2%, from $17.4 million in the three months ended March 31, 2014 to $32.9 million in the same period in 2015. This growth was most pronounced in the EMEA region

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where revenues increased by $7.3 million compared to increases of $6.1 million in the United States and $2.1 million in the rest of the world. The significant increase in revenues from the EMEA region was primarily the result of three large transactions that together accounted for $3.7 million. We have increased our number of customers from approximately 1,500 as of March 31, 2014 to approximately 1,850 as of March 31, 2015.

License revenues increased by $10.9 million, or 119.1%, from $9.1 million in the three months ended March 31, 2014 to $20.0 million in the same period in 2015. In the three months ended March 31, 2015, approximately 28% of license revenues were generated from sales to customers from whom we had generated revenues before this period. Substantially all of the license revenue growth resulted from increased sales of our Privileged Account Security Solution, driven by demand for our Enterprise Password Vault, our Privileged Session Manager and our Application Identity Manager.

Maintenance and professional services revenues increased by $4.6 million, or 56.3%, from $8.3 million in the three months ended March 31, 2014 to $12.9 million in the same period in 2015. Maintenance revenues increased by $3.0 million from $7.0 million in the three months ended March 31, 2014 to $10.0 million in the same period in 2015, with renewals accounting for approximately $2.0 million and initial maintenance contracts for approximately $1.0 million, respectively, of this increase. Professional services revenues increased by $1.6 million from $1.3 million in the three months ended March 31, 2014 to $2.9 million in the same period in 2015 due to the provision of more services to customers.

Costs of Revenues and Gross Profit

	Three months ended March 31,					
	2014		2015		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Cost of revenues:						
License	$ 628	3.6%	$ 550	1.7%	$ (78)	(12.4)%
Maintenance and professional services	2,425	14.0	3,707	11.2	1,282	52.9
Total cost of revenues	3,053	17.6	4,257	12.9	1,204	39.4
Gross profit	$ 14,342	82.4%	$ 28,658	87.1%	$ 14,316	99.8%

Cost of license revenues decreased by $0.1 million, or 12.4%, from $0.6 million in the three months ended March 31, 2014 to $0.5 million in the same period in 2015. The decrease in cost of license revenues was driven primarily by a decrease in license related fees.

Cost of maintenance and professional services revenues increased by $1.3 million, or 52.9%, from $2.4 million in the three months ended March 31, 2014 to $3.7 million in the same period in 2015. The increase in cost of maintenance and professional services revenues was driven primarily by a $1.1 million increase in personnel costs and related expenses as our technical support and professional services headcount grew from 68 as of March 31, 2014 to 91 as of March 31, 2015.

Gross profit increased by $14.3 million, or 99.8%, from $14.3 million in three months ended March 31, 2014 to $28.7 million in the same period in 2015. Gross margins increased from 82.4% to 87.1% during the same period. This increase was due to an increase in sales of licenses.

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Operating Expenses

	Three months ended March 31,					
	2014		2015		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	% of Revenues
			($ in thousands)			
Operating expenses						
Research and development	$ 3,237	18.6%	$ 4,117	12.5%	$ 880	27.2%
Sales and marketing	9,433	54.2	13,460	40.9	4,027	42.7
General and administrative	1,481	8.5	3,578	10.9	2,097	141.6
Total operating expenses	$ 14,151	81.3%	$ 21,155	64.3%	$ 7,004	49.5%

Research and Development. Research and development expenses increased by $0.9 million, or 27.2%, from $3.2 million in the three months ended March 31, 2014 to $4.1 million in the same period in 2015. This increase was primarily attributable to a $0.8 million increase in personal costs and related expenses as we increased our research and development team headcount from 105 as of March 31, 2014 to 126 as of March 31, 2015 to support continued investment in our future product and service offerings.

Sales and Marketing. Sales and marketing expenses increased by $4.1 million, or 42.7%, from $9.4 million in the three months ended March 31, 2014 to $13.5 million in the same period in 2015. This increase was attributable to a $2.9 million increase in expenses for personnel costs and related expenses due to increased headcount in all regions to expand our sales and marketing organization coupled with a $0.6 million increase in expenses related to our sales and marketing events and a $0.2 million increase in travel and related expenses. Our sales and marketing headcount grew from 163 as of March 31, 2014 to 231 as of March 31, 2015. The remainder of the increase is attributable to increased costs related to facilities and overhead allocation.

General and Administrative. General and administrative expenses increased by $2.1 million, or 141.6%, from $1.5 million in the three months ended March 31, 2014 to $3.6 million in the same period in 2015. This increase was primarily attributable to an increase of $1.4 million in legal and accounting fees mainly related to the March 2015 public offering of ordinary shares by certain of our shareholders, coupled with $0.3 million in payroll expenses, including variable compensation to executive management, and due to increased headcount.

Financial Expenses, Net. Financial expenses for the three months ended March 31, 2014 were $1.4 million. For the same period in 2015, financial expenses were $1.6 million. This change resulted primarily from exchange rate fluctuations, offset by warrant remeasurement expenses.

Taxes on Income. Taxes on income increased by $1.6 million from $0.1 million in the three months ended March 31, 2014 to $1.7 million for the three months ended March 31, 2015. This change was attributable to the increase in pre-tax income.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2014

Revenues

	Year ended December 31,					
	2013		2014		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Revenues:						
License	$ 38,907	58.8%	$ 61,320	59.5%	$ 22,413	57.6%
Maintenance and professional services	27,250	41.2	41,679	40.5	14,429	53.0
Total revenues	$ 66,157	100.0%	$ 102,999	100.0%	$ 36,842	55.7%

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Revenues increased by $36.8 million, or 55.7%, from $66.2 million in 2013 to $103.0 million in 2014. This increase was due to increased sales volume of our solution. This increase was also driven by growth in both our license revenues and our maintenance and professional services revenue. This growth was most pronounced in the United States where revenues increased by $28.7 million compared to increases of $7.4 million in the EMEA region and $0.7 million in the rest of the world. The significant increase in revenues from the United States primarily resulted from eight large transactions of greater than $1.0 million each that together accounted for $14.9 million. Multiple large transactions or even a single large transaction in a specific period could continue to materially impact relative growth rates among our different regions for a particular period. We increased our number of customers from approximately 1,500 as of December 31, 2013 to approximately 1,800 as of December 31, 2014.

License revenues increased by $22.4 million, or 57.6%, from $38.9 million in 2013 to $61.3 million in 2014. In 2014, approximately 40% of license revenues were generated from sales to customers from whom we had generated revenues before this period. Substantially all of the license revenue growth resulted from increased sales of our Privileged Account Security Solution, driven by increased demand for our Enterprise Password Vault, Privileged Session Manager and our Application Identity Manager.

Maintenance and professional services revenues increased by $14.4 million, or 53.0%, from $27.3 million in 2013 to $41.7 million in 2014. Maintenance revenues increased by $10.8 million from $22.3 million in 2013 to $33.1 million in 2014, with renewals accounting for approximately $5.9 million and initial maintenance contracts for approximately $4.9 million, respectively, of this increase. Professional services revenues increased by $3.6 million from $5.0 million in 2013 to $8.6 million in 2014 due to the provision of more services to customers.

Cost of Revenues and Gross Profit

	Year ended December 31,					
	2013		2014		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
			($ in thousands)			
Cost of revenues:						
License	$ 1,216	1.8%	$ 2,654	2.6%	$ 1,438	118.3%
Maintenance and professional services	7,860	11.9	12,053	11.7	4,193	53.3
Total cost of revenues	$ 9,076	13.7%	$ 14,707	14.3%	$ 5,631	62.0%
Gross profit	$ 57,081	86.3%	$ 88,292	85.7%	$ 31,211	54.7%

Cost of license revenues increased by $1.4 million, or 118.3%, from $1.2 million in 2013 to $2.6 million in 2014. The increase in cost of license revenues was driven primarily by an increase in license revenues.

Cost of maintenance and professional services revenues increased by $4.2 million, or 53.3%, from $7.9 million in 2013 to $12.1 million in 2014. The increase in cost of maintenance and professional services revenues was driven primarily by a $3.5 million increase in personnel costs and related expenses as our technical support and professional services headcount grew from 60 at the end of 2013 to 76 at the end of 2014.

Gross profit increased by $31.2 million, or 54.7%, from $57.1 million in 2013 to $88.3 million in 2014. Gross margins decreased from 86.3% in 2013 to 85.7% in 2014. This decrease was driven by increase in costs associated with sales of licenses.

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Operating Expenses

	Year ended December 31,					
	2013		2014		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
			($ in thousands)			
Operating expenses:						
Research and development	$ 10,404	15.7%	$ 14,400	14.0%	$ 3,996	38.4%
Sales and marketing	32,840	49.7	44,943	43.6	12,103	36.9
General and administrative	4,758	7.2	8,495	8.2	3,737	78.5
Total operating expenses	$ 48,002	72.6%	$ 67,838	65.8%	$ 19,836	41.3%

Research and Development. Research and development expenses increased by $4.0 million, or 38.4%, from $10.4 million in 2013 to $14.4 million in 2014. This increase was primarily attributable to a $3.6 million increase in personnel costs and related expenses as we increased our research and development team headcount from 95 at the end of 2013 to 119 at the end of 2014 to support continued investment in our future product and service offerings. The increase was also attributable to a $0.4 million increase related to allocated overhead costs.

Sales and Marketing. Sales and marketing expenses increased by $12.1 million, or 36.9%, from $32.8 million in 2013 to $44.9 million in 2014. This increase was primarily attributable to a $9.8 million increase in expenses for salaries and related expenses due to increased headcount in all regions to expand our sales and marketing organization coupled with a $0.8 million increase in expenses related to our marketing programs and a $0.8 million increase in travel and related expenses. Our sales and marketing headcount grew from 135 at the end of 2013 to 202 at the end of 2014. The remainder of the increase is attributable to increased costs related to facilities and overhead allocation.

General and Administrative. General and administrative expenses increased by $3.7 million, or 78.5%, from $4.8 million in 2013 to $8.5 million in 2014. This increase was primarily attributable to an increase of $1.8 million in payroll expenses, including variable compensation to executive management, and due to increased headcount coupled with a $1.9 million increase in other expenses such as legal, accounting, facilities, directors fees, travel expenses and share incentive compensation expenses, and other administrative expenses.

Financial Expenses, Net. Financial expenses increased by $4.9 million from $1.1 million in 2013 to $6.0 million in 2014. This increase resulted primarily from expenses associated with the revaluation of fair value of warrants to purchase series B3 preferred shares of $2.9 million coupled with losses of $2.0 million due to exchange rate fluctuations.

Taxes on Income. Taxes on income increased from $1.3 million in 2013 to $4.5 million in 2014. This increase was attributable to an increase of $1.4 million in tax expenses in Israel and an increase of $1.8 million in tax expenses in foreign locations, mainly the United States.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2013

Revenues

	Year ended December 31,					
	2012		2013		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
	($ in thousands)					
Revenues:						
License	$ 27,029	57.3%	$ 38,907	58.8%	$ 11,878	43.9%
Maintenance and professional services	20,179	42.7	27,250	41.2	7,071	35.0
Total revenues	$ 47,208	100.0%	$ 66,157	100.0%	$ 18,949	40.1%

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Revenues increased by $19.0 million, or 40.1%, from $47.2 million in 2012 to $66.2 million in 2013. This increase was due to increased sales volume of our solution. This increase was also driven by growth in both our license revenues and our maintenance and professional services revenue. This growth was most pronounced in the EMEA region where revenues increased by $11.7 million compared to increases of $5.9 million in the United States and $1.4 million in the rest of the world. The significant increases in the EMEA region primarily resulted from three large transactions of greater than $1.0 million each with new customers that together accounted for $5.1 million of the increased revenue. Multiple large transactions or even a single large transaction in a specific period could continue to materially impact relative growth rates among our different regions for a particular period. We increased our number of customers from approximately 1,200 as of December 31, 2012 to approximately 1,500 as of December 31, 2013.

License revenues increased by $11.9 million, or 43.9%, from $27.0 million in 2012 to $38.9 million in 2013. In 2013, approximately 32% of license revenues were generated from sales to customers from whom we had generated revenues before this period. Substantially all of the license revenue growth resulted from increased sales of our Privileged Account Security Solution, driven by demand for our Privileged Session Manager and our Application Identity Manager.

Maintenance and professional services revenues increased by $7.1 million, or 35.0%, from $20.2 million in 2012 to $27.3 million in 2013. Maintenance revenues increased by $6.0 million from $16.3 million in 2012 to $22.3 million in 2013, with renewals accounting for approximately $4.2 million and initial maintenance contracts for approximately $1.8 million, respectively, of this increase. Professional services revenues increased by $1.1 million from $3.9 million in 2012 to $5.0 million in 2013 due to the provision of more services to customers.

Cost of Revenues and Gross Profit

	Year ended December 31,					
	2012		2013		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
			($ in thousands)			
Cost of revenues:						
License	$ 1,002	2.1%	$ 1,216	1.8%	$ 214	21.4%
Maintenance and professional services	5,922	12.6	7,860	11.9	1,938	32.7
Total cost of revenues	$ 6,924	14.7%	$ 9,076	13.7%	$ 2,152	31.1%
Gross profit	$ 40,284	85.3%	$ 57,081	86.3%	$ 16,797	41.7%

Cost of license revenues increased by $0.2 million, or 21.4%, from $1.0 million in 2012 to $1.2 million in 2013. The increase in cost of license revenues was driven primarily by an increase in license revenues.

Cost of maintenance and professional services revenues increased by $2.0 million, or 32.7%, from $5.9 million in 2012 to $7.9 million in 2013. The increase in cost of maintenance and professional services revenue was driven primarily by a $1.7 million increase in personnel costs and related expenses as our technical support and professional services headcount grew from 47 at the end of 2012 to 60 at the end of 2013.

Gross profit increased by $16.8 million, or 41.7%, from $40.3 million in 2012 to $57.1 million in 2013. Gross margins increased from 85.3% in 2012 to 86.3% in 2013. This increase was driven by our revenue growth outpacing the growth of our cost of revenues.

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Operating Expenses

	Year ended December 31,					
	2012		2013		Change	
	Amount	% of Revenues	Amount	% of Revenues	Amount	%
			($ in thousands)			
Operating expenses:						
Research and development	$ 7,273	15.4%	$ 10,404	15.7%	$ 3,131	43.0%
Sales and marketing	22,081	46.7	32,840	49.7	10,759	48.7
General and administrative	3,297	7.0	4,758	7.2	1,461	44.3
Total operating expenses	$ 32,651	69.1%	$ 48,002	72.6%	$ 15,351	47.0%

Research and Development. Research and development expenses increased by $3.1 million, or 43.0%, from $7.3 million in 2012 to $10.4 million in 2013. This increase was primarily attributable to a $2.6 million increase in personnel costs and related expenses as we increased our research and development team headcount from 70 at the end of 2012 to 95 at the end of 2013 to support continued investment in our future product and service offerings. The increase was also attributable to a $0.4 million increase related to allocated overhead costs.

Sales and Marketing. Sales and marketing expenses increased by $10.7 million, or 48.7%, from $22.1 million in 2012 to $32.8 million in 2013. This increase was attributable to an $8.0 million increase in expenses for salaries and related expenses due to increased headcount in all regions to expand our sales and marketing organization coupled with a $1.4 million increase in expenses related to our marketing programs and a $0.8 million increase in travel and related expenses. Our sales and marketing headcount grew from 100 at the end of 2012 to 135 at the end of 2013. The remainder of the increase is attributable to increased investment in marketing programs.

General and Administrative. General and administrative expenses increased by $1.5 million, or 44.3%, from $3.3 million in 2012 to $4.8 million in 2013. This increase was primarily attributable to an increase of $1.2 million in payroll expenses, including variable compensation to executive management, and due to increased headcount coupled with a $0.2 million increase in other expenses such as legal, facilities and other administrative expenses.

Financial Income (Expenses), Net. In 2012, financial income (expenses), net, was zero. In 2013, we had financial expenses, net, of $1.1 million. This change resulted primarily from an increase of $1.4 million in expenses associated with the measurement of fair value of warrants to purchase series B3 preferred shares, partially offset by a gain of $0.3 million due to exchange rate fluctuations.

Taxes on Income. Taxes on income increased from a tax benefit of $0.2 million in 2012 to tax expenses of $1.3 million in 2013. This increase was attributable to an increase of $1.8 million in tax expenses in Israel offset by a decrease of $0.3 million in the United States.

Quarterly Results of Operations and Seasonality

The following tables present our unaudited condensed consolidated quarterly results of operations in dollars and as a percentage of revenues for the periods indicated. This information should be read in conjunction with our audited consolidated financial statements and related notes included elsewhere in this prospectus. The historical quarterly results presented are not necessarily indicative of the results that may be expected for any future quarters or periods.

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The quarterly supplemental financial measures below include quarterly non-GAAP operating income, non-GAAP net income and net cash provided by operating activities, which are non-GAAP financial measures. See Summary Summary Consolidated Financial Data for a description of how we calculate non-GAAP operating income and non-GAAP net income, a reconciliation of these non-GAAP financial measures to the most directly comparable GAAP measures and a discussion about the limitations of these non-GAAP financial measures.

	Three months ended								
	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	Jun. 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015
	(in thousands)								
Consolidated Statements of Operations Data:									
Revenues:									
License	$ 6,702	$ 9,717	$ 9,970	$ 12,518	$ 9,120	$ 11,129	$ 16,620	$ 24,451	$ 19,978
Maintenance and professional services	6,029	6,767	6,920	7,534	8,275	10,209	11,341	11,854	12,937
Total revenues	12,731	16,484	16,890	20,052	17,395	21,338	27,961	36,305	32,915
Cost of revenues:									
License	269	243	223	481	628	733	462	831	550
Maintenance and professional services	1,865	2,001	1,920	2,074	2,425	2,875	3,072	3,681	3,707
Total cost of revenues	2,134	2,244	2,143	2,555	3,053	3,608	3,534	4,512	4,257
Gross profit	10,597	14,240	14,747	17,497	14,342	17,730	24,427	31,793	28,658
Operating expenses:									
Research and development	2,269	2,568	2,717	2,850	3,237	3,342	3,658	4,163	4,117
Sales and marketing	6,817	7,740	7,876	10,407	9,433	9,682	11,040	14,788	13,460
General and administrative	965	1,055	1,156	1,582	1,481	1,637	2,041	3,336	3,578
Total operating expenses	10,051	11,363	11,749	14,839	14,151	14,661	16,739	22,287	21,155
Operating income	546	2,877	2,998	2,658	191	3,069	7,688	9,506	7,503

Net income (loss)	$ 128	$ 2,598	$ 2,513	$ 1,396	$ (1,248)	$ 1,230	$ 3,312	$ 6,660	$ 4,166

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	Three months ended								
	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	Jun. 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015
	(as a % of total revenues)								
Consolidated Statements of Operations Data:									
Revenues:									
License	52.6%	58.9%	59.0%	62.4%	52.4%	52.2%	59.4%	67.3%	60.7%
Maintenance and professional services	47.4	41.1	41.0	37.6	47.6	47.8	40.6	32.7	39.3
Total revenues	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of revenues:									
License	2.1	1.5	1.3	2.4	3.6	3.4	1.6	2.3	1.7
Maintenance and professional services	14.7	12.1	11.4	10.3	14.0	13.5	11.0	10.1	11.2
Total cost of revenues	16.8	13.6	12.7	12.7	17.6	16.9	12.6	12.4	12.9
Gross profit	83.2	86.4	87.3	87.3	82.4	83.1	87.4	87.6	87.1
Operating expenses:									
Research and development	17.8	15.6	16.1	14.2	18.6	15.6	13.1	11.5	12.5
Sales and marketing	53.5	46.9	46.6	51.9	54.2	45.4	39.5	40.7	40.9
General and administrative	7.6	6.4	6.8	7.9	8.5	7.7	7.3	9.2	10.9
Total operating expenses	78.9	68.9	69.5	74.0	81.3	68.7	59.9	61.4	64.3
Operating income	4.3	17.5	17.8	13.3	1.1	14.4	27.5	26.2	22.8
Net income (loss)	1.0%	15.8%	14.9%	7.0%	(7.2)%	5.8%	11.8%	18.3%	12.7%

	Three months ended								
	Mar. 31, 2013	Jun. 30, 2013	Sept. 30, 2013	Dec. 31, 2013	Mar. 31, 2014	Jun. 30, 2014	Sept. 30, 2014	Dec. 31, 2014	Mar. 31, 2015
	(in thousands)								

Supplemental Financial Metrics:									
Non-GAAP operating income	$ 627	$ 2,972	$ 3,108	$ 2,775	$ 347	$ 3,253	$ 8,374	$ 10,053	$ 9,049
Non-GAAP net income	209	2,845	3,270	2,160	304	2,448	5,877	7,207	5,712
Net cash provided by operating activities	3,699	3,024	6,485	6,951	8,898	3,781	835	10,326	14,869
Total deferred revenues (as of three-months end)	17,310	19,649	22,723	24,478	32,395	31,937	27,742	32,160	41,331
Reconciliation of Operating Income to Non-GAAP Operating Income:									
Operating Income	$ 546	$ 2,877	$ 2,998	$ 2,658	$ 191	$ 3,069	$ 7,688	$ 9,506	$ 7,503
Secondary offering related expenses									1,081
Share-based compensation	81	95	110	117	156	184	686	547	465
Non-GAAP operating income	$ 627	$ 2,972	$ 3,108	$ 2,775	$ 347	$ 3,253	$ 8,374	$ 10,053	$ 9,049
Reconciliation of Net Income (Loss) to Non-GAAP Net Income:									
Net Income (loss)	$ 128	$ 2,598	$ 2,513	$ 1,396	$ (1,248)	$ 1,230	$ 3,312	$ 6,660	$ 4,166
Secondary offering related expenses									1,081
Share-based compensation	81	95	110	117	156	184	686	547	465
Warrant adjustment		152	647	647	1,396	1,034	1,879		
Non-GAAP net income	$ 209	$ 2,845	$ 3,270	$ 2,160	$ 304	$ 2,448	$ 5,877	$ 7,207	$ 5,712

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Quarterly Revenue Trends. Our quarterly revenues increased year-over-year for all periods presented due to increased sales of licenses to new customers, as well as upsells to existing customers of new licenses as well as professional and support service contracts. Comparisons of our year-over-year total quarterly revenues are more meaningful than comparisons of our sequential results due to seasonality in the sale of our products and services. Our fourth quarter has historically been our strongest quarter for sales because our target customers are enterprises that generally make such license purchases in this quarter. While we believe that these seasonal trends have affected and will continue to affect our quarterly results, our rapid growth has largely masked seasonal trends to date. We believe that our business may become more seasonal in the future. Historical patterns in our business may not be a reliable indicator of our future sales activity or performance.

Quarterly Gross Profit and Margin Trends. Our quarterly gross profit increased year-over-year for all periods presented. Our fourth quarter gross profit has historically been our strongest, which is consistent with our quarterly revenue trends. Our quarterly gross margin has remained relatively consistent over all periods presented, and any fluctuation is primarily due to shifts in the mix of sales between licenses and maintenance and professional services, as well as the types and volumes of products sold.

Quarterly Operating Expense Trends. Our quarterly operating expenses increased year-over-year for all periods presented primarily due to the addition of personnel in connection with the expansion of our business. Our operating expenses generally increase in the fourth quarter of each year as expenses increase to accommodate the increased revenues encountered in this quarter. Research and development expenses increased sequentially over the periods as we increased our headcount to support continued investment in our future products and services offerings. Sales and marketing expenses increased significantly over the periods as we incurred costs associated with commission expenses to sales people, personnel costs associated with increases in headcount and an increase in overhead allocations. General and administrative expenses increased over the periods primarily due to an increase in personnel costs, legal expenses and professional services fees related to preparing to be a public company.

Liquidity and Capital Resources

We fund our operations with cash generated from operating activities. In the past, we have also raised capital through the sale of equity securities to investors in private placements and, to a lesser extent, through exercised options. Our primary current uses of our cash are ongoing operating expenses and capital expenditures.

As of March 31, 2015 and December 31, 2014, we had $191.7 million and $177.2 million of cash, cash equivalents and short-term bank deposits, respectively. This compared with cash, cash equivalents and short-term bank deposits of $73.6 million, $65.4 million and $46.0 million as of March 31, 2014, December 31, 2013 and 2012, respectively. We believe that our existing cash, cash equivalents and short-term bank deposits will be sufficient to fund our operations and capital expenditures for at least the next 12 months. Our future capital requirements will depend on many factors, including our rate of revenue growth, the expansion of our sales and marketing activities, the timing and extent of spending to support product development efforts and expansion into new geographic locations, the timing of introductions of new software products and enhancements to existing software products and the continuing market acceptance of our software offerings.

The following table presents the major components of net cash flows for the periods presented:

	Year Ended December 31,	Three months ended March 31,

	2012	2013	2014	2014	2015
			(in thousands)		
Net cash provided by operating activities	$ 13,657	$ 20,159	$ 23,840	$ 8,898	$ 14,869
Net cash provided by (used in) investing activities	(3,233)	(826)	(51,445)	549	23,659
Net cash provided by (used in) financing activities	(329)	159	89,410	(97)	234

A substantial source of our net cash provided by operating activities is our deferred revenues, which is included on our consolidated balance sheet as a liability. The majority of our deferred revenues consist of the unrecognized portion of upfront payments associated with maintenance and professional services, with the remainder consisting of payments for licenses that could not yet be recognized. We assess our liquidity, in part, through an analysis of our short and long-term deferred revenues that have not yet been recognized as revenues together with our other sources of liquidity. Deferred revenues for licenses are recognized when all applicable revenue criteria are met. Revenues from maintenance and support contracts are recognized ratably on a straight-line basis over the term of the related contract which is typically one year and, to a lesser extent, three years, and from professional services as services are performed. Thus, since we frequently recognize revenues in subsequent periods to when certain payments may be received, an increase in deferred revenues adds to the liquidity of our operations.

Net Cash Provided by Operating Activities

Our cash flows historically have reflected our net income coupled with changes in our non-cash working capital. During the three months ended March 31, 2015, operating activities provided $14.9 million in cash as a result of a decrease of $6.6 million in our non-cash working capital combined with net income of $4.2 million and $1.1 million of non-cash charges related to depreciation of $0.2 million, share-based compensation expenses of $0.4 million and tax benefit of $0.5 million coupled with a $3.0 million increase in long-term deferred revenues from three-year maintenance contracts for which we collected payment up front. The decrease in our non-cash working capital was due to a $6.2 million increase in short-term deferred revenues, a decrease of $4.4 million in trade receivables and a $0.9 million increase in trade payables which were partially offset by a $4.0 million decrease in employees and payroll accruals and other current liabilities and an increase of $0.9 million in prepaid expenses and other current assets. Our days sales outstanding (DSO) was 41 days for the three months ended March 31, 2015.

During the three months ended March 31, 2014, operating activities provided $8.9 million in cash as a result of a decrease of $7.4 million in our non-cash working capital and $1.7 million of non-cash charges related to a $1.4 million change in the fair value of warrants to purchase preferred shares, to depreciation of $0.2 million and share-based compensation expenses of $0.1 million coupled with a $1.0 million increase in long term deferred tax assets and long-term deferred revenues from three-year maintenance contracts for which we collected payment up front which were partially offset by a net loss of $1.2 million. The decrease in our non-cash working capital was due to a $6.7 million increase in short-term deferred revenues and a $5.3 million decrease in trade receivables and other current assets which were partially offset by decrease of $1.1 million in trade payables and $3.5 million in employees and payroll accruals and other current liabilities. Our DSO was 42 days for the three months ended March 31, 2014.

During the year ended December 31, 2014, operating activities provided $23.8 million in cash as a result of $10.0 million net income combined with a decrease of $3.1 million in our non-cash working capital, adjusted by $7.2 million of non-cash charges related to a $4.3 million change in the fair value of warrants to purchase preferred shares, share-based compensation expenses of $1.6 million, depreciation of $0.7 million and tax benefit of $0.6 million coupled with a $3.3 million increase in long-term deferred revenues from three-year maintenance contracts for which we collected payment up front and a $0.2 million increase in long-term liabilities. The decrease of $3.1 million in our non-cash working capital was due to a $4.4 million increase in short-term deferred revenues and a $5.5 million increase in employees and payroll accruals and other current liabilities, which were partially offset by a $6.5 million increase in trade receivable and an increase of $0.3 million in trade payables and prepaid expenses and other current assets. Our DSO was 68 days for the year ended December 31, 2014.

During the year ended December 31, 2013, operating activities provided $20.2 million in cash as a result of a decrease of $9.5 million in our non-cash working capital combined with net income of $6.6 million, adjusted by $2.3 million of non-cash charges related to a $1.4 million change in the fair value of warrants to purchase preferred shares, depreciation of $0.5 million and share-based compensation expenses of $0.4 million coupled with a $1.8 million increase in long-term deferred revenues from three-year maintenance contracts for which we collected payment up front. The decrease in our non-cash working capital was due to a $7.6 million increase in short-term deferred revenues and a $6.6 million increase in trade payables and employee-related accruals which were partially offset by increases of $3.3 million in trade receivables, $0.9 million in other current assets and $0.5 million in short-term deferred tax assets. Our DSO was 70 days for the year ended December 31, 2013.

During the year ended December 31, 2012, operating activities provided $13.7 million in cash as a result of a decrease in our non-cash working capital of $0.7 million combined with net income of $7.9 million, adjusted by $0.8 million of non-cash charges related to share-based compensation expenses of $0.3 million, depreciation of $0.3 million and a $0.2 million change in the fair value of warrants to purchase preferred shares coupled with a $2.9 million increase in long-term deferred revenues from three-year maintenance contracts for which we collected payment up front and a decrease in long-term assets, net, of $1.4 million. The decrease in our non-cash working capital was due to a $2.9 million increase in short-term deferred revenues and a $2.7 million increase in account and trade payables and employee-related accruals which were partially offset by increases of $3.1 million in trade receivables and $1.8 million in short-term deferred tax assets. Our DSO was 73 days for the year ended December 31, 2012.

Net Cash Provided by (Used in) Investing Activities

Net cash provided by investing activities was $23.7 million for the three months ended March 31, 2015. Net cash provided by investing activities was $0.5 million for the three months ended March 31, 2014. Net cash used in investing activities was $51.4 million for the year ended December 31, 2014. Net cash used in investing activities was $3.2 million and $0.8 million in 2012 and 2013, respectively. Investing activities have consisted primarily of investment in and proceeds from short-term deposits, and purchase of property and equipment.

Net Cash Provided by (Used in) Financing Activities

Our financing activities have primarily consisted of proceeds from the issuance and sale of our securities and proceeds from the exercise of share options. Net cash provided by financing activities was $0.2 million for the three months ended March 31, 2015. Net cash used in financing activities was $0.1 million for the three months ended March 31, 2014. Net cash provided by financing activities was $89.4 million and $0.2 million for the years ended December 31, 2014 and 2013, respectively. Net cash used in financing activities was $0.3 million in 2012.

Contractual Obligations

The following summarizes our contractual obligations as of December 31, 2014:

	Payments Due by Period					
	Total	**2015**	**2016**	**2017**	**2018**	**2019 and thereafter**
			(in thousands)			
Operating lease obligations(1)	$ 7,562	$ 2,301	$ 1,922	$ 636	$ 614	$ 2,089
Uncertain tax obligations(2)	322					
Severance pay(3)	4,101					
Total	$ 11,985	$ 2,301	$ 1,922	$ 636	$ 614	$ 2,089

(1) Operating lease obligations consist of our contractual rental expenses under operating leases of facilities and certain motor vehicles. We signed a new lease for our facilities located in Israel on February 26, 2015, and such obligation is excluded from the above table.

(2) Consists of accruals for certain income tax positions under ASC 740 that are paid upon settlement, and for which we are unable to reasonably estimate the ultimate amount and timing of settlement. See Note 8(j) to our consolidated financial statements included elsewhere in this prospectus for further information regarding

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our liability under ASC 740. Payment of these obligations would result from settlements with tax authorities. Due to the difficulty in determining the timing of resolution of audits, these obligations are only presented in their total amount.

(3) Severance pay relates to accrued severance obligations to our Israeli employees as required under Israeli labor laws. These obligations are payable only upon the termination, retirement or death of the respective employee and may be reduced if the employee s termination is voluntary. These obligations are partially funded through accounts maintained with financial institutions and recognized as an asset on our balance sheet. Of this amount, $1.0 million is unfunded. See Note 2(i) to our consolidated financial statement included elsewhere in this report for further information.

Application of Critical Accounting Policies and Estimates

Our accounting policies and their effect on our financial condition and results of operations are more fully described in our consolidated financial statements included elsewhere in this prospectus. We have prepared our financial statements in conformity with U.S. GAAP, which requires management to make estimates and assumptions that in certain circumstances affect the reported amounts of assets and liabilities, revenues and expenses and disclosure of contingent assets and liabilities. These estimates are prepared using our best judgment, after considering past and current events and economic conditions. While management believes the factors evaluated provide a meaningful basis for establishing and applying sound accounting policies, management cannot guarantee that the estimates will always be consistent with actual results. In addition, certain information relied upon by us in preparing such estimates includes internally generated financial and operating information, external market information, when available, and when necessary, information obtained from consultations with third-parties. Actual results could differ from these estimates and could have a material adverse effect on our reported results. See Risk Factors for a discussion of the possible risks which may affect these estimates.

We believe that the accounting policies discussed below are critical to our financial results and to the understanding of our past and future performance, as these policies relate to the more significant areas involving management s estimates and assumptions. We consider an accounting estimate to be critical if: (1) it requires us to make assumptions because information was not available at the time or it included matters that were highly uncertain at the time we were making our estimate; and (2) changes in the estimate could have a material impact on our financial condition or results of operations.

Revenue Recognition

We account for our software licensing sales in accordance with the Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, 985-605, Software Revenue Recognition. ASC 985-605 generally requires revenues earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of the elements when Vendor Specific Objective Evidence, or VSOE, of fair value exists for all elements and to be allocated to the different elements in the arrangement under the residual method when VSOE of fair value exists for all undelivered elements and no VSOE exists for the delivered elements.

Maintenance and professional services are sold separately and therefore the selling price (VSOE) is based on stand-alone transactions.

Under the residual method, at the outset of the arrangement with the customer, we defer revenues for the fair value of our undelivered elements and recognize revenues for the remainder of the arrangement fee attributable to the elements initially delivered in the arrangement (software product) when all other criteria in ASC 985-605 have been met. Any discount in the arrangement is allocated to the delivered element.

We recognize software license revenues when persuasive evidence of an arrangement exists, the software license has been delivered, there are no uncertainties surrounding product acceptance, there are no significant

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future performance obligations, the license fees are fixed or determinable and collection of the license fee is considered probable. Fees for arrangements with payment terms extending beyond customary payment terms are considered not to be fixed or determinable, in which case revenues are deferred and recognized when payments become due from the customer provided that all other revenue recognition criteria have been met.

Revenues from maintenance and support contracts are recognized ratably on a straight-line basis over the term of the related contract which is typically one year and, to a lesser extent, three years, and from professional services as services are performed.

Our agreements with distributors and resellers are non-exchangeable, non-refundable, non-returnable and carry no rights of price protection. Accordingly, we consider distributors as end-users.

We do not generally grant a right of return to our customers. In transactions where a customer s contractual terms include a provision for customer acceptance, revenues are recognized when such acceptance has been obtained or as the acceptance provision has lapsed.

Deferred revenues include unearned amounts received under maintenance and support contracts, professional services and amounts received from customers for licenses but not recognized as revenues due to the fact that these transactions did not meet the revenue recognition criteria as of the balance sheet date.

Derivative instruments

ASC No. 815, Derivative and Hedging , requires companies to recognize all of their derivative instruments as either assets or liabilities in the statement of financial position at fair value. For those derivative instruments that are designated and qualify as hedging instruments, a company must designate the hedging instrument, based upon the exposure being hedged, as a fair value hedge, cash flow hedge or a hedge of a net investment in a foreign operation.

For derivative instruments that are designated and qualify as a cash flow hedge (i.e., hedging the exposure to variability in expected future cash flows that is attributable to a particular risk), the effective portion of the gain or loss on the derivative instrument is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The remaining gain or loss on the derivative instrument in excess of the cumulative change in the present value of future cash flows of the hedged item, if any, is recognized in current earnings during the period of change.

To hedge against the risk of overall changes in cash flows resulting from foreign currency salary payments during the year, we have instituted a foreign currency cash flow hedging program. We hedge a portion of our forecasted expenses denominated in NIS. These forward and option contracts are designated as cash flow hedges, as defined by ASC 815, and are all effective, as their critical terms match underlying transactions being hedged.

Share-Based Compensation

Option Valuations

Under U.S. GAAP, we account for share-based compensation for employees in accordance with the provisions of the FASB s ASC Topic 718 Compensation Stock Based Compensation, or ASC 718, which requires us to measure the cost of options based on the fair value of the award on the grant date.

We selected the Black-Scholes-Merton option pricing model as the most appropriate method for determining the estimated fair value of options for the years ended December 31, 2012 and 2013 and for the period from January 1, 2014 and up to September 24, 2014. The resulting cost of an equity incentive award is recognized as an expense over the requisite service period of the award, which is usually the vesting period. We recognize compensation expense over the vesting period using the straight-line method and classify these amounts in the consolidated financial statements based on the department to which the related employee reports.

The determination of the grant date fair value of options using the Black-Scholes-Merton option pricing model is affected by estimates and assumptions regarding a number of complex and subjective variables. These variables include the expected volatility of our share price over the expected term of the options, share option exercise and cancellation behaviors, risk-free interest rates and expected dividends, which are estimated as follows:

Fair Value of our Ordinary Shares. Because our shares are not publicly traded, we must estimate the fair value of ordinary shares, as discussed in Ordinary Share Valuations below.

Expected Term. The expected term of options granted represents the period of time that options granted are expected to be outstanding, and is determined based on the simplified method in accordance with ASC No. 718-10-S99-1, (SAB No. 110), as adequate historical experience is not available to provide a reasonable estimate.

Volatility. The expected share price volatility was based on the historical equity volatility of the ordinary shares of comparable companies that are publicly traded.

Risk-free Rate. The risk-free interest rate is based on the yield from U.S. Treasury zero-coupon bonds with a term equivalent to the contractual life of the options.

Dividend Yield. We have never declared or paid any cash dividends and do not presently plan to pay cash dividends in the foreseeable future. Consequently, we used an expected dividend yield of zero.

From September 24, 2014, our ordinary shares are publicly traded, and therefore we currently base the value of options based on the market price of our ordinary shares.

Warrants to Purchase Preferred Shares

Prior to our initial public offering, we accounted for freestanding warrants to purchase our preferred shares as a liability on our balance sheet at fair value. We recorded warrants to purchase preferred shares as a liability because the underlying preferred shares were contingently redeemable (upon a deemed liquidation event) and, therefore, could have required us to transfer assets. The warrants were subject to re-measurement to fair value at each balance sheet date and any change in fair value was recognized as a component of financial income (expense), net, on the consolidated statements of comprehensive income.

We recorded the warrants at their estimated fair value utilizing the OPM with changes in the fair value of the warrant liability reflected in financial income (expense), net. Upon the completion of our initial public offering on September 24, 2014, the warrants were exercised to Series B3 preferred shares and later converted to ordinary shares. We re-measured the warrants as of the conversion date using the intrinsic value based on the initial public offering price.

The following assumptions were used to estimate the value of the Series B3 preferred share warrants as of December 31, 2012 and 2013 and March 31, 2014:

	Year ended December 31,		**Three months ended March 31,**
	2012	**2013**	**2014**
Expected volatility	45%	45%	45%
Expected dividends	0	0	0
Expected term (in years)	2.5	2	0.75
Risk free rate	0.32%	0.31%	0.10%

During the years ended December 31, 2012, 2013 and 2014, we recognized financial expenses in the amount of $0.2 million, $1.4 million and $4.3 million, respectively, from the re-measurement of the fair value of the warrants. For the three months ended March 31, 2014, we recognized financial expenses in the amount of $1.4 million from the remeasurement of the fair value of the warrants, while we did not incur any such expense during the three months ended March 31, 2015 because the warrants were exercised upon our initial public offering on September 24, 2014.

Income Taxes

As part of the process of preparing our consolidated financial statements we are required to estimate our taxes in each of the jurisdictions in which we operate. We account for income taxes in accordance with ASC Topic 740, Income Taxes, or ASC Topic 740. ASC Topic 740 prescribes the use of an asset and liability method whereby deferred tax asset and liability account balances are determined based on the difference between book value and tax bases of assets and liabilities and carryforward tax losses. Deferred taxes are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse. We exercise judgment and provide a valuation allowance, if necessary, to reduce deferred tax assets to their estimated realizable value if it is more likely than not that some portion or all of the deferred tax asset will not be realized.

Deferred tax assets are classified as short or long-term based on the classification of the related asset or liability for financial reporting, or according to the expected reversal dates of the specific temporary differences, if not related to an asset or liability for financial reporting. We account for uncertain tax positions in accordance with ASC 740 and recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. Accordingly, we report a liability for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. We recognize interest and penalties, if any, related to unrecognized tax benefits in tax expense.

Off-Balance Sheet Arrangements

We do not currently engage in off-balance sheet financing arrangements. In addition, we do not have any interest in entities referred to as variable interest entities, which includes special purposes entities and other structured finance entities.

Quantitative and Qualitative Disclosure About Market Risk

Foreign Currency Risk

Our results of operations and cash flows are affected by fluctuations due to changes in foreign currency exchange rates. In 2014, the majority of our revenues were denominated in U.S. dollars and the remainder in other currencies, primarily euros and British pounds sterling. In 2014, the majority of our cost of revenues and operating expenses were denominated in U.S. dollars and NIS and the remainder in other currencies, primarily euros and British pounds sterling. Our foreign currency-denominated expenses consist primarily of personnel, rent and other overhead costs. Since a significant portion of our expenses is incurred in NIS and is substantially greater than our revenues in NIS, any appreciation of the NIS relative to the U.S. dollar would adversely impact our net loss or net income, as relevant. In addition, since the portion of our revenues generated in euros is significantly greater than our expenses incurred in euros, any depreciation of the euro relative to the U.S. dollar would adversely impact our net loss or net income, as relevant. We currently have less exposure to fluctuations in the exchange rate of the British pound because our revenues and expenses in that currency have an offsetting effect.

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The following table presents information about the changes in the exchange rates of the NIS against the U.S. dollar:

Period	Change in Average Exchange Rate of the NIS Against the U.S. dollar (%)
2015 (through March 31, 2015)	2.9
2014	(0.9)
2013	(6.4)
2012	7.8

The figures above represent the change in the average exchange rate in the given period compared to the average exchange rate in the immediately preceding period. Negative figures represent depreciation of the U.S. dollar compared to the NIS. We estimate that a 10% strengthening or weakening in the value of the NIS against the U.S. dollar would have decreased or increased, respectively, our net income by approximately $2.0 million in 2014. We estimate that a 10% strengthening or weakening in the value of the euro against the U.S. dollar would have increased or decreased, respectively, our net income by approximately $0.7 million in 2014. These estimates of the impact of fluctuations in currency exchange rates on our historic results of operations may be different from the impact of fluctuations in exchange rates on our future results of operations since the mix of currencies comprising our revenues and expenses may change.

For purposes of our consolidated financial statements, local currency assets and liabilities are translated at the rate of exchange to the U.S. dollar on the balance sheet date and local currency revenues and expenses are translated at the exchange rate at the date of the transaction or the average exchange rate dollar during the reporting period to the United States.

To protect against the increase in value of forecasted foreign currency cash flow resulting from expenses paid in NIS during the year, we have instituted a foreign currency cash flow hedging program. We hedge portions of the anticipated payroll of our Israeli employees in NIS for a period of one to twelve months with forward contracts and other derivative instruments. We do not use derivative financial instruments for speculative or trading purposes.

Other Market Risks

We do not believe that we have material exposure to interest rate risk due to the fact that we have no long-term borrowings.

We do not believe that we have any material exposure to inflationary risks.

New and Revised Financial Accounting Standards

The JOBS Act permits emerging growth companies such as us to delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected not to avail ourselves of this and, therefore, we will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

Recently Issued and Adopted Accounting Pronouncements

In May 2014, the FASB issued an accounting standard update on revenue from contracts with customers, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new guidance will replace most existing revenue recognition guidance in U.S. GAAP when it becomes effective. The new standard is effective for us on January 1, 2017. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that the new guidance will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

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BUSINESS

Overview

We are a global leader and pioneer of a new layer of IT security solutions that protects organizations from cyber attacks that have made their way inside the network perimeter to strike at the heart of the enterprise. Our software solution is focused on protecting privileged accounts, which have become a critical target in the lifecycle of today s cyber attacks. Privileged accounts are pervasive and act as the keys to the IT kingdom, providing complete access to, and control of, all parts of IT infrastructure, industrial control systems and critical business data. In the hands of an external attacker or malicious insider, privileged accounts allow attackers to take control of and disrupt an organization s IT and industrial control infrastructures, steal confidential information and commit financial fraud. Our comprehensive solution proactively protects privileged accounts, monitors privileged activity and detects malicious privileged behavior. Our customers use our innovative solution to introduce this new security layer to protect against, detect and respond to cyber attacks before they strike vital systems and compromise sensitive data.

Organizations worldwide are experiencing an unprecedented increase in the sophistication, scale and frequency of cyber attacks. The challenge this presents is intensified by the growing adoption of new technologies, such as cloud computing, virtualization, software-defined networking, enterprise mobility and social networking, which has resulted in increasingly complex and distributed IT environments with significantly larger attack surfaces. Organizations have historically relied upon perimeter-based threat protection solutions such as network, web and endpoint security tools as the predominant defense against cyber attacks, yet these traditional solutions have a limited ability to stop today s advanced threats. As a result, an estimated 90% of organizations have suffered a cybersecurity breach according to a 2011 survey of approximately 580 U.S. IT practitioners by the Ponemon Institute, a research center focused on privacy, data protection and information security policy. Organizations are just beginning to adapt their security strategies to address this new threat environment and are evolving their approaches based on the assumption that their network perimeter has been or will be breached. They are therefore increasingly implementing new layers of security inside the network to disrupt attacks before they result in the theft of confidential information or other serious damage. Regulators are also continuing to mandate rigorous new compliance standards and audit requirements in response to this evolving threat landscape.

We believe that the implementation of a privileged account security solution is one of the most critical layers of an effective security strategy. Privileged accounts represent one of the most vulnerable aspects of an organization s IT infrastructure. Privileged accounts are used by system administrators, third-party and cloud service providers, applications and business users, and they exist in nearly every connected device, server, hypervisor, operating system, database, application and industrial control system. Due to the broad access and control they provide, exploiting privileged accounts has become a critical stage of the cyber attack lifecycle. The typical cyber attack involves an attacker effecting an initial breach, escalating privileges to access target systems, moving laterally through the IT infrastructure to identify valuable targets, and exfiltrating, or stealing, the desired information. According to Mandiant, credentials of authorized users were hijacked in 100% of the breaches that Mandiant investigated, and privileged accounts were targeted whenever possible. Further, a study we conducted in 2014 using research from forensic firms, including Mandiant and Deloitte & Touche LLP, revealed that privileged accounts were exploited in at least 80% of the serious security incidents investigated by the firms included